



Reliance Infrastructure Limited
Q3 FY16 Results Conference Call
January 21, 2016

Moderator: Ladies and gentlemen, good day and welcome to the Reliance Infrastructure Q3 FY16 results conference call. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * followed by 0 on your Touchtone phone. Please note that this conference is being recorded. At this time I would like to handover the conference to Mr. Lalit Jalan (CEO & Group Director, Strategy & Corporate Affairs). Thank you and over to you, sir.

Lalit Jalan: Thank you. Good afternoon all analysts and I really appreciate all of you taking time from your extremely busy results schedule to be on our concall. We really value our relationship with you. I will may be take 20 minutes and take you through the key highlights and then open the floor for as many questions as you all might have.

The results are with you; the media release is with you. I presume it is read but I will just read out the key numbers. It has been a very encouraging quarter again. The total income for the quarter is at Rs. 4,395 crore. The EBITDA is at an all time high at Rs. 1,294 crore. The net profit is at Rs. 463 crore, which is a growth of 2% and this is despite the loss in our metro operations as well as the start up loss in our cement operations totaling to Rs. 93 crore.

The consolidated net worth of the company stands at Rs. 28,200 crore which leads to a book value of Rs. 1,072 per share at the end of third quarter. Talking of the key highlights, we have now acquired complete management control of Pipavav Defence. We now own 36.5% of the stock. The board has been changed. Mr. Ambani is the Chairman of the board and the change of name to Reliance Defence & Engineering Limited will also happen very soon.

All the asset monetisation namely Cement, Road and Mumbai Power are well on track. In cement, we have just missed our internal deadline of December 31st but I will brief you in more detail later on in the call.

On the infrastructure side, our entire portfolio of 11 roads are operational and these are 4,600 lane kms owned 100% by us and the traffic growth that we find is encouraging even after muted tariff growth.

I am happy to say that our entire portfolio of transmission assets namely 11 transmission lines comprising of WRSS Maharashtra and Gujarat project and Parbati Koldam JV with PowerGrid is also fully operational.

The consumer additions in our Mumbai and Delhi distribution circles continued at a fast pace and we added 75,000 new customers between the two license areas.

Coming into a little more detail on Mumbai Distribution, we have signed the non-binding term sheet with PSP of Canada on November 14th. The due diligence is going on for the last two months and the teams from Canada come here literally every two weeks. They have appointed all their internal consultants. Till now they have not been able to find anything amiss in the due diligence. The due diligence is expected to be completed by the end of January and the documentation will start early February. We expect board approvals soon and we should be in a position to sign the definitive documents for the 49% stake sale by end of March 2016. The recovery of past arrears continues on smooth tracks. We have recovered Rs. 2,000 crore arrears till the current quarter out of the Rs. 5,550 crore arrears approved by MERC. The new MYT regulations for the current control period of FY17 to FY20 are out and we will be filing our tariff application under the new guidelines shortly.

On the Delhi distribution side we are working towards securing accelerated recovery of regulatory assets. The Supreme Court order is reserved. The Delhi High Court on the CAG matter has come out very strongly against the CAG and they have said that this is a political motivation to try and set lower tariffs which is completely unacceptable. They said that DERC is the sole tariff setting authority and they came out very strongly. Of course the Delhi Government, CAG and the NGOs have challenged it in the Supreme Court and the Supreme Court has not given any stay on their request and the next hearing is in March 2016.

The other good thing that has happened is for the first time we see a reduction in power purchase cost is more in Delhi than in Mumbai. The purchase cost are decreasing with the improved coal supplies along with reduction in the imported coal cost, better efficiency and the CERC guidelines which has come in to operation for the central sector plants.

On the transmission side, the 9th line i.e. Rajgarh-Karamsad (243 kms) line which was actually complete, but we were waiting to charge it owing to pending approval in Supreme Court on the Green Tribunal which has finally come and the line has been energised. So this completes the WRSS (Gujarat and Maharashtra) project. We will soon be filing for the tariff increase petition in CERC for the abnormal delay which has been caused owing to the delays of NGT. The Parbati Koldam 400 KV lines have been commissioned at the highest altitudes in the nation and this has been done in areas involving dense forest, tough terrains and snow bound areas. The availability of all our transmission line continues at a very high 99.8%.

On EPC side, our order book as of December 31, 2015 is Rs. 3,660 crore. We did revenue of Rs. 490 crore. We have now put tremendous focus into opportunities in the entire power sector chain. We are focusing on the external projects i.e. Road, Metro rail, Railways as well as Smart cities. We really want to increase our order book because the focus of the government will be much more on EPC basis and we are also looking on the EPC mode to grow and our internal targets is to bring back our order book to the size of Rs. 30,000 crore at the earliest. Clearly we won't bid without keeping profitability in mind. The initial road projects which were bid via EPC, if you see were built at very low prices even lower than the TPC expected by NHAI. Those numbers have now become sensible and you will see us participating actively in future projects.

Coming on the road side, as we had mentioned all our road projects are operational. The total investment in road portfolio till December end is Rs. 9,100 crore. The last project namely i.e. Kandla Mundra project got commissioned in this quarter. We plan to monetise the entire road portfolio and we have launched a bidding process formally. There are 10 international bidders who are actively pursuing this opportunity. We expect the non-binding offers to be received by us by the end of January and then with detailed due diligence among the shortlisted bidders we expect to close the definitive documents by the end of this financial year.

In Mumbai Metro, we continue to run the line very efficiently. The availability and the timeliness of the line is well over 99%. We have carried more than 14 crore commuters over 600 accident free days. From the start, we are carrying average of 3 lakhs commuters per day on week days, which makes us one of the densest metros for such short line. The Fare Fixation Committee has fixed the fare upto Rs. 110. We have also requested the Government of Maharashtra to allow full use of real estate as well as advertising to cross subsidize the tariff. As the real estate and advertising proposals are with Government of Maharashtra, they have challenged the FFCs in Bombay High Court and the next hearing is expected by end of January.

On Cement business, in this market we continue to run the plant at a clinker capacity of 75%. The total revenue earned by the cement business is at Rs. 376 crore. The entire 5.6 million tones including our grinding capacity are operational. Our monetisation is at a very advanced level. We are just discussing and closing the documentation with the selected bidder and we expect that we will be in a position to announce the definitive documents over the next 10 days to two weeks.

In the Defence business, we have acquired the sole management control of Pipavav Defence of 36.5%. The total money spent is around Rs. 1,800 crore. This will be our naval center of excellence for our naval projects. It will be renamed as Reliance Defence & Engineering Limited. We intent to exit the CDR package which was approved in March 2015 and we are in discussion with the bankers for the same. We have also acquired land in Mihan for our aerospace business.

India continues to be the largest importer in the world of defence weapons and equipments. The purchase over the next 10 years is expected to be in the range of Rs. 1,500,000 crore which works out to be at a staggering Rs. 500 crore per day. So this opportunity which is available to the Indian manufacturers of defence equipment and under the 'Make in India' and 'Skill India' initiative, the Government is committed to bring its imports down to 30% from little more than 70% today and Reliance Defence and its 12 subsidiaries, 3 manufacturing facilities, 2 innovation and development centers and 20 industrial licenses cover the full spectrum of weapon systems and is ideally positioned. We have also recruited 40 very senior people in the defence business. They are with us now and working in the various verticals that I just announced. So defence, if I look for Reliance Infrastructure is one of the three pegs on which we plan to grow.

Number one peg will be our distribution peg where we will continue to excel in our Mumbai and work hard to clear the regulatory mix in Delhi. We are monetising 49% stake with a long term partners PSP of Canada. Then the other big peg will be our EPC construction business for external project projects because our internal capital expenditure of the group of Rs. 100,000 crore is over and the reverse cash flows have started. The third big peg which Reliance Infrastructure had taken is the peg of Defence which I mentioned in a little bit of detail. Together with the monetisation of Cement, Roads & 49% stake sale in Mumbai power business we expect Reliance Infrastructure by March 2017 would become debt free company on a standalone basis.

We will continue to look at opportunities which have aligned with our strategy for Reliance Infrastructure. With these words, I would like to handover the mic back and I am open to answer any questions you might have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Sumit Kishore from JP Morgan.

Sumit Kishore: I have two questions. My first question is on Pipavav Defence which made a loss of about Rs. 3 billion in the December quarter. Could you give us a roadmap for the business over a medium term and starting March quarter should we start assuming that 36.5% of the losses would be consolidated as a part of your associate income?

Lalit Jalan: You are right in your analysis and we are working very hard to add to our order book at Pipavav Defence. The current order book clearly cannot justify the acquisition. On the second question once we come out with a detailed strategy on our plans for Pipavav Defence for the next year we would be happy to may be call many of you to meet with our defence team for them to share the detail plan with you. We are expecting significant orderflow in the coming financial year and defence being very bulky in the orders in which they give and the timelines which it takes it is very difficult unlike NHAI where you can say that I am looking to win 10% of the orders in the road business and this is the expectation by the quarter. The 36.5% of Defence P&L whatever the case may be will be consolidated with Reliance Infrastructure.

Sumit Kishore: Okay so once again would this be on a line-by-line basis or just the 36.5% of the loss or profit at the associate level?

Lalit Jalan: It will be at the share of profit level.

Sumit Kishore: Share of profit, there is no consolidation of revenue or EBITDA?

Lalit Jalan: No, it is completely independent.

Sumit Kishore: The second question is regarding the increase of stake in Reliance Power that you have done over the last couple of years, now it is close to 43.2%. So is there any plan to increase the stake further, I mean we have seen it go up from 36.5% levels to 43% now?

Lalit Jalan: I mean there is no active plan to increase the shareholding. We think we are very positive on our investment in Reliance Power. We have made significant gains for the shareholders from our investment in Reliance Power and it is not that we have to hold this stake forever. As the correct prices on the power sector get discovered we will be open to even monetize our stake. Our long term desire is to own 51% of Reliance Power. But clearly there is a dislocation in the prices currently and we will wait for the appropriate time to emerge and the correct value can be discovered.

Sumit Kishore: So the long term plan is to hold 51% stake but this is for the entire Reliance Group combined I mean not Reliance Infrastructure?

Lalit Jalan: That is right.

Moderator: Thank you very much. We will take the next question from the line of Ashutosh Narkar from HSBC.

Ashutosh Narkar: A couple of questions. First one on the metro operations. If you can give us an idea about what is the current utilization level we will be running our Metro operations at and I assume that you can always crunch down the time slots between two trains running. So just to get a sense about how much more capacity we can add over the next two year timeframe as things pick up? That is the first question. On the second question on Pipavav Shipyard, what is the progress now that we have taken management control, if you can give us some idea about what has been the progress on couple of bids which we have put in, one for the landing platform dock as well as the anti-submarine warfare ships as well as the Corvettes and Frigates? If you could give us some idea about how we have progressed in those bids?

The third one is on the inter-corporate deposits. As we are trying to liquidate majority of our holdings in our businesses, would these inter-corporate deposits tend to kind of come back to us?

And the fourth question is on Crest Developers. If you could give us an idea as to what is the nature of our business with them given the fact that we will lend more than Rs. 6,000 crore of loans to them?

Lalit Jalan: Yeah, lot of questions, I hope I remember all of them. So Metro clearly, see today we are already running at a 4 minute cycle and this can be crunched down to 3 minutes and slightly below 3 minutes during the peak hours as the demand grows. For the same level of the 64 coaches that we have, we can technically cater to a peak load of almost like 5.5 lakhs, 6 lakhs passengers which can take care of next several years. We have the ability to add another 44 coaches taking it to 18 trains of 6 coaches each and the platform is designed for that which can then take our full capacity to more like 8 lakhs, 9 lakhs per day.

Ashutosh Narkar: But would we require, what would be the additional CAPEX required for this?

Lalit Jalan: For the 44 coaches, which of course that we will kind of trigger off only when we see that we are closing to 4.5 lakh passengers which is 50% from here. So say in three years from now, we think that the growth is happening then our capital expenditure on the 44 coaches will be about Rs 500 crore. On the Pipavav Dock, for all the businesses that you mentioned we are at an advanced stage, we expect the landing dock order offers to be opened by the end of first quarter of next financial year and we are very hopeful given our capability in this space.

Ashutosh Narkar: Sorry to interrupt, so just to understand so we have been cleared for the technical evaluation, so it is only the financial evaluation now left?

Lalit Jalan: That is right. So those bids are to be opened and then so that will be by the end of the first quarter. And coming to the Crest Developers, Crest is our internal EPC company which does the local EPC work for many of our projects and these are advances given to Crest to take care of the cash flow needs because their monies have got stuck with several of the EPC contracts that we have done. So as these monies get released we expect that this money from Crest will be released to us. On the ICDs we are in discussion

with the people and we expect that the liquidation of ICDs will start very shortly.

Ashutosh Narkar: So just to understand take a broad picture we would potentially have the money coming in from the debts, so you are expecting company to be debt-free close to around Rs. 12,000 crore - Rs. 13,000 crore coming in from selling of the assets as well as around Rs. 9,400 crore coming in from the intercorporate deposits. That is close to around Rs. 22,000 crore or so. Would that be a fair assumption?

Lalit Jalan: No, In Mumbai distribution itself almost about Rs.7,000 crore of debt will be transferred to the SPV. So the total debt reduction owing to Mumbai distribution itself will be more like Rs. 11,000 crore. And then we have the equity flow coming in from road and cement business. So even without liquidating our ICDs we expect to become debt free at Reliance Infrastructure on a standalone basis.

Ashutosh Narkar: I was just trying to understand what would be the cash balance you would have put together would it be close to around Rs. 24,000 crore, Rs. 25,000 crore?

Lalit Jalan: Yeah the other part is also that we have not including here is that expected cash flow is coming out of our Delhi Metro business. The arbitration is at a very advanced stage our case is extremely strong and that could be an additional equity cash flow of more than Rs. 1,500 crore.

Ashutosh Narkar: The last question, given that so much of cash we potentially anticipate on our books, do we kind of look at share buyback or a special dividend which could potentially come through?

Lalit Jalan: Let me reach that position where I was prior to 2011 and then hopefully I will be sharing good news with you if you people have not done enough to my stock.

Moderator: Thank you very much. We will take the next question from the line of Mohit Kumar from IDFC Securities.

Mohit Kumar: I have couple of questions. Why the margin of EPC business was so high in this particular quarter? Was there any one off which you can attribute to?

Lalit Jalan: Yeah, see the normal margins that the guidelines we gave and what we think we can achieve in a long term basis is the 8% to 10% range, clearly some of the projects which got completed. The provisions which we had made got returned back, so that is why there is a onetime margin, it is easier, but this is not a sustainable situation.

Mohit Kumar: Sir, what was the final capital cost for Parbati Koldam and for WRSS? And my second question pertains to the WRSS also, what kind of relief you are looking when you are approaching CERC in terms of the revenue per year?

Lalit Jalan: So in Parbati Koldam, the total capital expenditure is just around Rs.1,000 crore and in WRSS both the projects it is around Rs.1,800 crore. We have already sought for relief in Maharashtra project. For Gujarat project, we will soon be going. We expect a total relief of Rs. 600 crore in terms of converting to tariff at 16% return, because they won't give lump sum money, so they will enhance our tariff which we have bid for.

Mohit Kumar: So are you saying that there was Rs. 600 crore of cost escalation primarily due to the delay from NGT?

Lalit Jalan: No, not only NGT there has been severe delay in our Maharashtra project owing to very difficult conditions in ROW especially as it comes closer to Pune and Aurangabad. And we had to file hundreds of cases to get one ROW cleared at these places and this is despite the District Magistrate's order and everything. So the entire thing is documented and we will present this to them, the delay is owing to the ROW, cost increase and fees as well as the IDC that we have suffered for both the projects to the tune of Rs. 600 crore.

Mohit Kumar: And sir, you have taken an enabling resolution for raising money in Pipavav Defence so are you looking to raise money in a couple of months or so and when do we expect the losses for Pipavav Defence to wipe out?

Lalit Jalan: That is just an enabling resolution. There is no immediate desire to raise money in Pipavav. The losses for Pipavav is expected to continue for the coming year because even if we get orders starting June, July of next year it is difficult to get significant revenue out of those orders. Of course it might mean significant cash flows to us. We are also at an advanced level of discussion with PSU shipyards which are overloaded with work and we are

working with them to offload part of the work as they are anyway running way behind schedule. So if that materializes, that can happen much sooner.

Mohit Kumar: So sir, since you are making loss in Pipavav Defence and you want to exit CDR at the same time, you need to infuse money in my opinion, is it not?

Lalit Jalan: Wait and see, I mean we have approached the banks, There is a complete change of management and the strengths that we bring. We are in discussion with the banks I mean money infusion is only one of the many options that banks look at.

Mohit Kumar: Sir, also where is the arbitration of Delhi Metro, is it likely that there is the arbitration order by the end of this quarter?

Lalit Jalan: No, not by the end of this quarter but we are very hopeful that there will be an arbitration order by the end of June and given the new arbitration law we are very enthused that at least issue of stay which was easily awarded by High Courts is not an option.

Mohit Kumar: So right now we will infuse around Rs. 20 billion of debt to the obligation which you have taken and a part on there is Rs. 12 billion of equity so that is the amount we have invested right?

Lalit Jalan: Yeah.

Mohit Kumar: My last question, sir. How has been the growth in ridership in Mumbai Metro over last year, if you can give in terms of the number of passengers?

Lalit Jalan: See what has happened is, we started off the Metro at a flat tariff of Rs.10 and now our tariff has moved up to a peak of Rs.40. So the average tariff we are getting is almost like Rs. 21, if you include everything during weekends. So owing to the say increase in tariff, well the revenues have increased dramatically; the increase in passengers has been marginal. But now we are seeing that when the tariffs have kind of steadied over the last several months, we are seeing now a growth of 7% to 8%.

Mohit Kumar: And sir, the talks which you are having with the Maharashtra Government regarding some kind of arrangement where they will give a subsidy to compensate for the higher cost which we have incurred in building this Metro?

Lalit Jalan: It is a continuous process. We are in discussion with both MMRDA and Government of Maharashtra on a regular basis on ways and means to make Mumbai Metro very sustainable. It is already the pride of Mumbai and we also understand that a private Metro which got delayed owing to reasons which were in their control cannot be made unsustainable. But let's see, I mean it is difficult to give a timeline for that.

Moderator: Thank you very much. We will take the next question from the line of Sandeep Hemraj from PCS Securities.

Sandeep Hemraj: My first question is regarding the cement business sales, Birla Corp name is appearing in the media, is that the company that is on the front running?

Lalit Jalan: I have also seen the names, like you have seen. So just wait for a formal announcement.

Sandeep Hemraj: So like you said we were expecting in the next two weeks. Could you give us a ballpark figure that you are expecting?

Lalit Jalan: I guess you will have to wait for my media statement but again I mean it is there in the media, people have kind of estimated.

Sandeep Hemraj: Regarding this foreign exchange loss, which you have reported in the notes. Could you just tell me how it has been accounted for, has it been taken in the P&L?

Lalit Jalan: As a standard policy we draw it from reserves. It does not go through the P&L but it has been drawn from reserves.

Sandeep Hemraj: So it has not affected our P&L?

Lalit Jalan: No. This is the same thing which we did last year, so there is no difference.

Sandeep Hemraj: You have about Rs. 10,000 crore of regulatory assets to be recovered from Delhi for which you are awaiting the Court order, any updates on that sir?

Lalit Jalan: See, there are two things. One, there are six, seven orders of appellates which are strongly in our favor, which have been challenged by DERC and it is in the Supreme Court. And there is a writ petition filed by BSES where matter is heard, completed and the judgment is reserved. What the Supreme Court has said is that they will first dispose off the main writ petition and then

they will hear on a daily basis the 6 or 7 appellate orders ruled in our favor which are temporarily stayed by the Supreme Court. So we expect a positive outcome but clearly we have to wait for the Supreme Court to announce.

Sandeep Hemraj: So what is the CAPEX on the Mumbai distribution and Delhi distribution you are expecting in FY16 and FY17?

Lalit Jalan: We typically spend between Rs. 300 crore to Rs. 400 crore in Mumbai distribution and in the region of Rs. 500 crore on Delhi distribution.

Sandeep Hemraj: So there are no fresh regulatory assets being created, are you recovering all of that?

Lalit Jalan: Yeah, Mumbai distribution there is no fresh accretion or regulatory assets. In fact our regulatory assets are coming down both with the regulator as well as in our books. But in Delhi distribution we haven't in spite of the cost reduction in power, we are still accruing some regulatory assets in Delhi and we hope that this will change with the Supreme Court order.

Sandeep Hemraj: If you could share the figure, what is the amount?

Lalit Jalan: I mean the total number which is there in our books as of December is in the region of Rs. 15,275 crore.

Sandeep Hemraj: So, this is excluding Rs 10,000 crore for which you have received the order?

Lalit Jalan: No, I am saying the Rs. 10,000 crore is part of it. Those are the ones which are recognized by the DERC. Then there are the six or seven appellate orders in our favor for which because the DERC has challenged in Supreme Court, they have not given any effect to it in the tariff order. That itself if you do based on even DERC's estimates would be almost like Rs.10,000 crore and then there are other claims which are pending at various levels at DERC and APTEL.

Sandeep Hemraj: Assuming that without the sale of assets, how is the cash flow situation panning out now that most of your assets are monetised and operational how do you see that panning out?

Lalit Jalan: We are cash flow positive. You have seen our standalone income, the capex cycle is over, and there is just a marginal amount of equity money that we need to put in completing our six lane road projects. So there is no more

capex and it is just recoveries and operating cash flow from our existing projects.

Sandeep Hemraj: Okay so your focus would be on recoveries moving forward?

Lalit Jalan: Absolutely.

Sandeep Hemraj: Sir, your road project growth has been muted despite commissioning of the last project, what is the reason for this?

Lalit Jalan: No, there were two things. One, is clearly the floods in Chennai had a significant impact because six of our road projects are in Tamil Nadu itself and we did not collect toll for one month as per Government order. We have put a claim to Government of India through NHAI. The traffic growth that we find is in the region on our overall portfolio is ~6% to 7% for FY16.

Sandeep Hemraj: So what is the tune of amount that this one month of non collection of toll claims?

Lalit Jalan: We will revert back to you, I do not have the number on the top of my mind but we will revert back to you. If you see the one month collection of some projects it is about Rs. 15 crore I think.

Sandeep Hemraj: Sir, you mentioned that there has been a reduction in purchase cost of power more on the Delhi side, would this reduced power cost stay and are you expecting further reduction?

Lalit Jalan: We expect further reduction but we strongly feel that the tariff currently is non workable. If you see reduction in purchase cost, the gap reduces. So unfortunately the tariff setting has got politicised in Delhi and so we are awaiting the directions of the Honorable Supreme Court.

Sandeep Hemraj: So there is no pass through of this reduction in purchase cost as of now?

Lalit Jalan: Not right now.

Sandeep Hemraj: So we could anticipate creation of new assets?

Lalit Jalan: You are absolutely right.

Sandeep Hemraj: My last question is you said that you are proposing to recover the ICD that have been there in the books for quite some time. Any guidelines on that, in

terms of what is your anticipation of recovering over the next one to two years?

Lalit Jalan: We expect that over the next three years i.e. between FY17, FY18 and FY19 we should be in a position to recover our ICDs.

Sandeep Hemraj: Okay in complete?

Lalit Jalan: Yes.

Moderator: Thank you very much. We will take the next question from the line of Ankur Kulshrestha from HDFC.

Ankur Kulshrestha: I have a few questions mainly in the cement business. Just if you could help with the quarterly volumes for current and previous quarter just to get a sense of cement volumes?

Lalit Jalan: The cement volume for the current quarter is 0.83 million tons.

Ankur Kulshrestha: For the previous quarter as well as the year ago quarter?

Lalit Jalan: Year ago was much lower significantly lower, we had just started in November and for the whole year is 2.4 million tons.

Ankur Kulshrestha: And in 2Q if you could share?

Lalit Jalan: It is lower than this.

Ankur Kulshrestha: And any sense on what is the EBITDA/Tonne profitability of the operations at current utilization levels?

Lalit Jalan: It is in the region of about Rs. 800/tonne.

Ankur Kulshrestha: Okay even after the realization declines or pricing declines that we have seen in Central India we are able to do Rs.800/tonne?

Lalit Jalan: That is right.

Ankur Kulshrestha: Second question, what are tax benefits available to the cement business across capacities and so we are going to do a transaction, are these tax benefits transferable basically?

Lalit Jalan: Yeah there are lots of tax benefits in multiple states available to the cement business and as far as we see it these tax benefits belong to the plant and so they will be transferable. We do not see any problem.

Ankur Kulshrestha: Okay sir could you share any like details on VAT excise the kind of benefits you have?

Lalit Jalan: No, I do not think so.

Ankur Kulshrestha: And sir, last question. I have heard that in addition to the 5.5 million tons capacity there are leases as well that Reliance Cement has, so would you be able to provide any number on probably the reserves or the potential capacity that these reserves could build on and the location of leases in other states?

Lalit Jalan: No, we have the advice in Karnataka, we have PLs in Andhra, Rajasthan, Maharashtra, Himachal, Madhya Pradesh and these are very attractive leases that we have won, some are on PLs and some are on advice.

Ankur Kulshrestha: So LOIs are prior to the enactment of MMDR?

Lalit Jalan: Yeah, all of these are.

Ankur Kulshrestha: So this will all get transferred to the new buyer basically?

Lalit Jalan: We expect.

Ankur Kulshrestha: And if I could ask one last question, on the fly ash sourcing arrangement in the plants in MP and UP, I believe we will be sourcing from Reliance Power currently. So again what would be the status of these sourcing arrangements after its transaction for the new buyers?

Lalit Jalan: No those sourcing arrangements whatever exists today will be made available to the new buyer.

Moderator: Thank you very much. We will take the next question from the line of Shankar K from Edelweiss.

Shankar K: Sir, in the standalone numbers the other income for this quarter is very high I mean if we see the trajectory of the last couple of months, so any particular reasons about that and what is it that we can expect over the next couple of quarters?

Lalit Jalan: No, it is a one off, we received a dividend of Rs. 118 crore in Q3 from Reliance Power and so on a consolidated basis it did not made an impact because that got nullified. So going forward this one off not being there, it will become in the normal trajectory.

Shankar K: So this was the only one off?

Lalit Jalan: Yeah, Rs. 118 crore.

Moderator: Thank you very much. This was the last question in the queue. As there are no further questions I now hand the conference over to Mr. Lalit Jalan for closing comments.

Lalit Jalan: Thank you all of you for coming in large numbers for the analysts concall for the third quarter results of Reliance Infrastructure and wish you all the best. Thank you.

Moderator: Thank you. On behalf of Reliance Infrastructure, that concludes this conference. Thank you for joining us and you may now disconnect your lines.



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Moderator: Ladies and gentlemen, good day and welcome to the Reliance Infrastructure Q3 FY16 results conference call. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * followed by 0 on your Touchtone phone. Please note that this conference is being recorded. At this time I would like to handover the conference to Mr. Lalit Jalan (CEO & Group Director, Strategy & Corporate Affairs). Thank you and over to you, sir.

Lalit Jalan: Thank you. Good afternoon all analysts and I really appreciate all of you taking time from your extremely busy results schedule to be on our concall. We really value our relationship with you. I will may be take 20 minutes and take you through the key highlights and then open the floor for as many questions as you all might have.

The results are with you; the media release is with you. I presume it is read but I will just read out the key numbers. It has been a very encouraging quarter again. The total income for the quarter is at Rs. 4,395 crore. The EBITDA is at an all time high at Rs. 1,294 crore. The net profit is at Rs. 463 crore, which is a growth of 2% and this is despite the loss in our metro operations as well as the start up loss in our cement operations totaling to Rs. 93 crore.

The consolidated net worth of the company stands at Rs. 28,200 crore which leads to a book value of Rs. 1,072 per share at the end of third quarter. Talking of the key highlights, we have now acquired complete management control of Pipavav Defence. We now own 36.5% of the stock. The board has been changed. Mr. Ambani is the Chairman of the board and the change of name to Reliance Defence & Engineering Limited will also happen very soon.

All the asset monetisation namely Cement, Road and Mumbai Power are well on track. In cement, we have just missed our internal deadline of December 31st but I will brief you in more detail later on in the call.

On the infrastructure side, our entire portfolio of 11 roads are operational and these are 4,600 lane kms owned 100% by us and the traffic growth that we find is encouraging even after muted tariff growth.

I am happy to say that our entire portfolio of transmission assets namely 11 transmission lines comprising of WRSS Maharashtra and Gujarat project and Parbati Koldam JV with PowerGrid is also fully operational.

The consumer additions in our Mumbai and Delhi distribution circles continued at a fast pace and we added 75,000 new customers between the two license areas.

Coming into a little more detail on Mumbai Distribution, we have signed the non-binding term sheet with PSP of Canada on November 14th. The due diligence is going on for the last two months and the teams from Canada come here literally every two weeks. They have appointed all their internal consultants. Till now they have not been able to find anything amiss in the due diligence. The due diligence is expected to be completed by the end of January and the documentation will start early February. We expect board approvals soon and we should be in a position to sign the definitive documents for the 49% stake sale by end of March 2016. The recovery of past arrears continues on smooth tracks. We have recovered Rs. 2,000 crore arrears till the current quarter out of the Rs. 5,550 crore arrears approved by MERC. The new MYT regulations for the current control period of FY17 to FY20 are out and we will be filing our tariff application under the new guidelines shortly.

On the Delhi distribution side we are working towards securing accelerated recovery of regulatory assets. The Supreme Court order is reserved. The Delhi High Court on the CAG matter has come out very strongly against the CAG and they have said that this is a political motivation to try and set lower tariffs which is completely unacceptable. They said that DERC is the sole tariff setting authority and they came out very strongly. Of course the Delhi Government, CAG and the NGOs have challenged it in the Supreme Court and the Supreme Court has not given any stay on their request and the next hearing is in March 2016.

The other good thing that has happened is for the first time we see a reduction in power purchase cost is more in Delhi than in Mumbai. The purchase cost are decreasing with the improved coal supplies along with reduction in the imported coal cost, better efficiency and the CERC guidelines which has come in to operation for the central sector plants.

On the transmission side, the 9th line i.e. Rajgarh-Karamsad (243 kms) line which was actually complete, but we were waiting to charge it owing to pending approval in Supreme Court on the Green Tribunal which has finally come and the line has been energised. So this completes the WRSS (Gujarat and Maharashtra) project. We will soon be filing for the tariff increase petition in CERC for the abnormal delay which has been caused owing to the delays of NGT. The Parbati Koldam 400 KV lines have been commissioned at the highest altitudes in the nation and this has been done in areas involving dense forest, tough terrains and snow bound areas. The availability of all our transmission line continues at a very high 99.8%.

On EPC side, our order book as of December 31, 2015 is Rs. 3,660 crore. We did revenue of Rs. 490 crore. We have now put tremendous focus into opportunities in the entire power sector chain. We are focusing on the external projects i.e. Road, Metro rail, Railways as well as Smart cities. We really want to increase our order book because the focus of the government will be much more on EPC basis and we are also looking on the EPC mode to grow and our internal targets is to bring back our order book to the size of Rs. 30,000 crore at the earliest. Clearly we won't bid without keeping profitability in mind. The initial road projects which were bid via EPC, if you see were built at very low prices even lower than the TPC expected by NHAI. Those numbers have now become sensible and you will see us participating actively in future projects.

Coming on the road side, as we had mentioned all our road projects are operational. The total investment in road portfolio till December end is Rs. 9,100 crore. The last project namely i.e. Kandla Mundra project got commissioned in this quarter. We plan to monetise the entire road portfolio and we have launched a bidding process formally. There are 10 international bidders who are actively pursuing this opportunity. We expect the non-binding offers to be received by us by the end of January and then with detailed due diligence among the shortlisted bidders we expect to close the definitive documents by the end of this financial year.

In Mumbai Metro, we continue to run the line very efficiently. The availability and the timeliness of the line is well over 99%. We have carried more than 14 crore commuters over 600 accident free days. From the start, we are carrying average of 3 lakhs commuters per day on week days, which makes us one of the densest metros for such short line. The Fare Fixation Committee has fixed the fare upto Rs. 110. We have also requested the Government of Maharashtra to allow full use of real estate as well as advertising to cross subsidize the tariff. As the real estate and advertising proposals are with Government of Maharashtra, they have challenged the FFCs in Bombay High Court and the next hearing is expected by end of January.

On Cement business, in this market we continue to run the plant at a clinker capacity of 75%. The total revenue earned by the cement business is at Rs. 376 crore. The entire 5.6 million tones including our grinding capacity are operational. Our monetisation is at a very advanced level. We are just discussing and closing the documentation with the selected bidder and we expect that we will be in a position to announce the definitive documents over the next 10 days to two weeks.

In the Defence business, we have acquired the sole management control of Pipavav Defence of 36.5%. The total money spent is around Rs. 1,800 crore. This will be our naval center of excellence for our naval projects. It will be renamed as Reliance Defence & Engineering Limited. We intent to exit the CDR package which was approved in March 2015 and we are in discussion with the bankers for the same. We have also acquired land in Mihan for our aerospace business.

India continues to be the largest importer in the world of defence weapons and equipments. The purchase over the next 10 years is expected to be in the range of Rs. 1,500,000 crore which works out to be at a staggering Rs. 500 crore per day. So this opportunity which is available to the Indian manufacturers of defence equipment and under the 'Make in India' and 'Skill India' initiative, the Government is committed to bring its imports down to 30% from little more than 70% today and Reliance Defence and its 12 subsidiaries, 3 manufacturing facilities, 2 innovation and development centers and 20 industrial licenses cover the full spectrum of weapon systems and is ideally positioned. We have also recruited 40 very senior people in the defence business. They are with us now and working in the various verticals that I just announced. So defence, if I look for Reliance Infrastructure is one of the three pegs on which we plan to grow.

Number one peg will be our distribution peg where we will continue to excel in our Mumbai and work hard to clear the regulatory mix in Delhi. We are monetising 49% stake with a long term partners PSP of Canada. Then the other big peg will be our EPC construction business for external project projects because our internal capital expenditure of the group of Rs. 100,000 crore is over and the reverse cash flows have started. The third big peg which Reliance Infrastructure had taken is the peg of Defence which I mentioned in a little bit of detail. Together with the monetisation of Cement, Roads & 49% stake sale in Mumbai power business we expect Reliance Infrastructure by March 2017 would become debt free company on a standalone basis.

We will continue to look at opportunities which have aligned with our strategy for Reliance Infrastructure. With these words, I would like to handover the mic back and I am open to answer any questions you might have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Sumit Kishore from JP Morgan.

Sumit Kishore: I have two questions. My first question is on Pipavav Defence which made a loss of about Rs. 3 billion in the December quarter. Could you give us a roadmap for the business over a medium term and starting March quarter should we start assuming that 36.5% of the losses would be consolidated as a part of your associate income?

Lalit Jalan: You are right in your analysis and we are working very hard to add to our order book at Pipavav Defence. The current order book clearly cannot justify the acquisition. On the second question once we come out with a detailed strategy on our plans for Pipavav Defence for the next year we would be happy to may be call many of you to meet with our defence team for them to share the detail plan with you. We are expecting significant orderflow in the coming financial year and defence being very bulky in the orders in which they give and the timelines which it takes it is very difficult unlike NHAI where you can say that I am looking to win 10% of the orders in the road business and this is the expectation by the quarter. The 36.5% of Defence P&L whatever the case may be will be consolidated with Reliance Infrastructure.

Sumit Kishore: Okay so once again would this be on a line-by-line basis or just the 36.5% of the loss or profit at the associate level?

Lalit Jalan: It will be at the share of profit level.

Sumit Kishore: Share of profit, there is no consolidation of revenue or EBITDA?

Lalit Jalan: No, it is completely independent.

Sumit Kishore: The second question is regarding the increase of stake in Reliance Power that you have done over the last couple of years, now it is close to 43.2%. So is there any plan to increase the stake further, I mean we have seen it go up from 36.5% levels to 43% now?

Lalit Jalan: I mean there is no active plan to increase the shareholding. We think we are very positive on our investment in Reliance Power. We have made significant gains for the shareholders from our investment in Reliance Power and it is not that we have to hold this stake forever. As the correct prices on the power sector get discovered we will be open to even monetize our stake. Our long term desire is to own 51% of Reliance Power. But clearly there is a dislocation in the prices currently and we will wait for the appropriate time to emerge and the correct value can be discovered.

Sumit Kishore: So the long term plan is to hold 51% stake but this is for the entire Reliance Group combined I mean not Reliance Infrastructure?

Lalit Jalan: That is right.

Moderator: Thank you very much. We will take the next question from the line of Ashutosh Narkar from HSBC.

Ashutosh Narkar: A couple of questions. First one on the metro operations. If you can give us an idea about what is the current utilization level we will be running our Metro operations at and I assume that you can always crunch down the time slots between two trains running. So just to get a sense about how much more capacity we can add over the next two year timeframe as things pick up? That is the first question. On the second question on Pipavav Shipyard, what is the progress now that we have taken management control, if you can give us some idea about what has been the progress on couple of bids which we have put in, one for the landing platform dock as well as the anti-submarine warfare ships as well as the Corvettes and Frigates? If you could give us some idea about how we have progressed in those bids?

The third one is on the inter-corporate deposits. As we are trying to liquidate majority of our holdings in our businesses, would these inter-corporate deposits tend to kind of come back to us?

And the fourth question is on Crest Developers. If you could give us an idea as to what is the nature of our business with them given the fact that we will lend more than Rs. 6,000 crore of loans to them?

Lalit Jalan: Yeah, lot of questions, I hope I remember all of them. So Metro clearly, see today we are already running at a 4 minute cycle and this can be crunched down to 3 minutes and slightly below 3 minutes during the peak hours as the demand grows. For the same level of the 64 coaches that we have, we can technically cater to a peak load of almost like 5.5 lakhs, 6 lakhs passengers which can take care of next several years. We have the ability to add another 44 coaches taking it to 18 trains of 6 coaches each and the platform is designed for that which can then take our full capacity to more like 8 lakhs, 9 lakhs per day.

Ashutosh Narkar: But would we require, what would be the additional CAPEX required for this?

Lalit Jalan: For the 44 coaches, which of course that we will kind of trigger off only when we see that we are closing to 4.5 lakh passengers which is 50% from here. So say in three years from now, we think that the growth is happening then our capital expenditure on the 44 coaches will be about Rs 500 crore. On the Pipavav Dock, for all the businesses that you mentioned we are at an advanced stage, we expect the landing dock order offers to be opened by the end of first quarter of next financial year and we are very hopeful given our capability in this space.

Ashutosh Narkar: Sorry to interrupt, so just to understand so we have been cleared for the technical evaluation, so it is only the financial evaluation now left?

Lalit Jalan: That is right. So those bids are to be opened and then so that will be by the end of the first quarter. And coming to the Crest Developers, Crest is our internal EPC company which does the local EPC work for many of our projects and these are advances given to Crest to take care of the cash flow needs because their monies have got stuck with several of the EPC contracts that we have done. So as these monies get released we expect that this money from Crest will be released to us. On the ICDs we are in discussion

with the people and we expect that the liquidation of ICDs will start very shortly.

Ashutosh Narkar: So just to understand take a broad picture we would potentially have the money coming in from the debts, so you are expecting company to be debt-free close to around Rs. 12,000 crore - Rs. 13,000 crore coming in from selling of the assets as well as around Rs. 9,400 crore coming in from the intercorporate deposits. That is close to around Rs. 22,000 crore or so. Would that be a fair assumption?

Lalit Jalan: No, In Mumbai distribution itself almost about Rs.7,000 crore of debt will be transferred to the SPV. So the total debt reduction owing to Mumbai distribution itself will be more like Rs. 11,000 crore. And then we have the equity flow coming in from road and cement business. So even without liquidating our ICDs we expect to become debt free at Reliance Infrastructure on a standalone basis.

Ashutosh Narkar: I was just trying to understand what would be the cash balance you would have put together would it be close to around Rs. 24,000 crore, Rs. 25,000 crore?

Lalit Jalan: Yeah the other part is also that we have not including here is that expected cash flow is coming out of our Delhi Metro business. The arbitration is at a very advanced stage our case is extremely strong and that could be an additional equity cash flow of more than Rs. 1,500 crore.

Ashutosh Narkar: The last question, given that so much of cash we potentially anticipate on our books, do we kind of look at share buyback or a special dividend which could potentially come through?

Lalit Jalan: Let me reach that position where I was prior to 2011 and then hopefully I will be sharing good news with you if you people have not done enough to my stock.

Moderator: Thank you very much. We will take the next question from the line of Mohit Kumar from IDFC Securities.

Mohit Kumar: I have couple of questions. Why the margin of EPC business was so high in this particular quarter? Was there any one off which you can attribute to?

Lalit Jalan: Yeah, see the normal margins that the guidelines we gave and what we think we can achieve in a long term basis is the 8% to 10% range, clearly some of the projects which got completed. The provisions which we had made got returned back, so that is why there is a onetime margin, it is easier, but this is not a sustainable situation.

Mohit Kumar: Sir, what was the final capital cost for Parbati Koldam and for WRSS? And my second question pertains to the WRSS also, what kind of relief you are looking when you are approaching CERC in terms of the revenue per year?

Lalit Jalan: So in Parbati Koldam, the total capital expenditure is just around Rs.1,000 crore and in WRSS both the projects it is around Rs.1,800 crore. We have already sought for relief in Maharashtra project. For Gujarat project, we will soon be going. We expect a total relief of Rs. 600 crore in terms of converting to tariff at 16% return, because they won't give lump sum money, so they will enhance our tariff which we have bid for.

Mohit Kumar: So are you saying that there was Rs. 600 crore of cost escalation primarily due to the delay from NGT?

Lalit Jalan: No, not only NGT there has been severe delay in our Maharashtra project owing to very difficult conditions in ROW especially as it comes closer to Pune and Aurangabad. And we had to file hundreds of cases to get one ROW cleared at these places and this is despite the District Magistrate's order and everything. So the entire thing is documented and we will present this to them, the delay is owing to the ROW, cost increase and fees as well as the IDC that we have suffered for both the projects to the tune of Rs. 600 crore.

Mohit Kumar: And sir, you have taken an enabling resolution for raising money in Pipavav Defence so are you looking to raise money in a couple of months or so and when do we expect the losses for Pipavav Defence to wipe out?

Lalit Jalan: That is just an enabling resolution. There is no immediate desire to raise money in Pipavav. The losses for Pipavav is expected to continue for the coming year because even if we get orders starting June, July of next year it is difficult to get significant revenue out of those orders. Of course it might mean significant cash flows to us. We are also at an advanced level of discussion with PSU shipyards which are overloaded with work and we are

working with them to offload part of the work as they are anyway running way behind schedule. So if that materializes, that can happen much sooner.

Mohit Kumar: So sir, since you are making loss in Pipavav Defence and you want to exit CDR at the same time, you need to infuse money in my opinion, is it not?

Lalit Jalan: Wait and see, I mean we have approached the banks, There is a complete change of management and the strengths that we bring. We are in discussion with the banks I mean money infusion is only one of the many options that banks look at.

Mohit Kumar: Sir, also where is the arbitration of Delhi Metro, is it likely that there is the arbitration order by the end of this quarter?

Lalit Jalan: No, not by the end of this quarter but we are very hopeful that there will be an arbitration order by the end of June and given the new arbitration law we are very enthused that at least issue of stay which was easily awarded by High Courts is not an option.

Mohit Kumar: So right now we will infuse around Rs. 20 billion of debt to the obligation which you have taken and a part on there is Rs. 12 billion of equity so that is the amount we have invested right?

Lalit Jalan: Yeah.

Mohit Kumar: My last question, sir. How has been the growth in ridership in Mumbai Metro over last year, if you can give in terms of the number of passengers?

Lalit Jalan: See what has happened is, we started off the Metro at a flat tariff of Rs.10 and now our tariff has moved up to a peak of Rs.40. So the average tariff we are getting is almost like Rs. 21, if you include everything during weekends. So owing to the say increase in tariff, well the revenues have increased dramatically; the increase in passengers has been marginal. But now we are seeing that when the tariffs have kind of steadied over the last several months, we are seeing now a growth of 7% to 8%.

Mohit Kumar: And sir, the talks which you are having with the Maharashtra Government regarding some kind of arrangement where they will give a subsidy to compensate for the higher cost which we have incurred in building this Metro?

Lalit Jalan: It is a continuous process. We are in discussion with both MMRDA and Government of Maharashtra on a regular basis on ways and means to make Mumbai Metro very sustainable. It is already the pride of Mumbai and we also understand that a private Metro which got delayed owing to reasons which were in their control cannot be made unsustainable. But let's see, I mean it is difficult to give a timeline for that.

Moderator: Thank you very much. We will take the next question from the line of Sandeep Hemraj from PCS Securities.

Sandeep Hemraj: My first question is regarding the cement business sales, Birla Corp name is appearing in the media, is that the company that is on the front running?

Lalit Jalan: I have also seen the names, like you have seen. So just wait for a formal announcement.

Sandeep Hemraj: So like you said we were expecting in the next two weeks. Could you give us a ballpark figure that you are expecting?

Lalit Jalan: I guess you will have to wait for my media statement but again I mean it is there in the media, people have kind of estimated.

Sandeep Hemraj: Regarding this foreign exchange loss, which you have reported in the notes. Could you just tell me how it has been accounted for, has it been taken in the P&L?

Lalit Jalan: As a standard policy we draw it from reserves. It does not go through the P&L but it has been drawn from reserves.

Sandeep Hemraj: So it has not affected our P&L?

Lalit Jalan: No. This is the same thing which we did last year, so there is no difference.

Sandeep Hemraj: You have about Rs. 10,000 crore of regulatory assets to be recovered from Delhi for which you are awaiting the Court order, any updates on that sir?

Lalit Jalan: See, there are two things. One, there are six, seven orders of appellates which are strongly in our favor, which have been challenged by DERC and it is in the Supreme Court. And there is a writ petition filed by BSES where matter is heard, completed and the judgment is reserved. What the Supreme Court has said is that they will first dispose off the main writ petition and then

they will hear on a daily basis the 6 or 7 appellate orders ruled in our favor which are temporarily stayed by the Supreme Court. So we expect a positive outcome but clearly we have to wait for the Supreme Court to announce.

Sandeep Hemraj: So what is the CAPEX on the Mumbai distribution and Delhi distribution you are expecting in FY16 and FY17?

Lalit Jalan: We typically spend between Rs. 300 crore to Rs. 400 crore in Mumbai distribution and in the region of Rs. 500 crore on Delhi distribution.

Sandeep Hemraj: So there are no fresh regulatory assets being created, are you recovering all of that?

Lalit Jalan: Yeah, Mumbai distribution there is no fresh accretion or regulatory assets. In fact our regulatory assets are coming down both with the regulator as well as in our books. But in Delhi distribution we haven't in spite of the cost reduction in power, we are still accruing some regulatory assets in Delhi and we hope that this will change with the Supreme Court order.

Sandeep Hemraj: If you could share the figure, what is the amount?

Lalit Jalan: I mean the total number which is there in our books as of December is in the region of Rs. 15,275 crore.

Sandeep Hemraj: So, this is excluding Rs 10,000 crore for which you have received the order?

Lalit Jalan: No, I am saying the Rs. 10,000 crore is part of it. Those are the ones which are recognized by the DERC. Then there are the six or seven appellate orders in our favor for which because the DERC has challenged in Supreme Court, they have not given any effect to it in the tariff order. That itself if you do based on even DERC's estimates would be almost like Rs.10,000 crore and then there are other claims which are pending at various levels at DERC and APTEL.

Sandeep Hemraj: Assuming that without the sale of assets, how is the cash flow situation panning out now that most of your assets are monetised and operational how do you see that panning out?

Lalit Jalan: We are cash flow positive. You have seen our standalone income, the capex cycle is over, and there is just a marginal amount of equity money that we need to put in completing our six lane road projects. So there is no more

capex and it is just recoveries and operating cash flow from our existing projects.

Sandeep Hemraj: Okay so your focus would be on recoveries moving forward?

Lalit Jalan: Absolutely.

Sandeep Hemraj: Sir, your road project growth has been muted despite commissioning of the last project, what is the reason for this?

Lalit Jalan: No, there were two things. One, is clearly the floods in Chennai had a significant impact because six of our road projects are in Tamil Nadu itself and we did not collect toll for one month as per Government order. We have put a claim to Government of India through NHAI. The traffic growth that we find is in the region on our overall portfolio is ~6% to 7% for FY16.

Sandeep Hemraj: So what is the tune of amount that this one month of non collection of toll claims?

Lalit Jalan: We will revert back to you, I do not have the number on the top of my mind but we will revert back to you. If you see the one month collection of some projects it is about Rs. 15 crore I think.

Sandeep Hemraj: Sir, you mentioned that there has been a reduction in purchase cost of power more on the Delhi side, would this reduced power cost stay and are you expecting further reduction?

Lalit Jalan: We expect further reduction but we strongly feel that the tariff currently is non workable. If you see reduction in purchase cost, the gap reduces. So unfortunately the tariff setting has got politicised in Delhi and so we are awaiting the directions of the Honorable Supreme Court.

Sandeep Hemraj: So there is no pass through of this reduction in purchase cost as of now?

Lalit Jalan: Not right now.

Sandeep Hemraj: So we could anticipate creation of new assets?

Lalit Jalan: You are absolutely right.

Sandeep Hemraj: My last question is you said that you are proposing to recover the ICD that have been there in the books for quite some time. Any guidelines on that, in

terms of what is your anticipation of recovering over the next one to two years?

Lalit Jalan: We expect that over the next three years i.e. between FY17, FY18 and FY19 we should be in a position to recover our ICDs.

Sandeep Hemraj: Okay in complete?

Lalit Jalan: Yes.

Moderator: Thank you very much. We will take the next question from the line of Ankur Kulshrestha from HDFC.

Ankur Kulshrestha: I have a few questions mainly in the cement business. Just if you could help with the quarterly volumes for current and previous quarter just to get a sense of cement volumes?

Lalit Jalan: The cement volume for the current quarter is 0.83 million tons.

Ankur Kulshrestha: For the previous quarter as well as the year ago quarter?

Lalit Jalan: Year ago was much lower significantly lower, we had just started in November and for the whole year is 2.4 million tons.

Ankur Kulshrestha: And in 2Q if you could share?

Lalit Jalan: It is lower than this.

Ankur Kulshrestha: And any sense on what is the EBITDA/Tonne profitability of the operations at current utilization levels?

Lalit Jalan: It is in the region of about Rs. 800/tonne.

Ankur Kulshrestha: Okay even after the realization declines or pricing declines that we have seen in Central India we are able to do Rs.800/tonne?

Lalit Jalan: That is right.

Ankur Kulshrestha: Second question, what are tax benefits available to the cement business across capacities and so we are going to do a transaction, are these tax benefits transferable basically?

Lalit Jalan: Yeah there are lots of tax benefits in multiple states available to the cement business and as far as we see it these tax benefits belong to the plant and so they will be transferable. We do not see any problem.

Ankur Kulshrestha: Okay sir could you share any like details on VAT excise the kind of benefits you have?

Lalit Jalan: No, I do not think so.

Ankur Kulshrestha: And sir, last question. I have heard that in addition to the 5.5 million tons capacity there are leases as well that Reliance Cement has, so would you be able to provide any number on probably the reserves or the potential capacity that these reserves could build on and the location of leases in other states?

Lalit Jalan: No, we have the advice in Karnataka, we have PLs in Andhra, Rajasthan, Maharashtra, Himachal, Madhya Pradesh and these are very attractive leases that we have won, some are on PLs and some are on advice.

Ankur Kulshrestha: So LOIs are prior to the enactment of MMDR?

Lalit Jalan: Yeah, all of these are.

Ankur Kulshrestha: So this will all get transferred to the new buyer basically?

Lalit Jalan: We expect.

Ankur Kulshrestha: And if I could ask one last question, on the fly ash sourcing arrangement in the plants in MP and UP, I believe we will be sourcing from Reliance Power currently. So again what would be the status of these sourcing arrangements after its transaction for the new buyers?

Lalit Jalan: No those sourcing arrangements whatever exists today will be made available to the new buyer.

Moderator: Thank you very much. We will take the next question from the line of Shankar K from Edelweiss.

Shankar K: Sir, in the standalone numbers the other income for this quarter is very high I mean if we see the trajectory of the last couple of months, so any particular reasons about that and what is it that we can expect over the next couple of quarters?

Lalit Jalan: No, it is a one off, we received a dividend of Rs. 118 crore in Q3 from Reliance Power and so on a consolidated basis it did not made an impact because that got nullified. So going forward this one off not being there, it will become in the normal trajectory.

Shankar K: So this was the only one off?

Lalit Jalan: Yeah, Rs. 118 crore.

Moderator: Thank you very much. This was the last question in the queue. As there are no further questions I now hand the conference over to Mr. Lalit Jalan for closing comments.

Lalit Jalan: Thank you all of you for coming in large numbers for the analysts concall for the third quarter results of Reliance Infrastructure and wish you all the best. Thank you.

Moderator: Thank you. On behalf of Reliance Infrastructure, that concludes this conference. Thank you for joining us and you may now disconnect your lines.