



Reliance Infrastructure Limited – Q4FY13 Earnings Call

May 15, 2013

Corporate Speaker : Lalit Jalan (CEO - Reliance Infrastructure Ltd.)

Host : Rupa Shah (Analyst - Prabhudas Lilladher)

Moderator – Lavina

Ladies and gentlemen, good day and welcome to the Q4FY13 Results Conference Call of Reliance Infrastructure hosted by Prabhudas Lilladher Private Limited. As a reminder for the duration of the conference all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for an operator by pressing "*" and then "0" on your touchtone telephone. Please note this conference is being recorded. I would now like to handover the conference to Ms. Rupa Shah of Prabhudas Lilladher. Thank you and over to you Madam.

Ms. Rupa Shah – Prabhudas Lilladher

Yeah hi. Thanks Lavina. Good morning and welcome to the Reliance Infrastructure Ltd Q4FY13 Results Conference Call. From the Management we are represented by Mr. Lalit Jalan, CEO of Reliance Infra and along with him we have the Senior Members. So we will start the call with some initial remarks by Mr. Jalan and then proceed to the Q&A. Over to you sir.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Good morning all of you and I am very happy to have all of you at the Con Call for Reliance Infrastructure's Q4 Annual Results. And I am very happy to report very strong quarterly performance by Reliance Infrastructure Ltd. We have been the things of closure of the projects of regulatory orders are all falling in place. Let me start with the number, the total quarterly topline is at Rs. 6,187 crores with a profit of Rs. 725 crores which is a growth of 76%. And here if you look at each of the segments, the energy business has shown a topline growth of 28% with an operating margin growth of 54%. And infrastructure has shown a topline growth of 76% with a turnaround in operating margins from negative Rs 27 crore to positive 72 crores. The construction business has performed within our guidance, at the beginning of the year we had guided that we should be able to close the year between Rs. 7,000 to Rs 8,000 crores of revenue and 8-10% EBITDA margins. We have been able to achieve our revenue guidance and we have slightly exceeded the margins for the construction business.

Coming to the entire year, the total revenue is at Rs. 22,382 crores. Here again the growthwise segment, there is a 64% growth in the infrastructure segment. If you look at the energy segment the nominal growth is 10%, here again there was one off items of Rs. 450 crores which were in other income last year. If you remove it this growth becomes about 15-16%. Similarly in the operating margins although nominally we are showing a

reduction of 7%. But again if you remove the one off item there is actually a growth of 25% in the energy business and the infrastructure business is a complete turnaround from negative Rs 62 crore to positive Rs 243 crores. The EBITDA we have crossed Rs. 4,000 crores for the first time in Reliance Infra history and again nominally we show a growth of 14% but if they remove the one off items of Rs. 450 crores last year this growth is almost 30%.

Our Balance Sheet continues to be the lowest geared Balance Sheet in the sector. We are the only company in this sector with a debt equity ratio of less than 1. Our total networth is at Rs. 26,100 crores with a book value of almost Rs. 993.

Coming to our various business segments, coming to the energy segment let me start with the Mumbai distribution where there has been a path breaking order on Friday. This is on the redetermination of cross subsidy charges applicable to the consumers who have migrated to Tatas. The regulator has to announce the cross subsidy charges for every year as per the Act. The last cross subsidy surcharge which was giving us a recovery of Rs. 100 crores per annum was based on FY11 true-up numbers. The FY12, true-up numbers were announced 5-6 months back and the regulator asked all the Discoms to apply for the revised cross subsidy charges. About 2 months back the charges for MSEB were announced which is the State distribution company and on Friday the charges for Reliance Infrastructure was announced. This new tariff will bring in a total cross subsidy surcharge of Rs. 750 crores from the consumers who have migrated to Tatas on our network. This is based on the current migration and this is based on the current cross subsidy charges. This cross subsidy charges becomes effective with immediate effect i.e from 10th of May.

What this does, is it first time creates a truly level playing field defined tariff parity across the commercial and industrial segments. And what we see will be a period now of accelerated reverse migration because once the tariffs become competitive consumers who moved on account of just tariff would all move back. We strongly feel that our services are superior and once the tariffs are in line we are sure that the consumers would eventually go back on the retail supply of Reliance Infrastructure. Secondly, if you look at another aspect Reliance Infrastructure is the most competitive power supplier in the city of Mumbai. And you don't have to take my word for it, these are numbers approved by the regulator for the business plan for FY14.

Reliance Infrastructure's power purchase cost is the lowest amongst all 3 Discoms. So if we have the lowest cost and we have the best laid out network it is obvious that we should reach to our consumers at the lowest possible price. The only hindrance was the absence of correct level playing field which is cross subsidy surcharge. This is now behind us, also the concept of cross subsidy is part of the Electricity Act. The formula for cross subsidy charges has been adopted by MERC from the National Tariff Policy, the same formula is applied to all the 4 Discoms in Maharashtra. And the cross subsidy is a concept which is applicable across India for open access. So it is not something new, it is not anticompetition, infact it is creating a level playing field so that the lowend consumers in any network will get the protection that the regulators have decided to give to them.

Coming back for many of you who do not understand the concept of cross subsidy. If you look at any distribution system, take our distribution network, we have probably say 30 lac consumers, out of which majority of them are from the lowend residential. The regulator sees the consumers probably into 3 buckets, the commercial bucket, the industrial bucket and the residential bucket. In the residential bucket is subdivided into lowend residential that is below 300 units of monthly consumption and highend residential. Typically across the country regulators subsidise the lowend residential consumers, how are they subsidized? Let me give you an example, suppose my average tariff required for my regulated business is Rs. 7 a unit. This they may divide by saying okay let the highend guys like commercial and industrial be Rs. 11 and let the lowend residential consumers say sub Rs. 3, assuming there is a 50:50 mix. So what happens is the rich consumers end up subsidizing the lowend residential consumers.

Now when you inject competition say there is another competitive supplier who is also supplying at Rs. 7 but if there is no cross subsidy he reached a consumer at Rs. 7 versus Rs. 11, all the consumers will migrate to the new supplier. What will be the net result? The net result will be then you set up the tariff for the incumbent supplier he will only have Rs. 3 customers and he needs Rs. 7 tariff, their tariff will go up by more than 100%. These will be the customers who stay in the slums which will become a big political issue and this is not what the regulator wants. So this cross subsidy will effectively provide protection to the tariff of the lowend consumers. The cross subsidy is a prerogative of the regulator, we don't tell the regulator as to what the cross subsidy should be. There is a mandate in the Electricity Act that the cross subsidies should be reduced gradually over a period of time.

However there has been strong political backlash across the country on this so the trajectory for cross subsidy reduction has not been achieved by any distribution, by any regulator across the country. Even if the cross subsidy does become zero assuming after 5-6-7-8 years, the most competitive supplier will win. And Mumbai is the only city in the country which allows 100% competition for all its customers. The process of MYT hearing is over for all the Discoms and we expect that the new tariff with the recovery of regulatory assets will be announced shortly. We continue to be the supplier of choice, we have added more than 60,000 consumers during the current financial year.

Coming to Delhi, Delhi is where we supply power to almost 70% of the consumers in Delhi. We have added 1.4 lac consumers; the operations in Delhi continue to be extremely good but the big challenge in Delhi is the issue of regulatory tariffs. It is doing a very good catchup over the last 2 years but still has some room to go. The MYT hearing will start during this week, it is starting on Friday and we expect that the new tariff and enhanced regulatory asset recovery to commence by the end of June. And we have added 1.4 lac consumers in the city of Delhi over the last year. So between our two cities, Mumbai and Delhi we have added more than 2 lacs consumers.

Coming to the transmission business there was the issue of environment clearance for some of our lines which has now been received. We expect that the strengthening of the western region would be completed over the next 2 months. The Parbati Koldqm project also all the clearances are available and we will finish ahead of the startup of the hydro plants. We expect both the lines of Parbati Koldqm to be operational by the end of this financial year. From the generation side, Dahanu continues to be one of India's best generating plants exceeding 100% PLF again earning very handsome incentives for the shareholders.

On the construction business we have revenues of Rs. 7700 crores which is within the guidance of Rs. 7,000 crores – Rs 8,000 crores that we had given. We have been able to consistently maintain a margin in excess of 8% which is the guidance over the last 5 years. There are lots of projects in the pipeline which are not starting construction owing to various clearances required and we are very hopeful that during the year we will be able to announce certain major projects in our construction business.

Coming to our new growth business in infrastructure, if I look the business which we started in 2007-8, initially we had the big construction risk. Slowly and slowly all the projects are achieving completion. We, out of our total portfolio of 11 road projects we have 8 road projects which are revenue operational, 3 of them have become operational last year. 2 road projects are fully ready, I mean for strange reasons NHAI is not giving us COD. We are following up with them, we expect that to happen anyday so that will make it 10 road projects. And the last project will become revenue operational by the end of the current financial year. So our entire project portfolio of all the road projects would be revenue generating by the end of this financial year.

Coming to the metro projects, out of the 3 projects which we have, 1 of course is stucked for clearances. Among the 2 projects which we have worked the Delhi metro is operational, the Mumbai metro, Chief Minister flagged off the trial run on the 1st of May.

The entire civil work is done, we are doing the finishing, the trial runs have commenced. We are actually doing now the closure of the project which we expect to happen in the next couple of quarters. The line will be made available then to the CMRS which is the safety certification, a company of Government of India. They take their own time, it's a very rigorous test that they undertake on the private sector projects. And we are very hopeful that during this year the Metro One will become revenue operational. We expect the Mumbai Metro to achieve breakeven in the first full year of operations, we expect that with stability the Mumbai Metro will carry more than 7 lac passengers out of these extremely dense East-West planning.

On Delhi Metro, after all the repair works were concluded by DMRC at their cost, we have restarted the line. The line runs continuously on time, 100% safe giving passengers world class experience. On our own we will achieve EBITDA breakeven for the line in the current year. Our several claims with DMRC are at arbitration and we expect closure on some of them. Cement business, we have the first integrated 5 million tonnes plant at Maihar in Madhya Pradesh will achieve COD by the middle of this financial year. And this will start generating reverse cash flows. It is a world class line, fully integrated with the benefits of fly ash and power with our power stroke infrastructure businesses. And cement is one of the areas where we are looking for high growth and we are looking to start construction on the second line in Madhya Pradesh and the Maharashtra plant soon as we get all clearances.

So if I sum up the infrastructure business, the capital intensity is over now we have about Rs. 8,000 crores of capital expenditure to be done over the next 3 years with about Rs. 1500 crores of equity to go. We expect the EBIT margins to move up from the current levels to about 50%. We expect the topline which is at Rs 500 crore plus this year to continue this hyper growth for the next couple of years and to continue at this pace. So this is the infrastructure business and by the end of this financial year all our projects will be revenue operational. On the distribution business as I said all our challenges, regulatory challenges, everything are well behind us. We continue to run the best networks in Mumbai and Delhi, we are India's largest private sector distribution company. The sector is now opening up because 90% of the sector is still with Government of India and we with our experience of 75 years will be very strategically placed to take care of those opportunities.

We see now going forward 15-20% growth in topline going forward, we see accelerated reverse migration. We see a lot of consumer addition, we see the regulatory assets recovery which has commenced in Delhi to become very substantial from the current year. And the startup of the regulatory asset recovery in Mumbai, both of which will help us deleverage our Balance Sheets. We expect growth in EBIT margins from the current levels going forward. On the EPC as I said that last year was a one off year of Rs. 11,500 crores turnover, we think we can do Rs. 7,000 crore – Rs 8,000 crores on consistent basis. Our order book gives us visibility for 18 months but I think that during the year we should be able to announce certain big projects. The question which was asked yesterday by some of the reporters was what next now? Now that our first phase of growth of the projects which we took on hand are well behind us, I think we continue to look at good opportunities in the distribution, transmission, roads and metro segments.

We are taking part in the qualification and bidding for these projects. We are also actively looking at secondary assets, of this assets which are made available. The Government is very mindful of the problems which have been faced by the infrastructure developers and meetings are taking place at the highest level. India needs a trillion dollars of infrastructure spending in the current plan of which 50% has to come from the private sector. So unless they clear out the issues whether it is land acquisition, environment clearance, approvals, reforms, this money is not going to show up and the Government needs this infrastructure spending. And being one of the large infrastructure players we think we will be able to benefit from this change. So with these words I will close from my side and open it up to all of you for any questions that you have.

Moderator – Lavina

Thank you very much sir.

Participants we will begin with the question and answer session. Anyone who wishes to ask a question may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “*” and “2”. Participants are requested to use handsets while asking a question. Anyone who has a question may press “*” and “1”. We have our first question is from the line of Mr. Rahul Bhangadia from Lucky Investment Manager. Please go ahead.

Rahul, you may go ahead with your question.

Mr. Rahul Bhangadia - Lucky Investment Manager

Good afternoon sir. My question is regarding our Metro project, what was the original budget for the project and what is it projected to be at this point of time?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

The Metro project at the time when we conceived, this is the Mumbai Metro project, right?

Mr. Rahul Bhangadia - Lucky Investment Manager

That's right sir.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

At the time at which we had conceived the project in 2006 it was supposed to be at Rs. 2400 crores and that is the number that we had announced. And we were expecting that we will be able to do the project by 2010 subject to all the clearances as it had been written in the concession agreement. However owing to lots and lots of delays and scope changes by the concessionary, it has taken significantly longer time. We have got certain RoW clearances as late as beginning of this year and certain mosques and temples which had to be removed from the line. So clearly the cost goes up, these costs will be to the account of MMRDA and we are assessing this cost and we are appropriately raising claims on MMRDA. So we don't see our effective cost to go up much from this level.

Mr. Rahul Bhangadia - Lucky Investment Manager

This would include the interest on the delays etc. that would also be a part of your claim sir?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Everything.

Mr. Rahul Bhangadia - Lucky Investment Manager

And is there any scope for changing in the passenger fares or that's a separate topic altogether?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No that is part of the concession agreement, that is the operating cost changed dramatically there is a provision to relook at the fares because the guiding principle for the fare was also comparison to other competing fares of BEST buses, taxis, autos. So it's like 1.5 times the BEST fares so things like that so those have been the guiding

principles of setting the tariff. So between these, the concessioner has to decide what is the way they will move forward on.

Mr. Rahul Bhangadia - Lucky Investment Manager

So you are saying basically that whatever be the overrun would be handled either in terms of fare hike or it would be in terms of a onetime settlement. Or something like that is likely to be the way forward for us?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

That's right.

Mr. Rahul Bhangadia - Lucky Investment Manager

Right sir. Thank you very much sir. All the very best.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Atul Tiwari from Citigroup. Please go ahead.

Mr. Atul Tiwari – Citigroup

Sir, I have few questions on the notes to accounts to your results. First question is on the standalone results, the point 7B – Investments in RBPPL etc. amounting to Rs. 1147 crores have been written off in the statement of Profit & Loss Account. So sir, which period does it relate to and which line item it is embedded in?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, this does not have any impact on your P&L, the net impact of this is completely zero.

Mr. Atul Tiwari – Citigroup

Okay. But it does mention here that it is written off in the statement of Profit & Loss, that is why I got confused.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, no, it is basically a transfer of reserve between general reserve and capital reserve. There is no other impact of this.

Mr. Atul Tiwari – Citigroup

Okay, there is no other impact of this. And sir, point number 8 in which company during the quarter has withdrawn Rs. 693 crores. So does it impact P&L in the quarter or in the year?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, not in the P&L as we have announced.

Mr. Atul Tiwari – Citigroup

Okay. So it also doesn't have any impact on the P&L.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Zero.

Mr. Atul Tiwari – Citigroup

Zero impact, okay. Sir, on your consolidated statement there is an unrealized, in point number 6, consolidated statement, around Rs. 211 crores of EPC income has not been eliminated this quarter I guess. So then why is that so and why is this change in the accounting policy?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, we looked at the work that we were doing. It's actually a hands off transaction whether we do for an external agency or we do for Reliance Power. And we took the view that we will not be eliminating the related party margins because it was completely not giving a true picture of the work that the company was doing.

Mr. Atul Tiwari – Citigroup

Okay so now this policy will be applied in future as well. So the EPC margins and the profits will not be eliminated in the consolidated statements.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

That's right.

Mr. Atul Tiwari – Citigroup

Okay. And sir my last question is again on the point number 10 relating to Delhi Airport Metro Express, there is a statement about derecognition of losses amounting to Rs. 218 crores. So has it impacted P&L or this entry also has been done directly in the Balance Sheet?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, it has not impacted P&L, we are saying that we think that there is no need to write this off.

Mr. Atul Tiwari – Citigroup

Okay sir. Thank you sir. Thanks a lot for answering my questions.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Sumit Kishore from JP Morgan. Please go ahead.

Mr. Sumit Kishore - JP Morgan

Good morning sir, I have few questions. The first is on the position on recovery of regulatory assets in Mumbai. Your press release mentions that MERC approved regulatory assets of Rs. 24.5 billion in its April order. Our understanding was that including carrying cost the regulatory assets in Mumbai is in upwards of Rs. 35 – Rs 36 billion. Could you clarify that in your MYT petition what kind of recovery have you projected and what is your expectation?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

This Rs. 24.5 billion is the principal and this is upto FY12 throughout. This does not include the FY13 throughout which will add to this regulatory assets. Including interest the recovery which we have asked for is Rs. 48 billion.

Mr. Sumit Kishore - JP Morgan

You have asked for...?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Rs. 48 billion.

Mr. Sumit Kishore - JP Morgan

Rs. 8 billion a year?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Yeah, Rs. 8 billion a year for 6 years.

Mr. Sumit Kishore - JP Morgan

Okay. So basically including the carrying cost you are saying that the grossed up value would be Rs. 48 billion then, Rs. 8 billion in 6 years?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

That's right.

Mr. Sumit Kishore - JP Morgan

Okay. And when you said that you expect to make some recovery in Delhi in FY14 is it with the existing tariff hikes that you have got the 8% surcharge or do you expect something in June that will essentially accelerate the process?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

There are 2 aspects, the regulatory assets surcharge of 8% which was given last year that of course is giving me some recovery. But this recovery does not even take care of the interest of the regulatory assets that we have. So we have all asked for a very enhanced recovery of regulatory assets surcharge. We expect that to be announced during June of this year which is what I am saying is enhanced recovery of regulatory assets.

Mr. Sumit Kishore - JP Morgan

Okay. My second question is on the Metro assets, while we understand that the project cost has gone up for Mumbai Metro on account of delays and scope changes. You didn't mention what is the final project cost as of now?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

The project is still under construction and right now we are focused 100% on closing the project because it depends at the time at which we start the commercial operations. And once we start the commercial operations they will be closing the final tried of cost.

Mr. Sumit Kishore - JP Morgan

Okay. And the Andheri-Ghatkopar stretch which had some hindrances, I mean these religious temple or mosque, that has been completely removed now?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Totally removed. The entire 100% of the wires is ready, the rail systems in Ghatkopar is ready. So the last of the hindrances was removed as late as in February.

Mr. Sumit Kishore - JP Morgan

Okay. My last question on the roads as such. You had made this Delhi-Agra road project revenue operational around October 2012. And we have been reading in newspapers regarding some face-offs between the concessionary and yourself and the local villagers, some issues with toll collection. So in revenue projection this appears to be the highest revenue contributing project in the medium term. So what has been the experience so far?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

The experience of all or I would say many developers have been that when they go and setup the toll plazas and starting collecting toll and this I would say is little more prevalent, its less prevalent in South and more prevalent in North and West. In East we don't have any projects so I cannot say, specially the local people, the local truckers, the local people who use the cars they do not want to pay their toll. So initially it takes a couple of months and in some cases a couple of quarters to get that setup and to get people in line with paying all the tolls. So that is the challenge that you face at the beginning of a toll collection in some of these projects at some of the toll plazas. So which I think is a teething trouble for any road projects in the country. So I think we are addressing that quite effectively.

Mr. Sumit Kishore - JP Morgan

Okay. So finally for FY14 what kind of a revenue level would you be looking in the EPC and road business, road there is fair amount of visibility with the projects already operational?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

We expect that the Infra revenues to be around Rs. 900 – Rs 1000 crores and EPC we expect to be in the Rs. 7000 crores range.

Mr. Sumit Kishore - JP Morgan

Sorry, EPC...?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Rs.7000 crores.

Mr. Sumit Kishore - JP Morgan

Rs. 7000 crores, okay, that's all from my side. Thank you so much.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Mohit Kumar from IDFC. Please go ahead.

Mr. Mohit Kumar – IDFC

Good morning sir. Sir, what is the regulatory equity at Delhi and Mumbai as on date?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Excuse me.

Mr. Mohit Kumar – IDFC

What is the regulatory equity as on date in Mumbai and Delhi distribution business?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Can I get you this number offline, I mean I just don't remember it.

Mr. Mohit Kumar – IDFC

Okay. Has there been any regulatory assets built up in FY13 for Delhi and Mumbai and what will be the figure?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

I can give you those numbers, the regulatory assets has been built up for Mumbai and Delhi but we follow very prudent accounting practice. So in terms of total build up we actually accrue significantly less than what the actual tried up number is. But I will be happy to give you this number post call.

Mr. Mohit Kumar – IDFC

And sir my second question was that, as per media reports there is a recovery of Rs. 750 crores which is to be covered by the way of cross subsidy surcharge. You will recover over the next 4 years or is it on per annum basis?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

It is per annum, it is Rs. 750 crores per annum so Rs. 60 crores odd every month.

Mr. Mohit Kumar – IDFC

This is not for the entire MYT period?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, no, it is Rs. 60 crores per month.

Mr. Mohit Kumar – IDFC

And what is the capital expenditure for FY14, can you give us the details number and assetwise?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

We don't give that granular breakup, I have guidance of all the existing projects. We now have about Rs. 8000 crores of capital expenditure to go over the next 3 years so that will probably be the expenditure.

Mr. Mohit Kumar – IDFC

Thank you for answering my questions, that's it.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Saurabh Mishra from Barclays. Please go ahead.

Mr. Saurabh Mishra – Barclays

Good morning sir. Just couple of questions, first what we can see in the fourth quarter you have taken certain tax savers. If you can please highlight on that?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

For a company like infrastructure like ours we normally remain at the MAT rates of tax with tax planning and everything. In last couple of years we had provided excessively on some deferred taxation which we could reverse in the current year. And that you see the reflection of that in the current year's tax numbers. So on a long term basis it will be on the MAT rates of tax.

Mr. Saurabh Mishra – Barclays

And sir second thing is since YOY our debt has increased and also our non-current investments and short term loans and advances have also increased. So should I connect both of them and see it that it might have gone into further ICDs and present share investments? Or would have been a write in debt...?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

The debt increasing is for the fixed assets.

Mr. Saurabh Mishra – Barclays

So I should not connect both of them.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Yeah, these are not connected.

Mr. Saurabh Mishra – Barclays

That's all from my side.

Moderator – Lavina

Thank you.

A reminder to all the participants, anyone who has a question may enter "*" and "1".

Our next question is from the line of Mr. Ankush Mahajan from KR Choksey. Please go ahead.

Mr. Ankush Mahajan - KR Choksey

Sir, can I get a breakup of other income for the Q4 FY13 and Q3 FY13?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

These are basically the income on our investments.

Mr. Ankush Mahajan - KR Choksey

So this I want to know sir, this quarter, in Q4 its Rs. 1374 crores as standalone and in Q3, its Rs. 277 crores. So how it works basically?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Interest income.

Mr. Ankush Mahajan - KR Choksey

Okay. Sir, my second question is in the road sector as we have seen there are GVK and GMR, they have approached NHAI about the backend equity premium. So would you throw some light on how it will go and what the NHAI's target to award contract in FY14?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

They have asked for readjustment of the premiums and on the back of that I think several other developers have also asked so that depends on the view that the Government is taking. Luckily for us all our projects are reasonably bid, we have not really bid very aggressively or I would say that with poor economics on any project. So our situation is significantly different. So even for a project like Delhi-Agra we won it on a grant rather than bids of aggressive premium on it.

Mr. Ankush Mahajan - KR Choksey

Sir, this year what do you think of NHAI programme, the number of...?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

I would not venture against accepting that. They have announced a plan of spending a trillion dollar in infrastructure over the 12th Plan period of which the first year is over. They are very very aware of the issues facing all the various subsectors of infrastructure. And I would say there are various things that they are doing across whether it is fuel supply, whether it is land, whether it is in environment clearance, the issue of Supreme Court rulings that you don't need environment clearance now for linear projects like roads and transmission lines and things like that. So there are policy changes, there is a Cabinet Committee on infrastructure which is looking at issues which are hindering the growth of the sector. So we are hopeful that the issue is known to everybody and they have to find the solutions.

Mr. Ankush Mahajan - KR Choksey

Thank you sir. That's all from my side.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Pankaj Sharma from UBS India. Please go ahead.

Mr. Pankaj Sharma - UBS India

Good morning sir. Sir, in your opening remarks you said that you expect a Rs. 7-8000 crores kind of revenues in EPC business. So what are the inherent assumptions on Reliance Power projects for this estimate and what is that you expect on other projects which you have?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

These are from the existing order book, we are not assuming this Rs. 7000 crores to come from any new order that I will be receiving. So this is from our existing order book of Rs. 10,500 crores.

Mr. Pankaj Sharma - UBS India

Okay so it means that you expect that the progress would be such that you can make Rs.7,000 – Rs 8000 crores kind of revenues in EPC business from the existing projects?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

That's right. From the existing order book.

Mr. Pankaj Sharma - UBS India

Okay. Thank you sir.

Moderator – Lavina

Thank you.

Our next question is from the line of Mr. Gaurav Pathak from Standard Chartered. Please go ahead.

Mr. Gaurav Pathak - Standard Chartered

Sir, I wanted to ask you about the Delhi Metro. Basically you know now that it has become operational will you bring into the Balance Sheet back again...

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Can you speak loudly please?

Mr. Gaurav Pathak - Standard Chartered

Sir, I was asking about the Delhi Metro. Now that it is operational will you bring it back into the Balance Sheet and what is the status on the litigation for that project and who will bear the financial and the incremental CAPEX cost?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, there is no incremental CAPEX required on Delhi Metro. The issue of claims and everything is subjudiced, for Delhi Metro we expect that some resolution through. So once these issues get cleared we can then take it back to the parent Balance Sheet.

Mr. Gaurav Pathak - Standard Chartered

And can you give us some colour on the amounts that you have claimed?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, the matter is subjudiced, I don't want to talk about it.

Mr. Gaurav Pathak - Standard Chartered

And with respect to your distribution business what kind of an escalation are you expecting in Mumbai and Delhi going forward over the next 1-2 years?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

It will depend a lot on how the power purchase cost are moving up which will depend on freight rates and coal rates and all kinds of things. So a big part of the cost of a distribution company is the power purchase cost, it depends a lot on fuel. So these are interrelated but we expect as I said 15-20% growth in topline based on both sales in units as well as some growth in tariffs.

Mr. Gaurav Pathak - Standard Chartered

Okay. Thank you.

Moderator – Lavina

Thank you.

A reminder to all the participants, anyone who has a question may press “*” and “1”.

We have our next question from the line of Mr. Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Mr. Rakesh Vyas - HDFC Mutual Fund

Hello sir, thanks for the opportunity. I have a few questions, first one can you clarify this Rs. 750 crores of cross subsidy surcharge. In my understanding it is going to be incremental cash item only and will not impact your Energy EBIT, is that a correct understanding?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, it will, of course clearly it's a cash flow item, we will get additional Rs. 750 crores cash. Point number 2 is it creates level playing field which will accelerate the reverse migration. So the 1.2 lacs subsidizing consumers who have moved over to competition we see many of them coming back to us which will increase topline and EBIT. So it has an impact on everything, it has an impact on the colour of the business.

Mr. Rakesh Vyas - HDFC Mutual Fund

So effectively this Rs. 1600 crores odd of EBIT will increase by Rs. 650 crores...?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

The entire thing will not flow to EBIT but cash flow will definitely be Rs. 750 crores. For this what will happen is once the new MYT is announced, orders are announced this will get subdued in it.

Mr. Rakesh Vyas - HDFC Mutual Fund

And sir my second question is if you can throw some light on what was the accrued profit in both the Delhi Discoms for the full year?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

I don't have the number online but I can be able to give you offline.

Mr. Rakesh Vyas - HDFC Mutual Fund

Okay. Sure. Sir, there has been QOQ decline in the Mumbai electricity business EBIT. Is there one off which I am missing from Rs. 435 crores to Rs. 390 crores? The revenues have gone up and I believe the power purchase cost might not have been so different.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

You cannot compare Quarter On Quarter in the electricity business, it is very seasonal. So the correct way to compare is YOY because the sales and everything has a big bearing.

Mr. Rakesh Vyas - HDFC Mutual Fund

Sir but even YOY, Rs 391 crore against Rs 235 crore and I am assuming this is after accounting for the increase in tariff etc. So even YOY would be difficult. I was just wondering if there one off in these two quarters, third and fourth quarter, that's not the case?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

In a YOY the Rs 391 crore is against 253 crore

Mr. Rakesh Vyas - HDFC Mutual Fund

Correct but I am saying this is against the tariff increases that have taken place in last one year and that has primarily contributed to it?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

No, no, this electricity business is not only Bombay distribution; it also includes 1000 mega watts of generation business.

Mr. Rakesh Vyas - HDFC Mutual Fund

Got your point sir. And if I may ask why is the other expense QOQ higher in consolidated Rs 485 crore versus Rs 279 crore?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Which one?

Mr. Rakesh Vyas - HDFC Mutual Fund

Sir, in the item 2F.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

In standalone...?

Mr. Rakesh Vyas - HDFC Mutual Fund

Consolidated sir.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

That is Rs 485 crore versus Rs 54 crore

Mr. Rakesh Vyas - HDFC Mutual Fund

And QOQ it is Rs 485 crore versus Rs 280 crore?

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

We can revert back to you on that.

Mr. Rakesh Vyas - HDFC Mutual Fund

Okay great. Thanks a lot sir. That's it from my side.

Moderator – Lavina

Thank you.

Participants that was the last question.

I would now like to hand the conference over to Ms. Rupa Shah for closing comments.

Ms. Rupa Shah – Prabhudas Lilladher

Thanks Lavina. Thanks all the participants and the Management for taking out time for this call. Thank you and have a good day.

Mr. Lalit Jalan – CEO, Reliance Infrastructure Limited

Thank you.

Moderator – Lavina

Thank you. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.