

Q3FY2013 Results Conference Call
February 6, 2013; 3.45 PM IST

Moderator: Good evening ladies and gentlemen. Welcome to the conference call of IRB Infrastructure Developers Limited hosted by the company on the results for the December 2012 quarter. We have with us today Mr. Virendra Mhaikar - Chairman and Managing Director, Mr. Anil Yadav – Group CFO, Mr. Dhananjay Joshi – CEO of Corporate Affairs, Realty and Airport and Head Corporate Finance, Mr. Madhav Kale – Head - Corporate Strategic Planning, and Mr. Mehul Patel – Group Company Secretary on the call. After the opening remarks by the management, there will be a question and answer session. Over to you, sir, please proceed.

Virendra Mhaikar: A very good evening to all of you and I would like to welcome you all on this conference call.

Beginning with an overview of implementation of the projects during the quarter, we had four projects under implementation. We have completed Jaipur-Tonk-Deoli Project and Talegaon Project to the extent of around 90%, Amritsar-Pathankot project to the tune of around 73% and Tumkur-Chitradurga Project to the extent of 62%.

As a result, construction revenues have increased by 29% in comparison to Q3 of FY12. Our construction segment operating EBITDA remains strong at around 26% during the quarter. Having started the construction of NH8 section of Ahmedabad-Vadodara project from 1st January 2013, we believe that, in case raw material prices do not vary much, growth in construction and EBITDA would sustain at the present level in the coming quarters.

Toll revenue has seen an increase of around 10% in comparison to Q3 of FY12 on the basis of moderate traffic growth and higher wholesale price index in comparison to last year. Average Daily toll collection has now reached to around 4 crores on gross basis.

We have also declared the third interim dividend of Re.1 per share for FY12-13 in line with our dividend policy.

From January 1st 2013, we have commenced toll collection on Ahmedabad-Vadodara Expressway and construction on NH8 both forming part of the Ahmedabad-Vadodara BOT project. The concession period is 25 years which includes the construction period of 3 years. We have also approached NHA for substantial completion certificate for Jaipur-Tonk-Deoli and Talegaon-Amaravati Project and we are likely to start toll collection in this quarter.

IRB has also received all requisite approvals to commence the work on its Sindhudurg Airport Project and accordingly construction will commence shortly. The project is having a total capital outlay of 350 crores to be funded with a debt equity of 2:1 which will be funded from the internal accruals. We believe that this project has an excellent potential considering the Government initiative to promote Sindhudurg as a tourism district.

Our order book now stand at approximately 9100 crores out of which 7100 crores worth of order book is to be executed in the next three years. This order book gives us a good visibility for the next three years.

We stand pre-qualified to submit bids for projects worth 43,400 crores and will continue to bid for viable projects where we are comfortable to get at least 18% equity IRR.

I would also like to share with you that regard to the demand of service tax raised by the Commissioner of Service Tax, Mumbai; the Custom Excise and Service Tax Appellate Tribunal has granted unconditional waiver to all such subsidiaries of IRB from pre-deposit and stayed the recovery of service tax demand on its BOT contracts.

I would now request Anil Yadav, our CFO to provide a financial overview of the December quarter.

Anil Yadav: Thank you, sir. I will present the financial analysis for Q3 of FY'13 versus Q3 of FY'12. Total consolidated income for Q3 FY'13 has gone up to 947 crores from 779 crores in Q3 of FY'12 registering a growth of 22%. Substantial increase in total income is due to increase in momentum in project execution during the quarter. Construction revenue in Q3 FY'13 has gone up to 644 crores from Rs. 501 crores in Q3 of FY'12 registering a growth of 29%. Toll revenue in Q3 FY'13 has gone up to 269 crores from 244 crores in Q3 of FY'12 registering a growth of 10%. EBITDA for Q3 of FY'13 has gone up to 441 crores from 375 crores in Q3 of FY'12 registering a growth of 18%. Interest cost for Q3 of FY'13 has gone up to 159 crores from 142 crores in Q3 of FY'12 resulting in an increase of 12%. Depreciation for Q3 of FY'13 has gone up to 113 crores from 72 crores in Q3 of FY'12 resulting in an increase of 57% mainly due to commencement of amortization in the Surat-Dahisar project from December 2011 and commencement of amortization of MVR Infra to the tune of Rs. 2 crores. As a result, the PBT for Q3 FY'13 has gone up to 168 crores from 161 crores in Q3 of FY'12 registering a growth of 4%. PAT for Q3 of FY'13 has gone up to 141 crores from 132 crores in Q3 of FY'12 registering a growth of 7%. Post minority interest, PAT for Q3 of FY'13 has gone up to 143 crores from 131 crores in Q3 of FY'12 registering a growth of 9%.

Now, I will request the Moderator to open the session for the question and answer.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press '*' and '1' on your pushbutton phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing '1' on your phone. We have our first question from Mr. Aditya from CLSA. Please go ahead sir.

Aditya: Considering the toll hikes, it seems that traffic has either fallen or stayed flat at three of our main projects, Surat-Dahisar, Bharuch-Surat, and Tumkur-Chitradurga. So what is the reason of such a sharp deceleration in traffic growth?

Virendra Mhaiskar: I would say Aditya that the traffic growth has been muted in the range of 4%-5%, but the tariff hike has quite well compensated for that. As I said you are seeing the revenue growth still at around 10%.

Aditya: But if you purely like stated between traffic growth and toll rate hike, do you see traffic growth revamping or reviving any time soon or do you think this kind of pressure could continue over the next couple of quarters?

Virendra Mhaiskar: Tumkur-Chitradurga, it will highly depend on how the mining ban gets dealt with, but the other two projects we are quite hopeful. In fact Bharuch-Surat, we have seen quite good ramp up, Mumbai-Pune has also seen around 5%-6% growth, so we are hopeful on that.

Aditya: Secondly, our EPC margins have been very strong in the last few quarters. Is there any particular project which is contributing to these higher margins? Do you think these margins would be sustained over the next few quarters?

Virendra Mhaiskar: I won't say that there is any particular project which has contributed to it. On an overall basis, the margins have been strong because of in-house execution and going forward on the order book that we have, we are quite firm that we will be able to maintain this.

Aditya: One last question, given that traffic growth has been slow for almost all developers recently, do you think that the assumptions that were used for some of the newer projects, the ones that are in the construction phase could come under a question mark now?

Virendra Mhaiskar: Frankly, we don't think so, because as far as IRB is concerned, the geographies where these projects are located, they are still contributing quite well to the overall GDP. So we look at from that perspective, we are not so much worried about it. Yes, we may see a little muted growth, not a 7%-8% growth, but 5%-6% growth we are still hopeful about.

Aditya: But do you see a risk that initial traffic itself could be a bit low because may be all developers would have moderate 7%-8% or say 6%-8% kind of growth even during the construction phase, the base traffic to be..?

Virendra Mhaiskar: I don't know about others, but if we look at the most recent projects that we have started which is Ahmedabad-Vadodara, in fact the Expressway collections gives us a per annum number of around close to 135-140 crores as a gross revenue in the first year from the Expressway alone. We are fairly confident that we should be reaching somewhere close to that mark from the Project that we have on hand.

Moderator: Thank you for your question sir. We have our next question from Mr. Devang Patel from Avendus. Please go ahead sir.

Devang Patel: My question is on regulatory changes going forward, we have seen two road projects getting cancelled recently. In the light of that, would you like to highlight what are the changes that you would like to see in the way NHAI functions?

Virendra Mhaiskar: No, I think it is primarily has to do with the NHAI conditions precedent that they are supposed to achieve and I believe with the recent moves, the NHAI is certainly serious and has been trying to resolve these issues. So in form of NHBF which is our nodal body through which we interact with NHAI, lot of efforts are being taken to see how this problem can

be best addressed and we see an excellent response that we are experiencing from NHAI and a keen concern to address those. So we are quite sure that we will see some positive development on that ground.

Devang Patel: Any of the areas you would want to highlight for land acquisition, for instance, could we move to a norm where 100% land will be acquired before the work?

Virendra Mhaiskar: Nobody is pressing for 100% land acquisition beforehand because we have to keep it in mind that all these projects that are being taken up today are all brown-field projects and it is not a issue that there is going to be a connectivity issue if couple of 10%-20% of land doesn't come through. It can only keep a bottleneck in that particular region. But in the projects, achieving a commercial operation is not going to be an issue because of that and in most cases what we have seen is in the construction period, NHAI is fairly in a position to reach at least 90%-95% and the project is successfully opened commercially. So asking for 100% will be delaying the whole process considerably. So I don't think they would do that because one will have to balance the equity that how much is going to be the cost escalation in waiting for 100% to be in place vis-à-vis starting it with 80%.

Devang Patel: Could you update on the status of Kolhapur and Goa-Kundapur Projects?

Virendra Mhaiskar: Kolhapur Project, the Chief Secretary has already reviewed the project on the first of this month and we are awaiting an instruction from them to start the tolling soon. As regards, Goa-Kundapur is concern; the SPV has been incorporated and reported to NHAI. They are waiting for certain land acquisition related issues to get solved because they don't want to sign a concession agreement before that, so probably in this quarter that also should get signed.

Devang Patel: Considering the Ahmedabad-Vadodara pointed date was delayed considerably, do we see any inflation in the cost there?

Virendra Mhaiskar: We don't think at this point of time that it would be an issue. We will be able to manage the escalation provisions that we have at the moment.

Devang Patel: On the Sindhudurg Airport, the cost of the project has now gone up considerably. It was from about 120-150 crores to 350. Is this normal inflation or is there any change in the scope?

Virendra Mhaiskar: We have changed the scope a bit because we are now designing it for around 2 million passengers per annum, so certainly that also has contributed to a slight increase. But considering the long gestation of 95 years, this initial higher capital will help us in the years to come.

Devang Patel: Can we have the gross debt, the debt on the EPC books and the cash?

Virendra Mhaiskar: Gross debt is 8,050 crores and on EPC alone, we are having a debt of around 500 crores.

Devang Patel: And the cash?

Virendra Mhaikar: Cash is 1400 crores.

Moderator: We have our next question from Mr. Atul Tiwari from Citigroup. Please go ahead sir.

Atul Tiwari: On your construction revenue, I just had one query. In this quarter, you have booked roughly Rs. 666 crores of construction revenue but in the quarter your construction order book has gone down only by 348 crores, so where is the rest of the revenue coming from?

Anil Yadav: Order book of Sindhudurg Airport is revised upward. Also, ancillary works like utility shifting etc were awarded to the company. Due to this, the order book stands revised and present order book reflects correct position.

Moderator: We have our next question from Nirav Shah from Antique Stock Broking. Please go ahead sir.

Nirav Shah: Firstly, you mentioned that you were expecting around 135-140 crores of revenue from the Expressway on the Ahmedabad-Vadodara stretch. Is this considering the 20% downward revision in the toll?

Virendra Mhaikar: Yes.

Nirav Shah: So the traffic is actually higher than our estimate on this stretch?

Virendra Mhaikar: No, the 20% reduction in tariff is something which was already given in the tender, so the revision was not something which was out of the way. It was supposed to be realigned to that tariff, the moment we took over, so it is as per the contract provision only.

Nirav Shah: Fair enough. What is the breakup of the other income between construction and BOT segment for third quarter of FY'13 and FY'12?

Anil Yadav: For this quarter, 22 crores are from construction and 11 crores from BOT and corresponding quarter of last year, 25 crores were from construction and 9 crores from BOT.

Nirav Shah: Can you just give us the equity requirement spending for all the projects under construction and what is the total of that, that we have been increasing over the next 2-2½ years?

Virendra Mhaikar: Total equity requirement for existing project is of Rs.1,800 crores over the period of 3 years.

Moderator: Thank you very much for your question sir. We have our next question from Mr. Vishal Sharma from BNP Paribas. Please go ahead sir.

Vishal Sharma: Most of my questions have been answered, but can you also split the cash balance between BOT and EPC?

Virendra Mhaiskar: Vishal, as you know that we have frequently transferred the funds from the SPV to the holding company and accordingly all the funds at the month end or so are transferred to the holding company, so major cash will be there in the holding company. Around 1000 crores odd cash will be there in the holding company and MRM.

Vishal Sharma: One more question, any Forex or mark to market adjustments in the numbers, anywhere?

Virendra Mhaiskar: No, because if you compare the Forex itself the dollar rate for last quarter also and this quarter are also at similar rate only. Secondly, if there will be any losses that will be basically adjusted in capitalized as cost of the assets.

Moderator: Thank you for your question sir. We have our next question from the line of Mr. Abhinav Bhandari from Elara Capital. Please go ahead sir.

Abhinav Bhandari: I had a couple of questions, one is I just wanted to know your thoughts on MRMPL's visibility. Given the fact that some of our major projects would be getting executed in the next one quarter and Ahmedabad-Vadodra, we would just be starting, Goa-Kundapur still some time away, so how do you see the revenue spanning in various quarters of next fiscal in MRMPL?

Virendra Mhaiskar: I believe Tumkur-Chitradurga and Pathankot-Amritsar will be contributing to the construction revenues for at least two quarters more. By which Ahmedabad-Vadodra should have picked up quite substantially. So frankly speaking, we don't see any dip in the construction revenue.

Abhinav Bhandari: The other thing which I wanted to check is on the NHAI BOT pipeline, we have been grading on the EPC cash contracts much more nowadays, so is there any sense that their focus has now shifted for the time being more to these contracts rather than to the BOT projects as such and to that extent you might face some delays as far as new projects bidding is concerned?

Virendra Mhaiskar: What we are seeing is that the BOT pipeline stands delayed in terms of award only, because they are trying to put their house in order as I explained earlier, where they want to have more land acquisition done upfront and they want to have EC and FC clearances well in place. So we have not really seen them changing tracks in terms of putting a project off from BOT and putting it on EPC, so that has still not happened. We have no reason to believe that the BOT order book is likely to shrink going forward.

Abhinav Bhandari: Last quarter, you spoke on refinancing debt on Surat-Dahisar, so any successful attempt there?

Virendra Mhaiskar: We are still in the process. We believe that by March, we should be able to do that as we had stated earlier.

Abhinav Bhandari: On the airport, this contract of 350 crores, is it entirely debt component in it or there is some equity component also? Who would be the execution contractor here?

Virendra Mhaiskar: L&T would be the EPC contractor in this case and they would be executing work worth of around 320 crores.

Abhinav Bhandari: One last question on the standalone debt, what would be the number at the end of December?

Virendra Mhaiskar: It stands at Rs. 1,400 crores.

Moderator: Thank you Mr. Bhandari. We have our next question from the line of Mr. Ashish Shah from IDFC Securities. Please go ahead sir.

Ashish Shah: I just wanted to check why is the tax rate for this quarter is so low?

Anil Yadav: From this quarter, we have consolidated MVR infrastructure and we have aligned MVR infrastructure amortization policy and taxation law in line with our other subsidiaries. This has resulted into net deferred tax credit of 33.71 crore out of which 16.71 crore has been recognized by MVR Infrastructure in this quarter and the balance will be recognized in the next quarter of FY'13.

Ashish Shah: So to simply understand this, the tax provision as it appears is lower by 16.7 crores for the quarter.

Virendra Mhaiskar: Yes that's correct.

Ashish Shah: Also just dwelling a bit on the traffic growth part, one looks at some of the assets like Bharuch-Surat, it actually seems to be a decline of 3%-4% in terms of traffic and same may be in the case of Tumkur-Chitradurga, so you think this trend will reverse, you know as you were saying that probably things would reverse or it will take some time?

Virendra Mhaiskar: Tumkur-Chitradurga would highly depend on the mining getting called off, but Bharuch-Surat and Surat-Dahisar, we have seen some positive signs. In fact the tariff revision this year was much lower than the tariff revision last year because of the reduced inflation. So the traffic growth has been in the range of around 4%-5%.

Moderator: We have our next question from the line of Mr. Urkarsh Maheshwari from Reliance General Insurance. Please go ahead sir.

Urkarsh Maheshwari: I just want to get an idea how much of your total debt say 8000 crores would actually qualify as a takeout financing kind of thing at this moment?

Virendra Mhaiskar: Most of it would qualify for takeout financing.

Urkarsh Maheshwari: Entire 8000 crores for that ISTL...?

Anil Yadav: I think Mumbai-Pune, we have already done the reduction on interest cost. Bharuch-Surat, we have done. So I would say around 2000 crores debt has already been availing a lower interest rate, so balance debt would be eligible for it.

Urkarsh Maheshwari: Second thing, I just want to get an idea what kind of revisions in the toll has happened in this quarter and expected in the coming quarter?

Anil Yadav: in the coming quarter, we don't have any tariff revision.

Urkarsh Maheshwari: One more idea sir. I think a year back we had some kind of difficulties in that Yen when it got appreciated, now the Yen has gone to the reverse way, are we booking any kind of gains out of it, on that outstanding loan?

Virendra Mhaiskar: That derivative contract stands closed many quarters back.

Urkarsh Maheshwari: Nothing is pending on that front?

Virendra Mhaiskar: Nothing. In fact, we don't have any derivative contract valid on the date.

Moderator: Our next question comes from Mr. Atul Karwa from Systematix. Please go ahead.

Atul Karwa: Most of my questions have been answered.

Moderator: Mr. Naveen Jain from JM Financial. Please proceed with a question.

Naveen Jain: My first question was on the Goa-Kundapur project, you mentioned that you expect to sign the concession agreement soon. Could you just share what is the status of land acquisition there and if there is any kind of forest clearance or environment clearance that is pending in this project?

Virendra Mhaiskar: To the best of our knowledge, out of the five districts that cover the project length, three districts they have completed the necessary paperwork. Balance two districts, they are likely to complete in a month or so. So we are hopeful that by March, we should be in a position to sign the contract.

Naveen Jain: Which would mean that 80% of the land would have been acquired by then?

Virendra Mhaiskar: That's correct.

Naveen Jain: Okay. And no environment clearance or forest clearance issues there?

Virendra Mhaiskar: That will keep on happening. I don't think they will wait for signing the contract for that because that application already is in process.

Naveen Jain: And the second question was on the Ahmedabad-Vadodara project, you mentioned that you are on track for your projections to be met, but could you please share what is the current toll collection on a per day basis?

Virendra Mhaiskar: Yes, we are doing around 34 to 35 lakhs toll collection today on a per day basis and we will have one more revision in the tariff from July this year, so considering that we should be in a position to reach anywhere between 135 to 145 crores.

Naveen Jain: And last question was on the equity commitment that we have, if could just share it project wise for the balance project?

Anil Yadav: Total equity commitment, we are having close to 1800 crores.

Naveen Jain: Broadly, could you please break it among projects?

Anil Yadav: Yes in FY14, Tumkur-Chitradurga will require roughly 130 crores, Ahmedabad-Vadodara roughly 530 crores and Goa-Kundapur close to 210 crores. And in FY15, Ahmedabad-Vadodara will require 590 crores and Goa-Kundapur roughly 370 odd crores.

Moderator: We have our next question from Mr. Ajit Motwani from MK Global. Please go ahead.

Ajit Motwani: I just wanted to get an update on the Amritsar-Pathankot project, what is the likely date of completion of the project and also the toll collection date?

Virendra Mhaiskar: We expect that we should be able to complete the project by June end.

Ajit Motwani: And as far as you said, you got majority of the clearances for Ahmedabad-Vadodara. As far as the land acquisition is concerned, the entire stretch land is in hand or..?

Virendra Mhaiskar: No more than 80% has been handed over and the EC & FC is in place that, tree cutting permission is in place. Balance 10%-15% also is in advanced stage, so we don't have any major concern on that.

Ajit Motwani: And what is the expected, let's say, construction time lines for Kundapur project?

Virendra Mhaiskar: Construction timelines, we believe that by September or early October we should be able to start the project.

Ajit Motwani: September or early October. So given the fact that you will have about two only in the first half of next year, even let's say consider entire year, most likely you will have a flattish sort of a revenue growth on the construction side next year.

Virendra Mhaiskar: Yes.

Moderator: We have our next question from Mr. Anupam from IIS.

Anupam: In your BOT business, the EBITDA margins have dropped sharply both YOY Q on Q, so any specific reason for that?

Anil Yadav: Because in some projects we have started major maintenance. Fall in EBITDA margins is because of that only. Bharuch-Surat is one of such project wherein we have started major maintenance.

Anupam: And any impact from the MVR acquisition in EBITDA margins?

Virendra Mhaiskar: No EBITDA margin more or less in line with our other subsidiaries.

Anupam: Okay. And one more question on Ahmedabad-Vadodara since you started the project on 1st January, so the first year premium payable to NHAI that would be 1st January to 31st December or how does it work?

Virendra Mhaiskar: No the premium will be from 1st Jan to 31st March will be 309 crore pro-rata and from 1st April it will go up by 5%.

Anupam: Okay it will be pro-rata, so there is an impact. Okay fine, that's it sir. Thank you.

Moderator: We have our next question from Mr. Shravan Shah from AMSEC. Please go ahead sir.

Sujit Jain: In terms of timelines now Tumkur-Chitradurga and Amritsar, what is the timeline that we have in our mind in terms of completion?

Virendra Mhaiskar: We believe that by June end, we should be able to complete Amritsar-Pathankot and Tumkur-Chitradurga before end of this year.

Sujit Jain: Okay Kolhapur for a while has been stuck in approval, so if you could give some visibility as to when it could finally start and what is the status of the hotel project there?

Virendra Mhaiskar: The hotel project continues to progress well and as far as tolling is concerned, we are awaiting the government green signal to start tolling because the project construction is complete for a while now and for whatever resistance and things like that were there, I think the chief secretary has concluded the meeting on first of this month, so we await some early instructions from them on this now.

Sujit Jain: And for the loss period in the tolling in Kolhapur project, will we be compensated?

Virendra Mhaiskar: Yes certainly under the concession agreement, we have full protection.

Sujit Jain: That will be through increase in the toll period.

Virendra Mhaiskar: It would depend how they want to settle it. It would primarily depend on them.

Sujit Jain: Because this won't be like a standard contract of like what we have in NHAI, so would there be a toll increase or how this will work?

Virendra Mhaiskar: Contract language is on the similar lines of what planning commission has, so we are certainly well protected.

Moderator: We have our next question from Mr. Shashi Kiran from SCB Securities.

Shashi Kiran: Thanks for taking my questions and congratulations on good set of numbers. Just a couple of questions in while taking over MVR project, you had mentioned that the main kicker that will come out possibly from the refinancing of the high cost debt that we have at hand. So how have you proceeded in that direction?

Virendra Mhaiskar: We already had one round of meeting with the lenders. As the first step towards revising the interest rates, we have got the subsidiary rating done and now with the rating improved, we are in the process of revising the interest rate lower. So we believe that in the next couple of months, we should be having some clarity on that.

Shashi Kiran: Okay. So how much is the debt outstanding on this project?

Virendra Mhaiskar: 225 crores.

Shashi Kiran: My second question is just a recap on when will the tariff revision happen for the main key project that is Mumbai-Pune, Dahisar-Surat, Bharuch-Surat, and Tumkur-Chitradurga?

Virendra Mhaiskar: Bharuch-Surat is first July every year. Surat-Dahisar is first September every year and the next revision on Mumbai-Pune is due April 2014.

Shashi Kiran: Okay. And Tumkur Chitradurga?

Virendra Mhaiskar: Again 1st April 2013.

Shashi Kiran: But Mumbai-Pune is once in three years, right?

Virendra Mhaiskar: That is correct, so the next one is due on 1st April 2014?

Shashi Kiran: And Tumkur-Chitradurga is due on ...

Virendra Mhaiskar: April, annual.

Shashi Kiran: Annually 2014. And when it comes to Ahmedabad-Vadodara, escalation will be due July every year?

Virendra Mhaiskar: No the escalation for this year will be July because from the date of start within six months, you cannot revise the toll rate, but the next revision will again be in April.

Shashi Kiran: What is the rate of revision that happened this year for Surat-Dahisar and Bharuch Surat?

Virendra Mhaiskar: It's around 7%.

Moderator: We have our next question from Neeraj Agarwal from Tata Securities. Please go ahead sir.

Neeraj Agarwal: Can you give the breakup of construction revenues project wise?

Virendra Mhaiskar: Yes for this quarter, Talegaon-Amravati has contributed 142 crores, Jaipur-Deoli 159 crores, Amritsar-Pathankot 143 crores, Tumkur-Chitradurga close to 200 crores.

Neeraj Agarwal: And secondly, now that we have applied for provisional COD in Jaipur and Talegaon, can you give us the indicative first year revenue guidance for these two projects?

Virendra Mhaiskar: No sorry we won't be able to give you that.

Neeraj Agarwal: Okay. And once we get the provisional COD when does the capitalization happens?

Virendra Mhaiskar: From the date of operation, once we will start the toll collection.

Neeraj Agarwal: From the date of the provisional COD only the capitalization will happen.

Virendra Mhaiskar: That's correct.

Neeraj Agarwal: And lastly what is the equity that we have invested till now in the Sindhudurg project.

Virendra Mhaiskar: Around 20 crores.

Moderator: We have our next question from Mr. Prem Khurana from B&K Securities.

Prem Khurana: My first question is with respect to MVR, there we were supposed to pay the authority some 120 odd crores over FY14 to 18, so how would we be accounting for that as in it would be recognized in accounts with the revenues booked or I mean same amount would be divided over a period of 5-6 years FY14-18?

Virendra Mhaiskar: It will be accounted in the year in which it is paid.

Prem Khurana: So 120 crores is to be paid by FY14-18 so when do you expect it to pay as in which year?

Virendra Mhaiskar: It is provided in the concession agreement; we will revert back to you on that.

Prem Khurana: And this Thane-Bhiwandi debt has gone up by some 70 odd crores rupees during the quarter on sequential basis, so what have we taken this loan for?

Virendra Mhaiskar: No, this is just reorganization of loans within the structure. And on the MVR thing I would like to add that this premium that we have to pay to NHAI, it'd be a P&L item, so as and when whichever year that installment is due, it will be debited to the P&L account.

Prem Khurana: So there is no specified date to pay this on our discretion or how does it work?

Virendra Mhaiskar: Over 4-5 years, some year, it is 30 crores, some year it is 20 crores, it is a stream of revenue that they have given and accordingly that revenue will be paid to NHAI from the revenue, so it will be a profit and loss item rather than a balance sheet item.

Moderator: We have our next question from Mr. Mangesh from Quant Broking.

Mangesh: The first one is on the disturbances on Thane-Ghodbunder road, which is actually impacting traffic on Surat-Dahisar. What is the timeline that you see when all the flyovers on that road would be completed?

Virendra Mhaiskar: I think out of the five now, two or three of them have already been opened up, one or two remain to get opened up which we believe it should be opened in next couple of months.

Mangesh: So by next quarter, probably we will see some traffic growth in Surat-Dahisar, so compared to the 4%-5% that we have seen, it will be say in the range of 6%-7%.

Virendra Mhaiskar: I won't like to put a number today, but yes we certainly hope the things to improve from here.

Mangesh: And I just wanted to ask you whether State Government has asked you to incur any CAPEX for the safety measures on Mumbai-Pune Express or is it voluntarily done by the company?

Virendra Mhaiskar: No they have proposals in mind, but those all would be variations not a CAPEX for additional operation maintenance expenditure to the company.

Mangesh: So under the concession basically, you will not incur more CAPEX than what are actually envisaged.

Virendra Mhaiskar: No these would be variations under the contract provision, whatever they want we will execute for them, but these would be typically variation and we will be funding it.

Mangesh: And lastly, recently there was an article that 80IA benefits for new projects would be removed, the tax benefits. So that article mentioned it will not be applicable to the existing project, but how do you see the impact on new projects?

Virendra Mhaiskar: No I don't think it will have any impact because if we know it beforehand we will naturally work our IRR resuming full tax.

Mangesh: It will entail a very high CAPEX..

Virendra Mhaiskar: No it won't entail higher CAPEX, it will reduce the premium that one will offer to the NHAI or will seek higher grants from NHAI to make the same kind of IRR.

Moderator: We have our next question from Mr. Akshay Soni from Morgan Stanley.

Akshay Soni: Just in terms of the acquisition side, where are we right now? Have you spent a while after MVR, so has there been any progress on that front? Are there still pieces that you are looking at or is that now on the back-burner at the moment because the buyers and sellers expectations don't seem to match?

Virendra Mhaiskar: It would be on the back-burner for a couple of reasons, (1) As you very rightly said the expectations are still too high and (2) We have seen a dramatic reduction on the bidding side, so the aggression has come down dramatically. So we feel that we will be able to create more value by bidding and winning projects, so we will reserve and conserve the cash for that.

Akshay Soni: Understood sir. And on the dividend side, is that 20% that you spoken about earlier CAP in terms of your profits to be paid out or is that just a guideline so to say and the dividend could actually end up exceeding that if you pay out again in the fourth quarter?

Virendra Mhaiskar: Yeah it could be more of a guideline and on the cash flow basis, yes we will take a call in the fourth quarter I cannot give you any clarity today.

Akshay Soni: No I absolutely understand that, I just wanted to understand that.

Moderator: We have our next question from Mr. Pulkit Patni from Goldman.

Pulkit Patni: Most of the questions have been answered. Just one, can you tell the effective rate of interest that the company is paying today and any sort of other renegotiation that has gone through or likely to go through in terms of lower interest rate in the future?

Virendra Mhaiskar: Pulkit, the cost of funds for the company are in the range of around 11.25% at the moment and as I explained earlier around 5000 to 6000 crores of debt over a next period of 1 year would certainly be eligible for refinancing at a lower rate.

Moderator: We have our next question from Mr. Parikshit from Karvy Stock Broking.

Parikshit: I just wanted to know what is the total outstanding ECBs as of now in the books?

Virendra Mhaiskar: ECB outstanding is close to 650 crores.

Parikshit: The status has not changed versus the last quarter since it is at the same level. And what is the completion number, would you tell, I just missed that number.

Virendra Mhaiskar: We expect the project to be operational by end of this quarter.

Parikshit: And how much is the total construction progress on this?

Virendra Mhaiskar: 90%.

Moderator: Our next question comes from Mr. Shravan Shah from AMSEC. Please go ahead sir.

Shravan Shah: Regarding this cash 1400 crores and out of which 1000 crores has come to holding company from various FDs. How does this arrangement work in terms of accounting entries, does the holding company first give this money as sub debt and it comes back?

Virendra Mhaikar: Yes.

Moderator: We have a question from Mr. Sandip Bansal from UBS. Please go ahead.

Sandip Bansal: I had two questions, first, how does the diesel price hike impact our costs and margins?

Virendra Mhaikar: Good question Sandip. Basically the order is certainly a dampner, because they want to charge a bulk rate, which is significantly different than the retail one. So what has happened is on a practical terms, we are left with no option, but to pick up our diesel from the local petrol pumps rather than buying them in bulk, so that is what we are doing at the moment.

Sandip Bansal: Okay, but even assuming that there is a 40 to 50p increase per month, let's say over the course of the next 1 year, how much of an impact do you think it could have on margin?

Virendra Mhaikar: I think that gradual impact we can certainly absorb within the escalation provisions that we have, but this one time bulk that they were trying to enforce that can certainly impact the margin by at least a percent.

Sandip Bansal: The contract that is given by the SPV to MRM is on a variable basis, so the hit has to come from where?

Virendra Mhaikar: No it has to go in MRM only.

Sandip Bansal: Okay, so it's in tally of fixed price contract. So let's say even if there is a gradual increase in prices, let's say 50p per month then let's say over the course of 1 year or so there could be an impact of around a percentage, right?

Virendra Mhaikar: That's correct.

Sandip Bansal: Sir secondly on CAPEX in the standalone or in the construction business or in MRM, would we need to take further CAPEX for Ahmedabad-Vadodara or because the other projects will get completed we will be able to move around machinery?

Virendra Mhaikar: We don't foresee any significant CAPEX going forward once we look at the existing order book.

Sandip Bansal: Okay.

Moderator: We have our last question from Mr. Ashish Shah from IDFC Securities.

Ashish Shah: Sir, there is one more question on your issue of service tax demand, you have mentioned that you have got a stay, so what is the next course of action, any timelines that we should watch out for or any particular events?

Virendra Mhaikar: No at the moment as I explained all the 10 SPVs, we have got unconditional waiver from pre-deposition of service tax and a stay, so as and when the matters get listed and as and when there is any moment on that we will keep you notified.

Ashish Shah: Any potential date of hearing or anything that...?

Virendra Mhaikar: No we don't have that at the moment.

Virendra Mhaikar: So I would like to thank all of you for joining this conference call on behalf of IRB and wish you a very good evening. Thank you so much.

Moderator: Ladies and gentleman, this concludes the conference for today. Thank you for your participation and for using Tata Docomo Conferencing Services. You may please disconnect your lines now. Thank you and have a pleasant evening.