

Moderator: Ladies and gentlemen, good day and welcome to the IRB Infrastructure Developers Conference Call hosted by the company for the unaudited financial results for the December quarter of financial year 2014. We have with us today, Mr. Virendra Mhaiskar – Chairman and Managing Director; Mr. Anil Yadav – Group Chief Financial Officer; Mr. Dhananjay Joshi – CEO; Mr. Madhav Kale – Head, Corporate Strategy Planning; and Mr. Mehul Patel – Group Company Secretary. As a reminder, for the duration of this conference, 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 any assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Mhaiskar to give you an overview of the significant developments during the quarter. Thank you. Over to you, Sir.

Virendra D. Mhaiskar: Very good afternoon to all of you. During this quarter ending December 31st we had five projects under implementation. We have continued our focus on project construction and operation and maintenance of the already operational projects. Construction on Ahmedabad-Vadodara project is completed to the extent of 48% and this project has largely contributed to the Construction revenue in December quarter. Other projects Tumkur-Chitradurga, Amritsar-Pathankot, Jaipur-Deoli, and Talegaon-Amravati project already stands substantially completed and collectively contributed around 13% of the construction revenue. This has reflected in marginal drop in the Construction revenue in comparison to the December quarter last year. Construction segment operating EBITDA margins remained at 27% during the quarter.

On operation front traffic growth continued to remain weak in line with the level of economic activities in the country. However, due to rise in tariff which is linked to wholesale price indices and commencement of Toll on new projects, Toll revenue has increased by approximately 16% in comparison to the corresponding quarter last year.

In line with our dividend policy the Board has declared second interim dividend of 20%. We have achieved financial closure for the Goa-Kundapur project by tying up the project debt of Rs.1,400 crores and expect to start the construction in this quarter. Average cost of debt for the company remains at 11.25% with the net debt-to-equity ratio at 2.67:1.

On the new project front we have won the Solapur-Yedeshi four-laning project in the State of Maharashtra on VGF basis and have also received the 'Letter of Award' from NHAI. Estimated project cost is Rs.1,500 crores. With this the order book for the company now stands at Rs.7,800 crores, out of which Rs.5,800 crores is construction order book to be executed in next 2-3 years. We have participated in the annual prequalification process of NHAI and have been declared qualified to bid for a single project on BOT worth up to

Rs.5,000 crores. We stand prequalified to bid for approximately Rs.33,000 crores worth of projects in Road sector.

Now I would request Anil to give you an overview on financial performance of the company. Over to Anil.

Anil Yadav:

Thank you sir. First, I will present financial analysis of Q3 of FY14 Vs Q2 of FY14. Total consolidated income for Q3 of FY14 has gone down to Rs.906 crores from Rs.967 crores registering a decline of 6% over Q2 of FY14. Consolidated Toll revenue for Q3 of FY14 has gone up to Rs.311 crores from Rs.273 crores, registering growth of 14%. While consolidated Construction revenue for Q3 of FY14 has gone down to Rs.566 crores from Rs.666 crores, registering a decline of 15% over Q2 of FY14. EBITDA for Q3 of FY14 has gone up to Rs.464 crores from Rs.450 crores registering a growth of 3% over Q2 of FY14. Interest cost has also increased by 16% to Rs.204 crores in Q3 of FY14 from Rs.176 crores in Q2 of FY14. Depreciation gone down to Rs.112 crores in Q3 of FY14 from Rs.124 crores in Q2 of FY14.

As you are aware that Toll collection rights are amortized over the period of the concession using revenue-based amortization as prescribed in Schedule XIV of the Companies Act, 1956. The amortization for this quarter is aligned with the actual collection. This has resulted in reduction of the amortization. As a result, PBT gone down to Rs.147 crores in Q3 of FY14 from Rs.150 crores in Q2 of FY14, resulting in a decline of 2%. PAT before minority interest in Q3 of FY14 stands at Rs.109 crores as compared to Rs.107 crores in Q2 of FY14, registering growth of 2%.

Now, I will present the analysis of the Q3 of FY14 Vs Q3 of FY13. Total consolidated income for Q3 of FY14 has gone down to Rs.906 crores from Rs.947 crores, registering a decline of 4% over Q3 of FY13. Consolidated Toll revenue for Q3 of FY14 has gone up to Rs.311 crores from Rs.269 crores registering growth of 16%. While consolidated Construction revenue for Q3 of FY14 has gone down to Rs.566 crores from Rs.644 crores, registering a decline of 12% over Q3 of FY13. EBITDA for Q3 of FY14 has gone up to Rs.464 crores from Rs.440 crores, registering growth of 5% over Q3 of FY13. The interest cost has increased by 28% to Rs.204 crores in Q3 of FY14 from Rs.159 crores in Q3 of FY13. Depreciation has marginally changed to Rs.112 crores in Q3FY14 from Rs.113 crores in Q3FY13. As a result PBT has gone down to Rs.147 crores in Q3 of FY14 from Rs.168 crores in Q3 of FY13, resulting in decline of 13%. Decline in PBT is due to reduction in Construction turnover due to delay in start of Kundapur project. This has resulted in decline of the Construction PBT from Rs.123 crores in Q3 of FY13 to Rs.101 crores in Q3 of FY14. PAT before minority interest in Q3 of FY14 stands at Rs.109 crores as compared to Rs.141 crores in Q3 of FY13, decline of 23%. In Q3 and Q4 of FY13 there were one-time impact of the approx. Rs.17 crores each due to reversal of deferred tax liability of MVR Infra. Now, I will request the moderator to open the session for question-and-answer.

Moderator: Thank you very much. Participants we will now begin with the question-and-answer session. Anyone who wishes to ask a question please press '*' and '1' on your touchtone phone. If you wish to remove yourself from the question queue please press '*' and '2.' Participants are requested to use handsets while asking a question. We have the first question from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: What is the gross consolidated debt and cash equivalents on the book?

Anil Yadav: Gross debt is Rs.10,400 crores and gross cash and cash equivalent is close to Rs.1,200 crores and net debt is Rs.9,200 crores, net worth for the company is Rs.3,450 crores, net debt-to-equity is 2.67:1.

Atul Tiwari: Any comments on the situation on ground in Kolhapur, what is exactly happening, are you guys still collecting Toll? And condition of other Toll booths as well, that will be very helpful?

Virendra Mhaikar : Kolhapur, as you all know, we had started collecting Toll from 17th October as per the disclosure that we had given in the past, and since then for last almost three months we had been successfully streamlining the operation, but on 12th of January with a couple of ministers agreeing to consider buying back of the project due to the demand from the Toll Virodhi Samiti there was an incident where they burned down a couple of Toll Plazas, and since then the Tolling has been stopped, and we are in the process of putting back the infrastructure post which we intend to start the Tolling. On the government side, what has happened is there is a pressure on the Kolhapur Corporation to consider whether they can buy back the project and although we have not yet heard anything officially from them on this... what all I saying is only from press reports that (Inaudible) (10:16 to 10:36) at the Tolling, that petition is also likely to come up for hearing in a week's time. So once that is up for hearing we will be able to get some further clarity on the matter and we propose to restart the Tolling once things are clear enough. As regards the other Toll booths are concerned, we can assure you that none of the Toll Plazas there has been any Toll disruption, If you are referring to the MNS agitation that was passed off since Sunday evening at 3 or 4 locations attempts to vandalize the Toll Booths was certainly done but the state government had provided more than adequate protection to all the concessionaires across the state, and as a result disruptions could not exist for more than 10-12 minutes within which the police were in charge of the situation, and they got rid of the vandalizing persons. So nowhere else the Toll operations have been under any kind of stress at all, and has been going on undisrupted.

Atul Tiwari: As far as the situation in Kolhapur is concerned as per your concession agreement with the corporation what is the indemnity clause? In case there is a frequent disruption, say, every few months do you guys have a clearly stated right to put the project back to Kolhapur Corporation at a pre-agreed valuation, what does the agreement say, because apparently it appears that this problem is not going to go away so soon, do you have any legal recourse at all?

Virendra Mhaikar : If we have to look within the concession agreement then the most eligible clause to suit this present situation is a political 'Force Majeure' – political event or indirect political event leading to a termination of the contract. If we have to assume that kind of a situation then the debt due (+150%) return on equity is what we are protected for. That is what the situation

would be in that kind of an extreme situation. I frankly do not think that it is going to be a situation because from the talks that we have been having with the state government we get an inclination that they are for Tolling. So we have to wait and see for the clarity to emerge as far as Kolhapur is concerned.

Moderator: Thank you. We have the next question from the line of Devang Patel from Avendus. Please go ahead.

Devang Patel: My question is on depreciation. Mr Yadav mentioned some alignment was done this quarter. The question is how is the valuation done comparing the PCU, is this done regularly at every quarter or every year or is it done on a random basis?

Anil Yadav: The Toll Collection Rights are amortised over the period of concession using revenue based amortization as prescribed in Schedule XIV of the Companies Act, 1956. The amortization for this quarter is aligned with Actual collection. This has resulted in reduction of amortization.

Devang Patel: Any rough cut number you could give how much the depreciation would have been if the alignment were not done?

Anil Yadav: There would have been Rs.10 crores approx additional depreciation.

Devang Patel: Second question was on the Toll Collection of Jaipur-Deoli project. We are roughly collecting Rs.16-17 lakhs per day. What was our estimate at the time of financial closure, if you could give us that? And how do you expect this number to scale up in the next few quarters?

Virendra Mhaiskar: Since we have begun the Tolling the sand mining ban was reduced on that project because of which as against the Rs.20-21 lakh collection gone down to around Rs.15-16 lakhs but since last 1.5 months the sand mining ban has been lifted post the state election, and the sand mining is now back to almost normal, and as a result of that the collection also is now back to Rs.20-21 lakhs on a daily basis.

Devang Patel: Is that the number you are expecting when you started this?

Virendra Mhaiskar: No, it was still higher but right now we are only getting 75% of the tariff because we have received a provisional completion certificate.

Devang Patel: So when it goes to 100% will the number still go up to the number that was expected or ...?

Anil Yadav: It should be more or less in line with that.

Devang Patel: If you can also give an idea on the Pathankot project and Talegaon when we are expecting 100% COD for both these projects?

Virendra Mhaiskar: For Talegaon-Amravati 100% COD has now been recommended by NHA site office to head office, and probably in the next 15 days we should be able to revise the Toll rates for Talegaon-Amravati as per final COD. And on Tumkur-Chitradurga also we have received the provisional completion certificate. And on Amritsar-Pathankot we are optimistic to complete the project by end of March.

Moderator: Thank you. We have the next question from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: Just wanted to know any Toll rate hike was there in the quarter in any of the projects?

Virendra Mhaiskar: In this quarter there was no Toll hike in any of the projects.

Subramaniam Yadav: So that means in your main projects like Surat-Dahisar and Thane-Ghodbunder and Bharuch-Surat there have been completely traffic increase with the number reported?

Virendra Mhaiskar: That is correct.

Subramaniam Yadav: Are we seeing any incremental traffic apart from this because this is the full traffic what we can assume right now or how has been the flow after the construction of the fly over?

Virendra Mhaiskar: The impact of the diversion of traffic has subsided but you might have read in the papers, end of last month there was a small incident where at the Versova bridge which is the fag end of our Surat-Dahisar project (this is a old bridge which is not something which is constructed by us) but it is the fag end of our project and there are two bridges, one of which had developed a crack, and now NHAI has asked us to repair that bridge for them. So one bridge has been kept closed, and as a result of that police have diverted the traffic via Thane-Bhiwandi and again coming back on NH-8 just before Khaniwade Toll Plaza. So as such we have not seen any traffic diversion or loss of revenue but some delays in the traffic because of that is happening so that might continue for another two months till that bridge gets repaired. That bridge is close to 30 years old and that was not constructed by the company, and that was an old bridge where we have taken over the project, there was no improvement or addition was done to that bridge.

Subramaniam Yadav: Was there any substantial problem because of that our number has substantially improved?

Virendra Mhaiskar: That bridge has neither contributed anything positively or negatively. I think for the next two months because the repairs are in place there has been a traffic diversion via Thane-Bhiwandi again but the collection for Surat-Dahisar is pretty much stable now.

Subramaniam Yadav: How much is the other income component in the sales of Construction and Toll Collection?

Anil Yadav: Other income in Construction segment is close to Rs.25.29 crores and in BOT segment it is Rs.3.39 crores.

Subramaniam Yadav: Even if you consider that our margin has been improved to 33%?

Anil Yadav: If you remove the other income then margin is more or less similar to the September quarter, there is not much improvement in the margin; it remains the same at 27% kind of margin.

Moderator: We have the next question from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: My first question is when is the appointed date for Goa-Kundapur project expected?

Virendra Mhaiskar: Goa-Kundapur financial closure has been reported to NHAI which after verifying the document they have also accepted the financial closure. As we speak, the team is involved with NHAI in terms of closing the conditions precedent on either side, and within a fortnight we expect the appointed date to be declared.

Amit Sinha: For the Solapur-Yedeshi project what is the expected Toll on a daily basis whenever it gets commissioned?

Virendra Mhaiskar: That number we will not be able to give you today. Once we are done with the lenders in terms of financial closure, we will give those details out.

Amit Sinha: On the system traffic growth mainly in the Western region can be you be able to put a number or a range for the traffic growth?

Virendra Mhaiskar: 6-7% is something one can assume in his working.

Moderator: We have the next question from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: You said the Talegaon-Amravati next 15 days we have to revise the tariff. If we come on a fuller tariff basis what sort of collection would come in there, any sort of rough estimate you can give?

Anil Yadav: Toll rate now will be 100%. Whatever the collection reported those are only 58%.

Nitin Arora: What would be our equity requirement now post this quarter?

Virendra Mhaiskar: The balance equity requirement over next 3 financial years would be approximately Rs.2,000 crores.

Nitin Arora: And this is including the newer projects which we are working?

Virendra Mhaiskar: Yes, including Solapur-Yedeshi.

Nitin Arora: Just one question on Solapur-Yedeshi, I am not asking anything specific to traffic. This is the project you must have seen any clearances are being left, what is the ground progress in terms of land acquisition, and any wild life clearances or any sort of these things?

Virendra Mhaiskar: I think being 100 Kms project environment clearance per se should not be required as per the new notification. That is what our understanding is. And as regards other land related issues are concerned I think they are in an advanced stage. So there is a good possibility that we may be able to start this project pretty fast.

Nitin Arora: What would be our debt number at MRM and standalone if you can give?

Anil Yadav: Modern Road Makers excluding OD is close to Rs.300 crores and parent level excluding OD it will be close to Rs.1,450 crores.

Nitin Arora: My last question on the Ahmedabad-Vadodara. Anything you wanted to highlight on the traffic pattern, have we seen some liftment coming there on the traffic?

Virendra Mhaiskar: If you look at the second quarter numbers the collection was close to Rs.27 crores, whereas this quarter it has jumped to Rs.33 crores.

Nitin Arora: This is what we were expecting as per our expectations?

Virendra Mhaiskar: We are slowly going closer to our original expectation.

Moderator: We have the next question from the line of Jonas Bhutta from Bank of America. Please go ahead.

Jonas Bhutta: A question on Tumkur-Chitradurga. There also we have seen some revenue growth of about 7.5-8%. What has led to that? Is that again traffic coming back in terms of ?

Virendra Mhaiskar: That is right, I think slowly the traffic coming back.

Jonas Bhutta: This is more sector-related. We keep hearing the draft recommendations from the Rangarajan Committee report. One said that 25% during construction period the premium will be re-negotiated or scheduled. So any update beyond that because again there was some other Planning Commission recourse that went in and stuff like that?

Virendra Mhaiskar: Whatever update we have from NHBF on this matter earlier they said that during construction minimum 25% has to be paid and post-construction minimum 50% has to be paid, those clauses included that, it was the minimum, and if the collections so permitted you can actually pay higher premium. Now the final recommendation what has gone for approval we are told says that the 25%, 50% has been removed and they have simply kept that whatever is the left out collection which in anyway being the higher would have been

required to be paid, that is now to be paid as the premium. So to give an illustration it would be in that the gross collection less operation maintenance expense, less debt obligation, whatever is left out that amount will have to be paid as a premium, and in case of there being a shortfall vis-à-vis the original premium and the amount left out as a result of the above calculation, then to that extent that premium would get back ended, and this back ended premium will have to be unwinded, I think two years before the concession period gets over, and the interest rate that would be charged for this back ended amount would be around bank rate (+2%). So in today's rate it will come to 10.75%.

- Jonas Bhutta: Also, one of the clauses was that the assumptions put in by the committee was 11% traffic growth for these stretches whoever to be re-negotiated, is my understanding correct?
- Virendra Mhaiskar: No, there is no traffic growth percent given at all, they are simply talking about waterfall mechanism. As I explained, whatever is your gross collection you reduce the debt obligation and O&M expense, and whatever is the surplus left with you, you have to pay that as a premium. Vis-à-vis your original premium naturally there is likely to be a shortfall. That is why one would have opted for it. So to the extent of that shortfall, that shortfall gets back ended.
- Jonas Bhutta: And have you made up your mind on Ahmedabad-Vadodara?
- Virendra Mhaiskar: If the recommendations get approved for 10.75%, yes, we will certainly like to consider it.
- Moderator: Thank you. We have the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah: A small clarification, this Rs.9 crores which you said was the impact of the revision done in PCU. That would have been for the period April-December, is that right?
- Virendra Mhaiskar: Basically, we have worked out the impact of the full year. Since now there are two quarters are left, that will be spread over in this quarter and next quarter. It means that in fourth quarter there will be similar impact.
- Ashish Shah: You are saying that for the second half of the year impact is totally Rs.18 odd crores, of which Rs.9 crores has got reduced this time, and another Rs.9 crores will get reduced in Q4?
- Virendra Mhaiskar: Yes.
- Ashish Shah: Also, on the Solapur project would you like to comment on what sort of IRR you are looking at?
- Virendra Mhaiskar: Around 16-17%.
- Moderator: Thank you. We have the next follow up question from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari: My question is on the dividend that you have declared. Over the past two quarters you have substantially increased the per share dividend. Is it the new policy – Rs.2 dividend per quarter instead of Re.1 dividend earlier?
- Virendra Mhaiskar: I think the dividend policy has remained stable because we did declare Rs.2 in the first quarter, and second quarter we did not declare anything, and now we have declared Rs.2 rupees. So it would more or less make same dividend that we gave last year of Rs.4.
- Moderator: Thank you. We have the next question from the line of Vishal Sharma from BNP Paribas. Please go ahead.

Vishal Sharma: Which are the projects that are likely to get qualified if there is any kind of restructuring because of this Rangarajan recommendations in our portfolio?

Virendra Mhaiskar: They have laid down a very simple rule. All the projects will qualify subject to meeting the waterfall mechanism which I explained earlier. So any premium project where the resultant residual amount is less than the premium payable can opt for this scheme and participate in it.

Vishal Sharma: So that would mean let us say Tumkur-Chitradurga as well as Ahmedabad-Vadodara could qualify here?

Virendra Mhaiskar: Most certainly yes.

Vishal Sharma: Another question that I have for Anil is that could you also break up your cash between projects SPVs and the non-projects SPVs that is Construction plus parent?

Anil Yadav: Construction will have roughly Rs.925 crores and balance will be with project SPV.

Moderator: Thank you. We have the next question from the line of Viral Shah from Angel Broking. Please go ahead.

Viral Shah: Can you provide me the revenue breakup project wise for the quarter?

Anil Yadav: This quarter Ahmedabad-Vadodara has contributed Rs.480 crores. There was a small portion of close to Rs.60-70 crores coming from Talegaon-Amravati, Jaipur-Deoli, Amritsar-Pathankot and Tumkur-Chitradurga.

Viral Shah: All put together would be Rs.60-70 crores?

Anil Yadav: Close to Rs.70 crores.

Viral Shah: My second question is some clarity on this Kolhapur project. Just wanted to clarify, in case there is a buy back from the government then it would be only on the project fund, or they would buy back the commercial property attached with the project as well?

Virendra Mhaiskar: Naturally what discussion they have been having is that they will put a value of the 'ready reckoner' cost to the plot, and to that extent that much would be reimbursed less.

Viral Shah: And on the Solapur-Yedeshi project when do you expect the construction to start basically?

Virendra Mhaiskar: The six-month process for financial closure is laid down in the contract. So you can say by end of June latest we should be able to start.

Viral Shah: Any kind of revenue guidance which you want to give for FY15?

Virendra Mhaiskar: No, we do not want to give any guidance as of now.

Viral Shah: In terms of equity requirement what will be commitment for FY14 and FY15?

Virendra Mhaiskar: As I was saying the total balance equity commitment for the next three years is going to be around Rs.2,000 crores. If I break it down it would require around Rs.500 crores for Solapur-Yedeshi, around Rs.700 crores for Karwar-Kundapur, and the balance Rs.900 crores would be for Ahmedabad-Vadodara. You can split it up with the timelines.

Moderator: Thank you. We have the next question from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: My question is on the EPC stream. We did a turnover of around Rs.480 crores in the Vadodara-Ahmedabad project in this quarter, and you mentioned that all the other projects of

Talegaon-Amravati were almost complete. So next quarter we will just have one project which would be operational in terms of our EPC revenues, right?

Virendra Mhaiskar: I think Tumkur-Chitradurga and Amritsar-Pathankot will continue to contribute for next quarter as well.

Vibhor Singhal: So next quarter also may be we are looking at a top line of around Rs.500 crores only for the EPC division?

Virendra Mhaiskar: Should be similar to what we saw this quarter but depending on the actual appointed date for Karwar-Kundapur it can be slightly better.

Vibhor Singhal: On the Solapur-Yedeshi project we have just been awarded the project. I suppose financial closure generally takes 36 months from the appointed date per se. This project will probably start construction only in FY16 or the last quarter of FY15?

Virendra Mhaiskar: As I said we should be able to start this project by June-end 2014.

Vibhor Singhal: So this will also start contributing to our FY15 revenues per se?

Virendra Mhaiskar: Yes.

Moderator: We have the next question from the line of Mangesh Bhadang from Quant Broking. Please go ahead.

Mangesh Bhadang: I have a couple of questions. First one is I just wanted to know how many bidders were there in the final stage for Solapur-Yedeshi?

Virendra Mhaiskar: There were 22 bidders who stood qualified, but financial bid came in only from two of us.

Mangesh Bhadang: With regards to that you are saying that you are looking at IRR of 16-17%. So given the kind of paucity of projects that are coming up and the lack of competition should we not have been able to get higher IRR from this project?

Virendra Mhaiskar: The point is that we are building a model where we are saying IRR of 16-17% assuming the present situation of traffic. As the economy picks up and the traffic growth picks up, naturally the IRR on the project would also tend to improve.

Mangesh Bhadang: What could be the difference between the second bidder the L2 from yours?

Virendra Mhaiskar: He was close to Rs.300 crores and we had sought Rs.190 crores of grant.

Mangesh Bhadang: Given this you must be getting a lot of inorganic opportunities also for other BOT projects say from even lenders also. Are these projects also lucrative given that most of the developers would be seeking a discount to even the book value that they have invested? So would that also qualify for 16-17% IRR in your calculation, have you come across any projects?

Virendra Mhaiskar: I think the 20 odd projects which were stuck for the whole of the last year people have struggled to sell those projects, and I do not think any one single project has got sold, and what now we hear is that all these projects are likely to be bidded out again, and we will certainly look forward to bid in those.

Mangesh Bhadang: One more question, who is the counterparty on Kolhapur project – is it the state government or the municipal corporation there in case that project has to be sold out?

Virendra Mhaiskar: The legal arrangement as we stand we have a concession agreement with MSRDC and Kolhapur Corporation is a confirming party in that contract. So legally speaking if we have to seek any damages then that has to come from MSRDC. Now there is also a back up

agreement between MSRDC and KMC. There KMC indemnifies MSRDC to pay any amount that has to be paid out in case of a termination but that is not a part of our agreement. Our agreement is very clear with MSRDC. So technically speaking MSRDC will have to reimburse the amount to us.

Mangesh Bhadang: Because I was just going through some of the press reports and therein they had asked to pay certain amount as compensation by Kolhapur Municipal Corporation. I do not think they have that kind of funds to?

Virendra Mhaiskar: Had it been Kolhapur Corporation on whose balance sheet we had to bid for the project, we would never have bid for it.

Mangesh Bhadang: A final question, the waterfall arrangement that you had mentioned earlier, based on the Rangarajan Committee do you think there is a chance that there could be revenue leakage by developers by stating lower toll so that they can go for this opportunity and how do government check this?

Virendra Mhaiskar: First thing, there is a very active AVCC check that government already has on all these projects. So there is enough mechanism to verify and check the tolling that happens, whether it is a premium project or whether it is a grant project.

Mangesh Bhadang: So always the third-party which is looking at what kind of?

Virendra Mhaiskar: Of course, yes.

Moderator: Thank you. We have the next question from the line of Saurabh Mishra from Barclays. Please go ahead.

Saurabh Mishra: A couple of questions from my side. First, on the interest cost on BOT side, increased sequentially from around Rs.106 crores to Rs.131 crores. Is it because of Jaipur-Deoli project or is there anything else?

Anil Yadav: It is majorly because of the Jaipur-Deoli project.

Saurabh Mishra: One question on depreciation side which I think I am lacking a bit of understanding. What I understand in road depreciation policy is that it is basically weighted average economic benefit in a given quarter to that total economic benefit for the life of the project. Now, in the given circumstance when traffic is decreasing, would not the rate of current quarter economic interest go up in the overall scheme of things and is it not should be the case the overall depreciation should increase rather than coming down sequentially?

Anil Yadav: Basically, what is happening is current toll collections are decreasing, but considering after one year or two years economy will revive, and thereafter the collection or the traffic number will come at its normal level. Thereafter, the depreciation will increase once the traffic is back to the normal.

Virendra Mhaiskar: Technically you are right. This situation will only arise if the tail period left is only 2-3 years. If the economy is unlikely to revive before the concession period ends then most certainly what you say is right and will lead to increase in the depreciation amount. But because the average life of the portfolio today is in surplus of 20 years that situation does not arise in this case. So as a result if we have to assume that the economy will gradually pick up then the depreciation will tend to be lower than the original estimation.

Saurabh Mishra: If I understand this correctly you are saying that right now you are assuming still the total economic benefit of the project is in that and only...?

Virendra Mhaiskar: Of course, yes.

Moderator: Thank you. We have the next question from the line of Niraj Agarwal from Tata Securities. Please go ahead.

Niraj Agarwal: My first question is on Ahmedabad-Vadodara. We had started construction on this project from January of 2013, and in 12 months time period we have completed about 48% of this project, and the initial completion time frame for this project was somewhere around 36 months. Are we looking to complete this project by the end of next calendar year or by the end of FY15 and start tolling earlier than what it was estimated?

Virendra Mhaiskar: I would say a good question. Yes the possibility exists.

Niraj Agarwal: And second on the macro front, do you expect any further projects being awarded by NHAI before the code of conduct comes in?

Virendra Mhaiskar: We expect 1000-2000 Kms more getting bid out and awarded before the shop shuts for this government.

Niraj Agarwal: Can you name a few projects which might come in – whether it will be Delhi-Meerut or JNPT?

Virendra Mhaiskar: I think the list is all out on NHAI website, you can always check. But our understanding is 1000-2000 Kms is what one can assume that will get bid out.

Niraj Agarwal: Secondly, on the substitution policy I think NHAI has done some rectifications in that policy in which the new SPV need not be formed now. So do you think some amount of M&A activity will increase in the sector?

Virendra Mhaiskar: There is a possibility. M&A activity had been lackluster; we have not seen many deals happening. But to the extent of this clarification it will certainly help to complete the transaction now, because as in our case itself in MVR Infrastructure we had been allowed to only acquire 74% and the balance 26% we were unable to buy because of the prohibition in the present concession agreement and the buying out mechanism. Now what else that is we can buy out the balance and 100% exit has been permitted. So certainly that will be a beneficial thing for many deals to come.

Niraj Agarwal: Are we currently in the process of negotiating any such deals?

Virendra Mhaiskar: No, not at this point.

Moderator: Next question is from the line of Pranav Muchhala from Reliance General Insurance. Please go ahead.

Pranav Muchhala: Considering that our current debt-to-equity is 2.67 times, what is the target level of debt that we are looking at? And secondly in future for further bidding of projects would we be requiring any equity infusion?

Virendra Mhaiskar: To give you a perspective we have a stated policy that we would not like the debt-equity gearing to go beyond 3:1. And as regards the cash generation is concerned the cash generation at the consol level is close to Rs.900-950 crores annually, and that continuing for the next three years with the order book visibility meeting out the Rs.2,000 odd crores of

equity investment should not be a problem at all, and some more incremental projects can certainly be looked at.

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

Abhinav Bhandari: One is on the Sindhudurg Airport, when is the construction expected to commence there?

Virendra Mhaiskar: Sindhudurg, already the construction has commenced.

Abhinav Bhandari: So that revenue we will be booking on MRMPL or that would not be featuring in our construction revenue?

Virendra Mhaiskar: Revenue shall be booked at MRM, currently it is not substantial.

Abhinav Bhandari: And a couple of figures which I missed was on the parent side, how much is the gross debt and the cash figure?

Anil Yadav: Gross debt excluding overdraft is Rs.1,450 crores and cash is Rs.850 crores.

Abhinav Bhandari: Has it gone substantially up since March?

Anil Yadav: I do not think so.

Moderator: Thank you. We have the next question from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: A couple of small questions actually. In the Jaipur-Deoli project the current Toll Collection that is happening, is it 75% of the eventual collection that will happen or is it like a full tariff right now?

Virendra Mhaiskar: It is 75% of the full tariff.

Naveen Jain: So when do we expect 100% of Toll Collection to start?

Virendra Mhaiskar: By March end.

Naveen Jain: Another thing was on Kolhapur project. Obviously, the Toll Collection during the quarter was quite disrupted but the figure that we see here this would have been collected over what period in terms of number of days the Toll Collection was operational during the quarter?

Virendra Mhaiskar: I think around 1-1.5 months.

Moderator: We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund, please go ahead.

Rakesh Vyas: A few questions from my side. First, can you comment on what kind of traffic growth are we seeing across stretches excluding the Toll hike and has there been any significant improvement in the last 2-3 months? That is the first question.

Virendra D. Mhaiskar:: I think 5-6% is what we have actually seen coming through in the last couple of quarters.

Rakesh Vyas: Is there improvement in the last 2-3 months or this is the kind of run rate we have been seeing so far consistently?

Virendra D. Mhaiskar: We have seen some improvement in the last quarter, as I was saying particularly Ahmedabad-Vadodara, where the second quarter gave in Rs.27 crores, the third quarter has yielded Rs.33 crores. Even Tumkur-Chitradurga also it has grown, and even in Surat-Dahisar, we have seen an uptake, even Bharuch-Surat we have seen an uptake. So that corridor as such I can say has seen quite a good uptick.

Rakesh Vyas: About this premium restructuring policy you said the debt obligations in the waterfall will come into play, during construction normal is capitalized, but will it be considered as part of debt obligation and to be paid or this will become a part of project?

Virendra D. Mhaiskar: Currently in case of Ahmedabad Vadodara we are collecting toll from NE1 section only, so whenever premium restructuring policy becomes applicable, interest on deferred premium on NH-8 shall be capitalized and interest on premium deferred in connection with NE1 shall be charged off to P&L.

Rakesh Vyas: In terms of Kolhapur, if there is a termination, the project cost will be considered as the completed project cost or the MSRTC estimated project cost for the reimbursement?

Virendra D. Mhaiskar: It has to be our cost, because that was the proposal which was accepted by MSRTC. They had given an option in the bid that we can either do a concrete pavement or asphalt pavement and we had opted for a concrete pavement as a result of which our CAPEX was higher than the Rs.220 crores TPC that they had set in. So having accepted the concrete pavement option they will have to settle as per the concrete pavement option.

Rakesh Vyas: Lastly, in terms of charging of this amortization what kind of Toll revenue growth do we anticipate to calculate the economic value of the project going forward as well?

Virendra D. Mhaiskar: If we have largely a 1% reduction for the time being, we have to assume 1% increase in the revenue for a few years to keep the economic value same for the life of the concession.

Rakesh Vyas: My question is at what stage do we actually reconsider the economic value of project itself?

Virendra D. Mhaiskar:: It would be an exercise which will have to be done once every year, because if next year we see an uptick then naturally this amount can be revised upwards.

Rakesh Vyas: In the last couple of years we have not seen the kind of revenue that we were expecting in some of these projects. I am just trying to understand have we changed the economic value for the project in the last two years for projects which are under Tolling currently?

Virendra D. Mhaiskar: No, what happened was the first year of operation on those projects, whatever was the revenue based on that the depreciation was decided for that project, then we have not seen any degrowth in any of the projects, so there was no reason for us to revise those, but the growth has not kept up with the growth projection that we had assumed in our original working, as a result of which this revision was warranted.

Rakesh Vyas: Hypothetically, for example, if next year as well, the Toll Collection is lower than what you anticipated currently for those projects, then effectively you will be required to reduce the economic value of the project at some stage, right?

Virendra D. Mhaiskar: No, because when we did this exercise we have assumed slow uptick in the growth and not a sudden spike as would have happened. So with a gradual growth assumed in the new working, I do not think we would be required to again revise it downwards.

Moderator: Thank you. We have the next follow-up question from the line of Pranav Muchhala from Reliance General Insurance, please go ahead.

Pranav Muchhala: Just one follow-up question, Sir, if you could provide me the data of debt maturity in FY15, FY16, and FY17 sir?

Anil Yadav:: Yes, I think our debt repayment for FY14 it is close to Rs.250 crores, and next year it will be close to Rs.325 crores.

Moderator: Thank you. We have the next follow-up question from the line of Devang Patel from Avendus, please go ahead.

Devang Patel: My question was whether 100% of the depreciation and interest cost on the Jaipur-Deoli project is passing through the P&L now?

Anil Yadav: No, only to the percentage of toll collection is passing through P&L.

Devang Patel: And just to follow-up again, on the depreciation impact, you mentioned it is Rs.8-9 crores, now sequentially the depreciation is down Rs.12 crores if depreciation on Jaipur project were to get added, we would have seen a much higher spike in the depreciation cost this quarter, that has not happened. So specifically how much of the depreciation contribution is there from Jaipur project?

Anil Yadav:: Jaipur contribution will not be major because the concession period is 26 years, and as of now we are amortizing the revenue pattern model, so the depreciation will not be very high. If you want amortization, we can provide you project wise amortization.

Devang Patel: It has declined by Rs.12 crores sequentially and you mentioned the impact is Rs.8-9 crores, it seems the impact is on the lower side including Jaipur it would have been on the higher side, roughly. I will get back to you on this later. Thank you.

Moderator: Thank you. We have the next question from the line of Pankaj Chopra from Shanti Asset Management, please go ahead.

Pankaj Chopra: I just wanted a question which is more talking about the company in terms of its capabilities. Sir, what according to you is the competitive advantage of a company like yours differentiated from the others – Would it be construction? Would it be project execution?

Virendra D. Mhaiskar: I think we have remained sector focused, we have built on our abilities to sharpen the construction acumen, sharpen the Tolling mechanisms and have been able to stay put by bidding in a sensible manner and have been able to churn the portfolio and make it operational in a time-bound manner, and that has certainly resulted in a structured growth and has not allowed the balance sheet to get stressed. So I think remaining sector-focused and an integrated approach is what has helped us all along.

Pankaj Chopra: In your bidding process, your capability to evaluate projects is better than the other guys, is that what you would be saying?

Virendra D. Mhaiskar: I would like to take you back to a few years, where we used to just do Toll auctions, and that habit of bidding out on an auction where we were committing for a fixed amount to be paid to the government had necessarily sharpened our, what we can say, abilities to evaluate the revenue forecasting, and that is very-very primary in understanding a BOT project.

Pankaj Chopra: So there are two parts: One is where you do your construction, or you bid, of course and win and then construct, and Toll. Once you are in the Tolling mode, does that require special skills at all or just you can outsource it and need not actually do it yourself?

Virendra D. Mhaiskar: No, we have been doing all this Tolling on our own, we do not subcontract this, because this is something which is a bread-and-butter, and subcontracting this makes no sense at all.

Pankaj Chopra: But does it need any skill or you would not call it a high skill element?

Virendra D. Mhaiskar: Yes, it is certainly a high-end element, because with technology moving into Tolling very fast, like now the entire Ahmedabad-Mumbai corridor as we have successfully implemented

the pilot with NHAI and ICICI Bank to have a one RFID tag lane, and have also recently introduced the same on Mumbai-Pune, so certainly technology is creeping into Tolling quite fast, and does need a very different skillset altogether.

Pankaj Chopra: The final question is more with regards to what happened in Kolhapur and the kind of protests which are being seen. One can understand that possibly, which are more in town-oriented where people are regular commuters and very much less likely in probably between inter cities, but nevertheless it is a trend. Do we think that as a risk factor and any things we can do to mitigate that?

Virendra D. Mhaiskar: On a general basis, I would put out two facts, that what is presently happening can be best described as competitive populism, and this is just primarily because of the elections being round the corner. So I do not think this competitive populism is going to help anyway to the country, but these kinds of things always flare up close to election. I do not think it has anything to do with being closer to a city or not being closer to a city. Yes, to some extent the National Highway Projects which have much to do with the freight traffic and less to do with the car traffic are certainly more better placed in such kind of situations, but it is more a competitive populism, in the world when we are talking about corruption, this is the worst kind of corrupting the masses by offering freebies.

Moderator: Thank you. We have the next question from the line of Sandeep Bansal from UBS, please go ahead.

Sandeep Bansal: I had just one question and this was on the sector. If you could share your thoughts on what is the potential project bank that NHAI has in terms of projects that could be rebid or projects that has done a lot of work on, but has pending some clearances etc., what in your view could be the worst case or the best case scenarios which we should look at maybe for FY15 and beyond in terms of project. I know maybe a lot depends on the next government and it could be difficult, but some thought process you could share on this aspect?

Virendra D. Mhaiskar: Sandeep, the 20-odd projects which will get re-bid will bring around 2500 Kms back in the bidding fray, and if you look at the fresh pipeline, that is around 2,000-3,000 Kms. So, as far as the next one year is concerned, we can say, we can hope to have 4,000-5,000 Kms getting awarded over a year's time. And in terms of the bank of NHAI, in terms of order pipeline, that can be significantly good, because we have not even scratched the surface.

Sandeep Bansal: And Sir, just a follow-up on this, what in your view is the key issue confronting NHAI. Obviously, there is this premium rescheduling, which is maybe one of the hindrances, but from the NHAI side, do you think it is more to do with putting a project together or is it to do with environmental forest clearances, is it lack of coordination from the state government, is it land acquisition, so what are the top two key issues which you think is kind of preventing NHAI from going ahead with project awards?

Virendra D. Mhaiskar: It is important to understand the philosophy on which NHAI has worked for the last one year. The way we looked at it and the way we understood is, they had around this 20-25 project which were stuck at the beginning of the last year, and the strategy that they adopted was they waited to get this premium rescheduling and exit policy to be in place, so that they hoped that they would be able to revive many of these projects. Now that has taken almost a year long process for them. I can say that Solapur-Yedeshi, the project which we bagged was

the only project that was bid out in the last calendar year, and was bagged by IRB. Now with the clarity emerging on the policy side, and most of the bidders of these 20-odd projects having already written back to them saying they will not be in a position to execute those, now those 20 projects are most likely to get rebate. At the same time, what they did was, while waiting out for allowing these bidders to somehow manage their things and come and pick up those projects, they have been doing a lot of work on their own side in terms of whatever project pipeline was in existence, instead of bidding those projects out hastily, they have worked hard on the land acquisition side, the environment clearance side. I am quite sure that as the project bidding restarts, the actual time lag between award and starting of the project would be significantly lower than what you have seen in Karwar-Kundapur today.

Sandeep Bansal: Sir, just one last question, assuming that actually a revival happens at some point of time, I know it could be difficult to say, but competition to be severe just based on your experience on the Solapur project?

Virendra D. Mhaiskar: We cannot write off competition in this sector at any point in time. So expecting that there would be a very muted competition going forward would be a futile exercise. Although having learnt from the past mistakes over aggressiveness would certainly not creep in, but expecting that there would be a very muted competition also may be an extreme thinking and may not actually fructify.

Moderator: Thank you. The next question is from the line of Shwethang Jain from Motilal Oswal Securities, please go ahead.

Shwethang Jain: I was looking forward to asking a question that do you envisage a scenario wherein Electronic Toll collections might become a future possibility?

Virendra D. Mhaiskar: Certainly, yes.

Shwethang Jain: Are they going to get fully operational in the near future in the short-term or mid-term, I would say?

Virendra D. Mhaiskar: I think that is a stated policy by NHAI and we at NHAI through IHMCL (that is the company formed by NHAI), we are working closely with them on the implementation and roll out of RFID tags all across the country. So that certainly is the way forward.

Shwethang Jain: So are we looking at say a 5-year term or something for that?

Virendra D. Mhaiskar: Presently, what they are saying is at least make one Toll lane with RFID tag so that people understand the benefits of it, and then increase the penetration of it over a period of time.

Shwethang Jain: So the next question was that how do you perceive the new exit policy to be – is it neutral, mildly positive or substantially positive?

Virendra D. Mhaiskar: The major concern why the earlier exit policy could not result in a lot of deals was, it said that “The buying company has to form a new SPV which will then be given the rights of the earlier contract.” Now that had created a lot of uncertainty as to whether the 80IA benefits and other project benefits will accrue to the new SPV. That is the reason why clarification was sought on it, and this clarification has been coming, and now the new policy very clearly states that the SPV remains the same, and it is the promoter ‘A’ gets replaced with promoter ‘B’, and all the project benefits that accrue with SPV will continue. So with this clarity it is definitely a very positive development.

Participant: So the next question was the “12th Five Year Plan” stipulates that round about 36,500 Kms we are looking at to build the entire infrastructure. So are we set out to meet that target because as of now we are lacking a lot?

Virendra D. Mhaiskar: If not much hurdles are put forward, then yes, certainly this is doable.

Shwethang Jain: Because as of now only 1600 Kms have been bid out of 36,500 Kms, and the timeframe left is around 3 years, that is it.

Virendra D. Mhaiskar: No, I think this statistics is faulted, because in the 11th Plan, if you look at the overall awards, I think they should be close to 25,000 Kms, not 1600 Kms. So I would say at least 70% of the plan has been able to get rolled out.

Shwethang Jain: Sir would you say that public-private partnership is losing its flavor and EPC is coming in or something like that?

Virendra D. Mhaiskar: No, I think both are here to stay. The way we will have to look at for it is that the projects which are not viable on BOT concept, like a two-lane road or something like that, will have to be projects where government will have to invest. And the projects where there is a financial viability for a PPP player to take up a bet, those projects would most certainly get bid out on a PPP model. So I think both will coexist.

Shwethang Jain: Sir, what in your opinion is precluding FDIs to trickle in, despite there being a 100% automatic route approval?

Virendra D. Mhaiskar: I think this 100% exit was one thing which always had been lagging thing for them, because the disconnect the way it creates was that if a particular developer sells 74% of his stake, he neither has control nor has any interest left in the project, but he gets dragged with the new incoming entrant for the balance concession life, and that creates a very uncomfortable position. Now, this has been corrected with 100% exit being allowed. So there is a good hope that FDI can be more forthcoming going forward. And second thing is the concern of who does the O&M remains. So, if the existing developer can say that okay, they are willing to partner with the FDI companies who want to come in and pick up small stake and say that okay, we will get the O&M done for them, then that can also create a healthy model for picking up and FDI to come in.

Shwethang Jain: Where in your opinion is the Infra sector headed?

Virendra D. Mhaiskar: We have to understand very clearly that the public-private partnership concept is here to stay. We cannot expect infrastructure rollout gathering pace without private participation. The government has been working out on the reforms only from that understanding. So, we believe that for jumpstarting the slowing economy, the first thing that the government would do would be to spur up the infrastructure investments.

Moderator: Thank you. We will take the next follow up question from the line of Amit Sinha from Macquarie, please go ahead.

Amit Sinha: Just a follow-up question Sir. When you say that you expect around 1,000 to 2,000 Kms of Road Awards by NHA before elections, do you include the 20-odd projects which will come for rebidding?

Virendra D. Mhaiskar: Yes, a few of them as well will come back for bidding. What had happened is all these 20-odd projects are not getting scrapped today, many of them have already way back

communicated to NHAI that they are not going to take it up. So wherever that clarity was given to NHAI much earlier, those can certainly be bid out in the next two months.

Amit Sinha: Wherever there is this clarity wherein basically the owners have clearly conveyed that they will not take up the projects, was the reason mainly the equity lack backing of these owners?

Virendra D. Mhaiskar: I think it would be two main reasons; one would be lack of equity at the promoter end; and the second thing would be the bid not being viable at the price that they had paid. So it would be a combination of both, because of which the bid has not taken off.

Amit Sinha: So, in that case they can always go for the premium rescheduling, right?

Virendra D. Mhaiskar: No, but even with premium rescheduling certain bids may not be viable.

Moderator: Thank you. We will take the last question from the line of Shashikiran Rao from Standard Chartered Securities, please go ahead.

Shashikiran Rao: Can you just run me through the economics of the Kolhapur project and what is the current status of its Toll collection, what kind of cap right now, your initial estimates are there, and what is your recourse in the event of this contract being scrapped, if it happens to that?

Virendra D. Mhaiskar: To give you a quick understanding of what I have already stated earlier, this project started Tolling on 17th of October as per the High Court order, and since for the last 2-3 months it was getting stabilized, and as a result of the agitation due to some understanding given to these agitating people by a couple of ministers that they would work out towards corporation compensating us back and getting off the Toll from Kolhapur, they ransacked and vandalized the Toll Booth and burnt them. So since 12th of January the Tolling has stopped. The petition which we had filed in the court as a result of the interim order of the same which we got the order to start collecting Toll, that petition is pending, and is likely to come up for hearing in a week's time. So all the facts would now be put forth to the court, and probably by then we will have some clarity to restart the Toll because we are in the process of redoing the infrastructure that was damaged as a result of the vandalism at Kolhapur, and once that clarity is there, we will restart the Toll. As regards the compensation part is concerned if we have to assume a political *force majeure* resulting into a termination of the project then the debt due plus 150% return-on-equity is what we can at the least claim from MSRDC with whom we have this contract.

Shashikiran Rao: It has not come to that till stage or...?

Virendra D. Mhaiskar: I do not think so.

Moderator: Thank you. I now hand over the floor back to Mr. Mhaiskar for closing comments. Thank you. Over to you sir.

Virendra D. Mhaiskar: I would like to thank you all for being there on this conference call today, and look forward to talk to you again, it was really nice to have all of you here, and wish you a very happy new year as well.

Moderator: Thank you Sir. Ladies and gentlemen, on behalf of IRB Infrastructure Developers that concludes this conference call. Thank you for joining us. You may now disconnect your lines.