

IRB Infrastructure Developers Ltd
Conference call Transcript
July 27, 2012

Moderator: Good evening ladies and gentlemen. Welcome to the IRB Infrastructure Developers conference call hosted by the company on the results for the June quarter. We have with us today Mr. Virendra Mhaiskar- Chairman and Managing Director, Mr. Mukesh Gupta- Executive Director, Mr. Anil Yadav- Group Chief Financial officer, Mr. Dhananjay Joshi-CEO Realty and Airport and Head Corporate Finance, Mr. Madhav Kale-Head Corporate Strategy Planning and Mr. Mehul Patel-Group Company Secretary on the call. After the opening remark by the management there will be a question-and-answer session. I now request Mr. Mhaiskar to give an overview of the June quarter business activities. Thank you.

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

During the June quarter we have continued our focus on project execution. As a result Jaipur-Deoli project stands 70% completed, Talegaon-Amravati project stands 65% completed and Pathankot-Amritsar and Tumkur-Chitradurga project are 50% and 38% completed respectively. This is reflected in a 27% jump in the construction revenue in comparison to the June quarter last year. Input prices have remained range bound. Due to this our construction segment operating EBITDA remains strong at around 27% during the quarter.

On operation and maintenance front, toll revenue has increased by around 11% in comparison to the corresponding quarter last year. Moderation in traffic growth has been compensated by higher tariff rate which are linked to wholesale price index. During the quarter toll rates on Tumkur-Chitradurga project are increased by 6% from April. We expect toll revenue to grow around 12% on a yearly basis as a result of higher WPI and traffic growth.

From April 12 interest rates for Surat-Dahisar project and Bharuch-Surat project were reset to a floating rate of 11.5% and 10.65% respectively. Interest rates for under construction projects remain at a fixed rate of around 10.5%. We believe that the interest rates would stabilize at present level in the near term.

We expect to receive appointed date for the Ahemdabad-Vadodra project this quarter post which we will start the construction on the project and toll collection on the existing four-lane Expressway. As far as the Kolhapur project is concerned the State government appointed committee is likely to submit their report validating the substantial completion of the project post which we would be able to start collecting toll in the coming quarter. The project has a 30 year concession period.

Order book now stands at approximately 7785 crores out of which 5745 crores worth of order book is to be executed in the next two to three years. This order book gives us a good visibility for the next two to three years.

We have observed deceleration in case of order flow from NHAI. We have also seen that NHAI is trying to speed the bidding process by discussing the impediments with all the stakeholders. We believe that this should facilitate the bid flow in the coming months. We are pre-qualified at this point to submit bids for project worth 41,000 crores and we will bid for viable projects wherein we will be comfortable to get equity IRR of about 18%.

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On inorganic growth front approval from MVR Infra, the project which we had declared to buy in the last quarter, the lenders approvals are in the advanced stage. Out of five lenders of MVR Infra four have approved it and remaining one is expected shortly. We expect to complete acquisition process in this quarter. We will continue to evaluate BOT projects in secondary markets with criteria of established toll collection and around 18% to 20% equity IRR. We believe that there is good scope of inorganic growth for the company. We intend to allocate around 20% of the consolidated cash flow after debt repayment towards acquisition.

We expect completion of Jaipur-Deoli and Talegaon-Amravati project in the current financial year and Pathankot-Amritsar project by June 13. As more and more projects become operational we believe that it can be possible to increase the dividend payout at a measured pace. Keeping insight the growth potential in the highway sector and also requirement to meet the equity commitment on the existing project we believe that we should be able to utilize around 20% of the post tax consolidated profits towards dividend. Accordingly we have declared an interim dividend of Re. 1 per share for FY12-FY13.

Now I would request Anil Yadav our CFO to provide the financial overview of the June quarter.

Anil Yadav: Thank you sir. First I will present the analysis of Q1 of FY13 versus Q1 of FY12.

Financial Analysis - Q1 FY13 vs Q1 FY12:

The total consolidated income for Q1FY13 has gone up to Rs 1,012 from Rs.830 crores in Q1FY12, registering a growth of 22%. Construction Revenue in Q1FY13 increased to Rs. 728, up by 27%, from Rs.572 crore for Q1FY12. Toll Revenue in Q1FY12 increased to Rs. 252, up by 10%, from Rs. 229 crore for Q1FY12.

EBDITA for Q1FY13 has gone up to Rs. 458 from 358 crores in Q1FY12 registering a growth of 28%.

Interest costs for Q1FY13 has gone up to Rs.154 crores from Rs. 118 crores in Q1FY12, resulting in an increase of 31%.

Depreciation for the Q1FY13 has gone up to Rs. 109 crores from Rs. 60 crores year of Q1FY12 resulting in an increase by 82% due to amortization of IRBSD Project has started from December 2011.

As a result, the PBT for Q1FY13 has gone up to Rs 195 crores from Rs 180 crores in Q1FY12 registering a growth of 8%.

The PAT for Q1FY13 has gone up to Rs. 140 crore from Rs. 136 cores in Q1FY12 registering a growth of 3%.

Post minority interest the PAT for Q1FY13 has gone up to at Rs. 142 crores from Rs. 134 crores in Q1FY12 registering a growth of 6%.

Q1 V/s Q4:

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The total consolidated income for three months of Q1FY13 has gone up to Rs. 1,012 crores from Rs. 881 crores registering a growth of 15% over the Q4FY12. The consolidated toll revenues for Q1FY13 have registered a growth of 2% to Rs 252 crores from Rs 246 crores, while the consolidated construction revenues have gone up Rs. 728 crores for Q1FY13 from Rs. 602 crores in Q4FY12 registering a growth of 21%.

EBDITA for Q1FY13 has gone up to Rs. 458 crores from Rs. 414 crores registering a growth of 10% over Q4FY12.

Interest costs have remained the same level of Rs. 154 crores in Q1FY13 from Rs. 149 crores in Q4FY12.

Depreciation has gone up to Rs. 109 crores in Q1FY13 and 102 Q4FY12.

As a result, the PBT have gone up to Rs. 195 crores in Q1FY13 from Rs. 163 crores registering a growth of 20% over Q4FY12.

The PAT for Q1FY13 has gone up to Rs. 140 crores from Rs. 117 crores in Q4FY12 registering a growth of 20%.

Post minority interest the PAT for Q1FY13 stands at Rs. 142 crores as compared to Rs. 120 crores for Q4FY12 registering a growth of 18%,

Now I have finished my financial analysis, I will hand over to Mr. Mhaiskar.

Virendra Mhaiskar: Thank you Anil. I would now request the moderator to open the session for Q&A please.

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 the # key. We have our first question from Mr. Aditya from CLSA. Please go ahead sir.

Aditya: Just want to understand how much other income is included in EPC revenues?

Anil Yadav: Total other income is close to 32.50 crores and breakup of other income is close to 23 crores in construction and 9.5 crores in BOT segment.

Aditya: From EBITDA margins we have seen the EPC segment, you think those are sustainable over the course of the year?

Anil Yadav: If you will compare with the trailing quarters EBITDA margins are in line with the trailing quarter and going forward also if Raw material prices remains at current level we believe that EBITDA margin will be at same level.

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Aditya: Interest expenses have risen very sharply in the EPC arm so if you could tell us how much debtors they have at a standalone level?

Anil Yadav: If you will compare the interest cost with trailing quarter I think there is hardly increase of 5 crores that is not a significant increase in the interest cost.

Aditya: Specifically to the EPC business that's why I wanted the breakup between standalone and consol.

Anil Yadav: As informed earlier, we are drawing debt in most of the SPVs on quarterly basis. This has resulted increase in the working capital requirement for the company. Accordingly interest has also increased.

Aditya: Have we raised any fresh ECB from the first quarter?

Anil Yadav: Yes. We have not raised any major fresh ECB in first-quarter, only small portion of the Ahmedabad-Vadodara to the extent of USD10 million at around Rs. 57 drawn. Pending 25% disbursement of Jaipur-Deoli also we have drawn in this quarter.

Aditya: And this remains un-hedged as of now?

Anil Yadav: Yes. Libor is hedged, dollar-rupee is un-hedged.

Moderator: Thank you for your question sir. We have our next question from Mr. Sujit Jain from AMTEC. Please go ahead sir.

Sujeet Jain: Just wanted to check the difference between the revenues for example in our standalone we booked 625 crores revenue and total EPC revenues I believe most of the standalone revenues would-be EPC revenues?

Anil Yadav: Yes.

Sujeet Jain: But if I look at the standalone EBITDA margin it stands if I'm not wrong close to 11-12%?

Anil Yadav: Yes.

Sujeet Jain: Whereas the EPC margin, EBITDA margin that we speak of is typically 25 or 30% odd?

Anil Yadav: Yes.

Sujeet Jain: So can you reconcile the difference basically?

Anil Yadav: We have narrated in the past also our Jaipur-Deoli, Amritsar-Pathankot and Talegaon-Amravati these contracts are first awarded to the Holding company and thereafter keeping certain margin in the holding company further sub contracted to Modern Road Maker. So, on these contracts some margin is booked in the holding company and to certain extent margin is booked in the Modern Road Maker that is our E&C arm. If you will add the margins

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of Modern Road Makers and margin of the Holding company, it will tally with consolidated margins.

Sujeet Jain: These are typically construction margins or is there element of fee based margins as in consultancy fees etc, management fees.

Virendra Mhaikar: These are construction margins, some effort is taken through the holding company, some margin is retained at the holding company level and some margin is booked at the EPC arm.

Sujeet Jain: If I look at Tumkur-Chitradurga execution numbers, it has slowed down if I'm correct, it is 25 crores in 1st Quarter FY13, 4th Quarter it was close to 130 crores.

Anil Yadav: Which number you are comparing?

Sujeet Jain: I am basically looking at our presentation and trying to draw the number from what was declared last quarter and what has been declared this quarter and then looking at the number of 25 crores of execution in Tumkur-Chitradurga project.

Anil Yadav: In this quarter?

Sujeet Jain: In June quarter FY13.

Anil Yadav: No, the execution in Tumkur-Chitradurga is close to 100 crores.

Sujeet Jain: In Tumkur-Chitradurga are we facing any problems now in 2nd Quarter because of this mining ban so far it has not affected in terms of BOT revenues.

Mukesh Gupta: I would like to clarify that State government has passed the ordinance in which infrastructure projects are exempted from that ban in mining as far as our aggregates are concerned. Ban on mining in iron ore that is a different issue. Now we don't have any issues on procurement of aggregate because of the concession given to infrastructure projects.

Sujeet Jain: So you are saying that traffic is not affected on this stretch?

Virendra Mhaikar: You asked about the material availability because of the ban so as far as that part is concerned we are not facing any problems as well execution is concerned.

Sujeet Jain: But is there a problem in terms of BOT in terms of toll revenues basically?

Anil Yadav: No I don't think so. . The traffic has not reduced because the ban was already existed before we had started.

Sujeet Jain: If I look at the capital employed, there is 82 crores capital employed in real estate segment, if you could elaborate more on this?

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Anil Yadav: This capital employed is coming consistently from previous years only. We have acquired roughly 1200 acres near to Mumbai-Pune Expressway where the total cost is close to 120 to 130 crores.

Sujeet Jain: One last question is on the impact of current agitation by MNS in Maharashtra. Suppose there is some toll revenue loss then how will it be compensated? Are there contracts of NHAI and MSRDC, I think most of the contracts are NHAI, right for us in Maharashtra?

Virendra Mhaikar: Yes that's right.

Sujeet Jain: So which means that if there is a loss for example hypothetically of to revenues is there a clause in terms of increasing the concession period?

Virendra Mhaikar: Yes there is.

Sujeet Jain: So which means that most likely if something happens in the sense loss of revenues will get it through increase in concession period?

Virendra Mhaikar: Yes.

Sujeet Jain: In Goa project since the project was cancelled from NHAI we were I think demanding close to 60-70 crores from NHAI because they cancelled the project because of land acquisition issues. Any progress on that front?

Virendra Mhaikar: No, the claim is still being considered by them.

Moderator: We have our next question from Mr. Sandeep Bansal from UBS. Please go ahead sir.

Sandeep Bansal: Firstly I wanted to ask you what is the status on NHAI awarding, it has been slow as you said in this quarter of the year so what is expected to change over the course of the year and what is it that is dealing project awards? Second part to it is that we understand that NHAI could be awarding the EPC contracts as well this year and so would IRB be participating in that?

Virendra Mhaikar: You are right that the activity for bidding has slowdown at the NHAI end and to understand the concerns of all stakeholders they had even called for a meeting around 15 days back wherein they had the Deputy Chairman Planning Commission also participate in it and the industry was broadly represented wherein we have brought to their notice various concerns that the industry has and they are actively looking at those issues. So with those issues which have been brought to their notice I believe going forward the order activity should improve.

As regards the EPC projects are concerned the new EPC agreement draft is yet to come out so once we have clarity on that we will decide about whether to bid on it or not.

Sandeep Bansal: Would it be possible for you to highlight some of the key issues which have been raised and what is your expectation of those getting resolved within this year?

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Virendra Mhaiskar: The prime concern is that there were several things like there is a very less response from bidders on projects now coming up because these are projects where NHAI is not likely to get substantial premium or anything of that kind. So for this a low traffic corridor it would be more of grant that would be required and they need to put in place their approval processes by which faster awards can be done. So some issues with regard to that then some issues with regard to giving the COD to the projects where projects are completed. So there were experiences by the bidders that sometimes the COD is unreasonably withheld, the certification is withheld. Now you will appreciate that in the high interest rate environment where we have a window available from IIFCL where we can refinance if we have the COD certificate in place getting the COD certification delayed is adding to the interest cost. So there were such concerns also which we express to them that the COD and the provisional completion certification should happen in time. Then there were concerns from others which were pertaining to asking the Ministry to talk to the lenders with regard to financing of the project so lenders were also adequately represented in that meeting. The Ministry has also requested to the banks to look at the overall sectoral cap and relook at it if necessary. So those were a few of the concerns which were discussed in the meeting.

Sandeep Bansal: My next question was on that investigation is there any development that you know you can share after summation of all information and after the polygraphic test?

Virendra Mhaiskar: Sandeep it was very unfortunate that our name got dragged into this event in the first place. We have always categorically denied our involvement in the matter. We have fully co-operated with the investigating agencies including undergoing the polygraph test along with various others as you rightly mentioned, beyond that we have not heard anything in this matter and hence believe that the matter is behind us and we continue to concentrate on our business.

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

Nirav Shah: You mentioned that there was a toll rate increase from 6% in Tumkur so what was the toll rate increase from Bharuch-Surat which was effective from 1st of July?

Virendra Mhaiskar: Bharuch-Surat was close to 8% that was from 1st of July.

Nirav Shah: In terms of our equity requirements for the existing projects, how do we stand over there, what is the kind of equity requirement that is spending?

Virendra Mhaiskar: For various projects it would be various requirement and the exact number, we will work out the exact number during the rest of the call and come back to you on it.

Nirav Shah: You mentioned that Talegaon and Pathankot projects are commissioning in June 2013, is that correct?

Virendra Mhaiskar: I said Jaipur-Deoli and Talegaon-Amravati to get commissioned in FY 13 itself.

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Moderator: We have our next question from Mr. Vishal Sharma from BNP Paribas. Please go ahead sir.

Vishal Sharma: Are there any mark to market FOREX losses or gains included in this quarter's number anywhere?

Anil Yadav: No, this quarter there was no mark the market losses included in profit and loss account.

Vishal Sharma: Can you please share your consolidated, standalone and construction cash and debt levels?

Anil Yadav: Total consolidated cash is 1500 crores and breakup of the same will be provided later. Gross debt is 7400 crores, net debt is 5900 crores.

Moderator: We have our next question from Deepal from Citi Group. Please go ahead.

Deepal: I just missed the initial part of the call when you are giving the completion percentages, could you just repeat that for the projects under construction, Jaipur-Deoli, Talegaon-Amravati?

Virendra Mhaikar: What we said was Jaipur-Deoli is around 70% complete; talegaon-Amravati is 65% complete, Amritsar-Pathankot and Tumkur-Chitradurga 50% and 38% respectively.

Deepal: And out of this Jaipur-Deoli and Talegaon-Amravati will be done in this year itself?

Virendra Mhaikar: Yes that's right.

Deepal: Pathankot-Amritsar will be in Q1 of FY14?

Virendra Mhaikar: That's correct.

Deepal: You are mentioning about NHAI slowing down now what we have heard is and maybe you will have a better sense of this, the reason is this slowdown is because of lot of projects in the pipeline dont have completed DPRs , is the sense correct or is it something else that is withholding the award activity? Because still some Phase 3 Phase 5 projects left, right?

Virendra Mhaikar: There are many projects, the pipeline is very strong. As far as the DPR is concerned NHAI never went through a detailed DPR process for bidding out the projects. They just have block estimate done on basis of which they come out with the bid. If they have to involve themselves in a detailed DPR I think it will need double the time in which they presently want to award a project. So that also partly explains why you see a difference in the TPC as assumed by NHAI and the actual financing cost.

Deepal: But your sense is that things will pick up?

Virendra Mhaikar: I believe so.

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Deepal: Would we be looking at bidding for any EPC contracts?

Virendra Mhaiskar: The new EPC agreement draft is yet awaited so once we have clarity on the final EPC draft we will take a call.

Deepal: But what would be a key metric or change from what we have seen in the past?

Virendra Mhaiskar: We want to study in detail, what will be the payment mechanism, what will be the milestones because they are talking about milestone based payment so how that payment mechanism is actually going to work out is something which we want to keenly understand because our experience is that funded projects one can get stuck if the payment would not come in time and hence we would be apprehensive on those kind of projects.

Deepal: Any sense of the revenue loss that we have had because of these agitations and what is the current status, are they agitating yet?

Virendra Mhaiskar: The day this call was given that was around two days back that day for one-one and half hour the operations on few of the toll plazas were disrupted, beyond that no other time any of these toll plazas the working has been disrupted. All the tolls have been functioning absolute smooth and there was excellent government intervention in terms of providing protection and there has been no revenue loss beyond that disruption of 1-2 hours what happened on the day the call was made.

Deepal: You don't expect going forward because Mr. Thackrey has mentioned we will continue agitation on other plazas as well?

Virendra Mhaiskar: Frankly I think the state government is already engaged with them and I believe as clarity on the issue start coming out with regard to the project structure and how the financing is done and how the repayment is required to be done and how the revenue pans out over the concession period, I think once the clarity comes in there would be a resolution to the issue is what I am sure of.

Moderator: We have our next question from Mr. Abhinav Bhandari from Elara Capital. Please go ahead sir.

Abhinav Bhandari: Just wanted to check on the land acquisition front on both the Tumkur as well as the Ahmedabad project, where would we be in terms of percentages there?

Virendra Mhaiskar: I believe Tumkur-Chitradurga there is no problem at all and Ahmedabad also there is no land acquisition issue per se. Whatever utilities were there for that practical solutions have already been provided by NHAI so in terms of land acquisition even for Ahmedabad-Vadodra we don't foresee any issues. The 3-D notification has already been issued for some part and for some part it is in process.

Abhinav Bhandari: So basically when do we expect the execution numbers to start hitting P&L?

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Virendra Mhaiskar: We should be able to get the appointed date in this quarter itself.

Abhinav Bhandari: So from Q3 onwards the number should for the full quarterly basis should start come in?

Virendra Mhaiskar: Yes.

Abhinav Bhandari: And on the Kolhapur any idea on how much additional loss you might have incurred because of the interest payment that you are paying right now and not collecting the tolls?

Virendra Mhaiskar: There is no loss as such because it is a delay on part of government to issue the report. As regard the report is concerned we expect it to be tabled by the committee for the certification of the work in this quarter, post which we should be in a position to start toll.

Abhinav Bhandari: Any ballpark number on how much revenues do we expect to collect from Kolhapur?

Virendra Mhaiskar: We won't be able to share that number today.

Abhinav Bhandari: Quick update on your airport project and the hotel project.

Virendra Mhaiskar: Hotel project continues to progress as planned and on the airport also we intend to close the EPC in the coming quarter.

Abhinav Bhandari: That would-be how big in terms of EPC contract?

Virendra Mhaiskar: Around 250 crores.

Abhinav Bhandari: And that would be undertaken by MRMPL?

Virendra Mhaiskar: No it would be an outside agency.

Abhinav Bhandari: But is this contract there in MRMPL or not?

Virendra Mhaiskar: No it is not there.

Abhinav Bhandari: If you could tell us about the ECB which you have availed of indifferent projects and how much has been drawn till date?

Anil Yadav: We have drawn balance ECB in IRB Jaipur-Deoli Project.

Abhinav Bhandari: That would-be how much?

Anil Yadav: In Jaipur Deoli Project, we have drawn ECB to the extent of 200 crore and the rate of interest was Libor plus 4.25% and now we have taken a hedge for libor, the effective interest cost comes at 5.8%. In Amritsar-Pathankot drawdown amount is 150 crores and Tumkur-Chitradurga also drawdown amount is 300 crores and terms of interest and hedging are the same.

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Abhinav Bhandari: How about Ahmedabad?

Anil Yadav: Ahmedabad we have drawn only USD 10 million.

Abhinav Bhandari: Out of 1100?

Anil Yadav: Yeah out of 1100 crore.

Abhinav Bhandari: And just one last comment on the changed dividend policy which I think you just touched this earlier in the call, can you come back on that?

Virendra Mhaikar: What we have said is that the focus of the company would be to distribute at least 20% of the profit to its shareholders.

Abhinav Bhandari: This is after considering whatever new equity you will be requiring for the new.

Virendra Mhaikar: We're talking about the PAT number post repayment of loan.

Abhinav Bhandari: Just one last question on MVR Infra, the consolidation you will be starting from Q2 onwards?

Virendra Mhaikar: It would depend on the actual date of transaction. If it happens in the middle of this quarter then yes it would be consolidation from this quarter itself.

Abhinav Bhandari: But any idea on how the stretch would have done in Q1?

Virendra Mhaikar: My sense is it has done well.

Moderator: We have our next question from Ms. Manali Shah from Crisil Research. Please go ahead.

Manali Shah: Basically just wanted to know what is the interest-rate fixed for the Ahmedabad-Vadodra project?

Anil Yadav: Ahmedabad-Vadodara we have tied up 3300 crores out of that 1100 crores we are eligible for ECB, ECB will be close to libor plus 5% and rupee debt we have tied up floating rate of close to 12%.

Moderator: We have our next question from Mr. Gaurav Pathak from Standard Chartered. Please go ahead sir.

Gaurav Pathak: I wanted to know what led to sharp increase in EPC revenue on a sequential basis and is it because your co-projects are coming closer to completion you are seeing this pick up in EPC and what component of Ahmedabad-Vadodara if any has been booked in EPC revenue?

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Virendra Mhaiskar: There is no component of Ahmedabad-Vadodara in this EPC breakup. The project wise construction revenue is broadly as under; Talegaon-Amravati around 126 crores, Jaipur-Deoli around 325 crores, Pathankot-Amritsar around 170 crores, Tumkur-Chitradurga around 100 crores as explained by Anil earlier and other ancillary projects 6 crores.

Gaurav Pathak: Lot has been talked about this lower order flow from NHAI. In terms of your take on it how much kilometers do you think NHAI will deliver in FY12 and also in terms of BOT and EPC breakup of it and also in terms of size and lucrativeness of these projects?

Virendra Mhaiskar: Gaurav it would be very difficult for me to pass a judgment on that. You are aware of what they have been able to do in the 1st Quarter so I would say that we will wait and watch how it unfolds and maybe by end of 2nd Quarter we will be able to have more discussion on this.

Gaurav Pathak: Regarding the MNS thing I just wanted to figure out how obviously it did not happen this time around but in case of a worst-case scenario, how does the compensation work, is there a compensation for loss of profit as well, what is the mechanism?

Virendra Mhaiskar: I believe if the loss of revenue is covered then it covers everything else.

Gaurav Pathak: So it is basically loss of entire revenue?

Virendra Mhaiskar: Precisely so.

Moderator: We have our next question from Mr. Parikshit from Karvy. Please go ahead.

Parikshit: Last quarter we have been hearing voices from infrastructure companies like GMR and (inaudible) on going slow on the CAPEX spending on road and other BOT projects, they are largely focused now on EPC for this year so what will be our strategy in the current scenario?

Virendra Mhaiskar: Relevant question to this was also asked earlier by one of your other colleagues about the total CAPEX that we have to incur and the number stands at around close to 1800 crores to be invested over next three to four years. So that is the kind of CAPEX that needs to be further done by the company over the period of three to four years and we believe that as far as IRB goes we are comfortable to meet that capital requirement out of our internal accruals.

Parikshit: I did not mean, that's what I wanted on incremental project so that is what you acquire over next three years but the current on the bidding which is happening, it is going to happen over next three quarters. So how will be your bidding strategy?

Virendra Mhaiskar: We will continue to look for projects around 3000 to 4000 crores order book addition.

Parikshit: So you are looking to add around 3000-4000 crores of orders.

Virendra Mhaiskar: Yes.

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Parikshit: One last thing on the real estate the capital employed for the previous quarter it continues to be carried on the book, right, there is no new acquisition during this quarter?

Virendra Mhaiskar: No it is not previous quarter; it is the three year old acquisition.

Moderator: We have our next question from Mr. Mahesh from CLSA. Please go ahead.

Mahesh: In the beginning you made a mention of the fact that we would be setting aside certain portion of your free cash flow for potential projects acquisitions. So I just want to check with you are we in negotiations or talking to some of the potential sellers and as we speak and what sort of market environment do you see for these types of transaction in terms of the expectations of potential sellers, etc.?

Virendra Mhaiskar: No I think we continue to evaluate the opportunities. We won't be able to comment on any specific transaction but as you rightly said the environment is grim and people are wanting to sell projects. We keep getting offers every often and what we are seeing is that the valuation expectation is still high as a result of which deals are perhaps not happening.

Mahesh: When you say that the valuation expectations are high what kind of parameters are you looking at, I mean you mentioned that you are looking at 17-18% kind of an equity IRR, is that right?

Virendra Mhaiskar: If we are looking at an 18-20% equity IRR, the seller is somewhere at around 13-14% so that is the kind of differential in the expectation.

Mahesh: What is the kind of hurdle rate that looking at for in new projects, you mentioned 3000-4000 crores of new projects.

Virendra Mhaiskar: Mahesh, we are looking at the same kind of hurdle rate of around 18% equity IRR.

Mahesh: But I would presume that in the second kind of projects where you will assumed the construction risks and so many other kind of risks shouldn't the equity IRR be higher than the ones where everything is complete and more mature projects.

Virendra Mhaiskar: You are right but perhaps that's better compensated by way of the construction profits which are attached to it as well. This 18-20% IRR we can think is excluding the construction profits.

Mahesh: Over the period of last six months also has there been any change in your hurdle rate expectations given the fact that we have seen some bit of tightness in the liquidity provisioning etc or between 18 to 20% is what it has been for some time?

Virendra Mhaiskar: I think we have been bidding in a very disciplined manner and if we are not getting that kind of hurdle rate we are not going ahead with the project.

Moderator: We have our next question from Mr. Manish Kumar from SBI Capital. Please go ahead.

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Manish Kumar: Just wanted to understand in 3rd Quarter you said that your average rate and you booked some FOREX loss what is one million that quarter so the average rate was Rs. 51 and now since it is Rs.57-56 so have you not incur any FOREX loss?

Virendra Mhaiskar: We did not say we incurred any FOREX loss in the first place.

Anil Yadav: As Manish you are aware that these projects are under execution, what ever the notional FOREX losses are there that will get capitalized. Anyway the repayment is due after seven years and based on the MCA circular which was issued last year even during operational period also the FOREX losses will get capitalized and this option is available till 2020.

Manish Kumar: So you have incurred but that is capitalized if I understand correctly for operational projects as well as under construction projects?

Anil Yadav: Yes. We have taken ECB ie Foreign Currency Loan only for Project under construction.

Manish Kumar: So if you can just elaborate, in Q3 you incurred 45 million so what is that for?

Anil Yadav: I will work out and I will get back to you.

Moderator: We have our next question from Mr. Ashish from IDFC Securities. Please go ahead sir.

Ashish: Just a small clarification, you said the EPC order for the Sindhudurg Airport should be finalized soon and will be given outside but there is a 2% of your order backlog, it is shown as Sindhudurg airport so what is that?

Virendra Mhaiskar: No there is some component which will be done in-house and some component will be awarded to outside parties.

Ashish: Could you help me with the debt number in the **E&C arm**?

Anil Yadav: Gross debt is 7400 crore and **E&C arm** will be having a debt of close to 300 to 400 crores.

Ashish: So that would include the holdco debt and MRM debt?

Anil Yadav: No I'm talking about the working capital loan taken by the **E&C arm**.

Ashish: And total debt?

Anil Yadav: Total debt in **E&C** we will work out and let you know.

Moderator: We have our next question from Mr. Hitesh from Emkay Global. Please go ahead sir.

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Hitesh: In the initial remark you said something about the interest-rate reset on two of the projects which is Surat-Dahisar and Bharuch-Surat, can you help us of with what kind of correction was there in the rate of interest, how many bps?

Virendra Mhaiskar: Surat-Dahisar rate of interest is 11.5% floating and Bharuch – Surat is at 10.65%. Last year rate of interest for IRBSD was around 12% and similar was the case for Bharuch-Surat.

Hitesh: There was some kind of restructuring activities as well on this particular SPV where you some loan on the parent and repaid some bit on the SPV level so what will be the rate at the parent level?

Virendra Mhaiskar: There is no restructuring, what we have done is we have prepaid debt of 400 crores in Surat-Dahisar that is prepayment of debt that's what we have done in Surat-Dahisar.

Hitesh: What will be the rate on the parent term for raising the loan?

Virendra Mhaiskar: Parent loan also will be close to 11%.

Hitesh: You mentioned briefly about your dividend policy of distributing at least some percentage of your profit, if you can throw some light on the mechanism precisely what are you looking at over the next period?

Virendra Mhaiskar: We said that the management has decided to go up to 20% of the profits to be distributed as dividend and part of that Re. 1 is what we have declared dividend today.

Hitesh: Is there any specific numbers like are you looking out from the P&L perspective or from the or from the free cash flow prospective 20%?

Virendra Mhaiskar: We are looking from the PAT perspective.

Moderator: Our next question comes from Mr. Lokesh from Kotak Securities. Please go ahead sir.

Lokesh: In the past there has been a problem related to some construction was going on Thane-Ghodbunder which has affected collections on Surat-Bharuch and Surat-Dahisar also now is there an elevation of that problem continues what is the status on that?

Virendra Mhaiskar: The situation is improving Lokesh. Although all the bridges are not yet complete, the situation is improving.

Lokesh: I also want to check this Tumkur-Chitradurga sort of toll rate increase of 6% by when did it become affective?

Virendra Mhaiskar: 1st April.

Lokesh: So it has been available for this quarter to us?

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Virendra Mhaikar: Yes.

Moderator: We have our next question from Mr. Pulkit from Goldman. Please go ahead.

Pulkit: Just one question on your finance cost for the BOT assets which actually have gone down from 106 crores to about 94 crores, what can be the reason for finances _ going down?

Anil Yadav: As explained earlier that we have prepaid 400 crores in Surat-Dahisar and accordingly, interest cost has come down BOT segment.

Moderator: We have our next question from Mr. Shailesh from Violet arch. Please go ahead.

Shailesh: Two questions from my side, one on the Goa-Karnataka project, what kind of equity IRR we are looking at this project? Just to give a reason I'm asking this question as I think this project has come for the third time in bidding and there were no bidders for first time and second time we were the only bidders, am I correct on this and what kind of the equity IRR we are looking for this project?

Virendra Mhaikar: I think you are referring to the Goa-Kundapur project am I right?

Shailesh: Yeah.

Virendra Mhaikar: Because Goa-Karnataka one was already scrapped by NHAI way back. We believe we should be able to make around 18% IRR for sure.

Shailesh: This project has come for the third time?

Virendra Mhaikar: That's correct and we are preferred bidder in it, we are yet to get the LOA from NHAI.

Shailesh: And we get grant of around 33-34 crores, right?

Virendra Mhaikar: 536 crores.

Shailesh: Second question would be on the dividend policy, it is good that we are rewarding the shareholders but are we considering anything on the buyback front because that would also help in stabilizing the stock price and given that our stock price has come down considerably, are we considering anything on that front?

Virendra Mhaikar: Nothing at all.

Moderator: We have question from Mr. Keshav from BHH Securities. Please go ahead.

Keshav: The stock price OnMobile in the first week April was the base was around 165, now it has corrected significantly post the allocations and the court case and the polygraph inquiry. So I just want some categorical statement, have you come out with anything which say that Mr. Mhaikar has been pronounced innocent in the polygraph test, have you been given a clean chit

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by the CBI, what is the status of the case? Will Mr. Mhaiskar have to come to the court again can you also give us why is the MNS agitating? What are the reasons for the agitation?

Virendra Mhaiskar: I think you mentioned OnMobile when you stated the question, this is IRB's con-call so I would just like to go through two of the parts of the question which you stated and our reply what I gave earlier I would like to repeat it again. As far as the Polygraph test and the matter was concerned it was in first place very unfortunate thing that our name got dragged into it and we have always categorically denied our involvement in the matter. We have fully cooperated with the investigating agencies including undergoing polygraph test along with various others. Beyond that we have not heard anything in the matter and hence we believe the matter is behind us and we continue to concentrate on our business.

Keshav: But has it been shut, has the chairman of the company been pronounced innocent by the court?

Virendra Mhaiskar: I am the chairman of the company speaking and this is the exact status and beyond that we have no further thing to add on it.

Moderator: We have our next question from Mr. Vaibhav from Religare Capital. Please go ahead.

Vaibhav: Just wanted few data points, one is what is our debt repayment across all BOT projects this year and what is the equity requirement this year as in FY12 across all BOT projects?

Anil Yadav: Equity requirement this year will be close to 600 crores and if you want a breakup.

Vaibhav: Debt repayment.

Anil Yadav: The debt repayment from the BOT project will be close to 215 crores.

Vaibhav: Just wanted your view on this, the cash that we have on books is close to 1500 crores so would you look at prepayment at any point in time is that a consideration?

Virendra Mhaiskar: At the moment we don't have any further prepayment plan. As I explained earlier Surat-Dahisar we have already prepaid 400 crores.

Moderator: Our next question comes from Mr. Prem Khurana from B&K Securities. Mr. Khurana please proceed.

Prem Khurana: Just one on our scalability as in we started a way back 1997 with one project Kharpada Bridge we have some 11 odd projects operational and over next two years we are planning to commence operations in three or four more projects. So how challenging is this kind of scalability and would you be able to comment on that?

Virendra Mhaiskar: I think the track record speaks for itself.

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Prem Khurana: If I look at your track record in 1997 to 2012 it's been 15 years so on an average how many projects a year now, if we are looking at four new projects coming to operation in next two years two projects in a year on an average.

Virendra Mhaiskar: I believe that kind of a structured growth going forward also looks possible.

Prem Khurana: If you could give breakup of this equity requirement project wise?

Anil Yadav: That is not possible on the call but the overall requirement of the equity around 600 crores has been spelt out.

Moderator: We have our next question from Mr. Patel from Avendus. Please go ahead.

Patel: Questions on the Sindhudurg Airport now the Goa government is also considering another airport in North Goa does this impact our plans for the project and have there any safeguards in the concession agreement to protect us?

Virendra Mhaiskar: I don't think we have any safeguards as such and that airport is on the radar for last so many years so it is not a new developments according to me and the business call was taken giving due consideration to the fact that in future sometime that the airport may come up.

Patel: On the Thane-Ghodbunder project the debt for the project is gone up by about 100 crores sequentially, is there any new capitalization in the project?

Virendra Mhaiskar: It is unsecured debt from the parent is sitting there.

Patel: On the dividend policy when you talked about increasing the payout does it have anything to do with the investment options being limited at this point of time?

Virendra Mhaiskar: Not really but I think now that it is a very well matured portfolio there is expectation from the investors into the stock that there has to be some payout to reward the shareholders so as the portfolio matures this valid requirement is also required to be looked at.

Patel: Surat-Dahisar project what kind of toll increase is expected in September?

Virendra Mhaiskar: We will let you know once we have the clarity.

Moderator: We have our next question from Mr. Suryakant from Edelweiss. Please go ahead.

Suryakant: First question is on your last quarter we have seen some kind of drastic _ specifically due to over-bridges that has been constructed in the Thane-Godhunder road so any improvement on that side or the traffic growth is still on the lower side, any update on that front?

Virendra Mhaiskar: I would request you to look at the presentation which has been mailed to you and you will see that Surat-Dahisar the traffic growth has been in the range of around 13%.

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Suryakant: I saw that is actually 12% and Bharuch-Surat around 10% so what I wanted to know it can still go up or is it like the peak that we have achieved?

Virendra Mhaiskar: That's a difficult one because it would continue to be growing because as the impediments on the corridor go down we hope that it should improve.

Suryakant: Second question is now we have already discussed so much about the EPC order that is been going to be awarded by NHAI and depending on the document we might go for those EPC orders. But what we have seen is EPC orders usually has a lesser margin and across way I have seen EPC players doing a margin somewhere around 11-12% and 13% but we have in-house strengths and we do a higher EPC margin so going for those projects will don't you think will dilute our margins as such?

Virendra Mhaiskar: No that's the reason why I'm saying unless we study the payment mechanism in the overall structure we will not be going into it.

Suryakant: So as on date there is no such plans, we will only be taking a call after we see the document?

Virendra Mhaiskar: That's correct.

Moderator: We have the next question from Mr. Aditya from **Cisa**. Please go ahead.

Aditya: Just wanted to understand the reason for the delay in concession agreement signing on Goa-Kundapur project.

Virendra Mhaiskar: Aditya we have mentioned in our press release that we are the preferred bidders for the project and we are yet to receive the LOA from NHAI.

Aditya: But why is the delay, any particular reason?

Virendra Mhaiskar: I am told that because there was less number of bidders the bid has to go to the board for approval.

Moderator: You can proceed with the conclusion part.

Virendra Mhaiskar: I would like to thank all of you for joining this IRB conference call to discuss the Q1 results for FY13 and participating in this Q&A. Thank you so much.

Moderator: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and using Tata DOCOMO conferencing services. You may please disconnect your lines now. Thank you, have pleasant evening.