

Conference call – Q1FY14
(August 8, 2013; 3.45 PM IST)

Management: Good afternoon ladies and gentleman. Welcome to the IRB Infrastructure Developers Conference Call hosted by the company for the unaudited financial results for the June 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 Reality 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 remarks by the management, there will be a question and answer session. I would now request Mr. Mhaiskar to give you an overview of the company significant development during the financial year. Over to you sir.

Virendra Mhaiskar: A very good afternoon to all of you. During the June quarter, we continued our focus on project execution. As result is an Ahmedabad-Vadodara project is now more than 20% completed. Pathankot-Amritsar project is more than 90% completed and Tumkur-Chitradurga project is more than 85% completed. This has reflected in 5% increase in the construction revenue in comparison to June quarter last year. Our construction segment operating EBITDA remains at 28% during the quarter. On operation and maintenance front, toll revenue has increased by around 10% in comparison to the corresponding quarter last year. We observed moderation in traffic growth in line with the level of economic activities and also due to early arrival of monsoon in comparison to corresponding period last year. However, this has been compensated by higher tariff rates which are linked to inflation. We expect Jaipur Deoli project to start partial tolls before the end of this month and Pathankot-Amritsar project to be completed by the end of third quarter of FY14.

Financial closure for Goa-Kundapur project is in advance stage and we expect to close it by September 2013. Interest rates for the same debt are likely to be in the range of 11.5% with the yearly reset. Average cost of debt for the company remains at 11.25% with net debt to equity ratio at 2.4 times is to one.

In line with our dividend policy, we have declared the first interim dividend of Rs. 2 per share for FY14. We believe that we will be able to maintain our dividend payout in the current year in line with our company's policy of around 20% of the PAT being distributed as a dividend. The order book for the company stands at Rs.7700 crores out of which Rs.5700 crores is construction order book to be executed in next two to three years. We stand pre-qualified to bid for Rs.28000 crores worth of NHAI road project. We continue to evaluate proposals for asset acquisition in the secondary market. The government already announced the revised exit policy for revival of stress projects which could allow promoters to divest 100% stake in such projects or to other interested parties. This will facilitate us to buyout the balance 26% stake in MVR Tollways. Now I request Anil Yadav to give an overview of the financial performance of the company. Over to Anil.

Anil Yadav: Thank you sir. Financial analysis, first I will present financial analysis of Q1FY14 versus Q1FY13. The total consolidated income for Q1FY14 has gone up to Rs. 1062 crores from Rs.1012 crores registering a growth of 5% over Q1FY13. Consolidated toll revenue for Q1FY14 has gone up to Rs.278 crores from Rs.252 crores registering a growth of 10%,while consolidated construction revenue for Q1FY14 has gone up to Rs.755 crores from Rs.728 crores registering

growth of 4% over Q1FY13. EBIDTA for Q1FY14 has gone up to Rs.484 crores from Rs.456 crores registering a growth of 6% over Q1FY13. Interest costs have increased by 9% to Rs.166 crores in Q1FY14 from Rs.152 crores in Q1FY13. Depreciation has also gone up by 12% to Rs.122 crores in Q1FY14 from Rs.109 crores in Q1FY13. As a result, PBT has gone up to Rs.197 crores in Q1FY14 from Rs.195 crores registering growth of 1% in Q1FY13. PAT before minority interest for Q1FY14 stands at Rs.134 crores as compared to Rs.140 crores for Q1FY13 registering a decline of 4%. This decline is mainly due to increase in tax rate. For this financial year, the surcharge rate for income tax has increased from 5% to 10%. Post minority interest PAT for Q1FY14 stands at Rs.135 crores as compared to Rs.142 crores for Q1FY13 registering a decline of 5%. Earnings per share on basic and diluted basis is 4.05 for Q1FY14 as against 4.27 in Q1FY13 registering a decline of 5%.

Now I will present the financial analysis of Q1FY14 versus Q4FY13. Current quarter compared with the trailing quarter. Total consolidated income for Q1FY14 has gone up to Rs.1062 crores from Rs.980 crores registering a growth of 8% over Q4FY13. Consolidated toll revenue for Q1FY14 has gone up to Rs.278 crores from Rs.276 crores registering growth of 1%, while consolidated construction revenue has gone up to Rs.755 crores in Q1FY14 from Rs.672 crores in Q1FY13 registering growth of 12%. EBIDTA for Q1FY14 has gone up to Rs.484 crores from Rs.455 crores registering a growth of 6% over Q4FY13. Interest costs have increased by 8% to Rs. 166 crores in Q1FY14 from Rs.158 crores in Q4FY13. Depreciation increased by 12% to Rs.122 crores in Q1FY14 from Rs.109 crores in Q4FY13. As a result, PBT has gone up to Rs.197 crores in Q1FY14 from Rs.188 crores registering growth of 5% over Q4FY13. PAT before minority interest in Q1FY14 is at Rs. 134 crores gone down by 13% from Rs.154 crores in Q4FY13. PAT has reduced by 13% because in Q4FY13 we were having extraordinary income from MVR Infrastructure and Tollways Private Limited, being deferred tax of around Rs.17 crores which resulted in lower taxation in Q4FY13 and this year the surcharge has also increase. This has resulted in decline in PAT. The post minority interest PAT for Q1FY14 stands at Rs.135 crores as compared to Rs.151 crores for Q4FY13 registering a decline of 11%. Earnings per share on basic and diluted basis is 4.05 for Q1FY14 as against 4.55 in Q4FY13 registering a decline of 11%. Now I have finished my analysis. We are open for Q&A session.

Management: Can you take to the Q&A please.

Moderator: Certainly sir. Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press * and 1 on your push button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before you turn and you wish to withdraw your request, you may do so by pressing 1 on your phone. We have a first question from Mr. Atul Tiwari from City Group, over to you sir.

Atul Tiwari: Good afternoon sir.

Virendra Mhaiskar: yeah very good afternoon, tell me Atul.

Atul Tiwari: Sir my first question is on Talegaon Amravati since we have been tolling on that route almost two months in the quarter, how has been the initial revenue I mean you have reported Rs. 5 crore of revenue, so what was the expectation and how does this number compare with the expectation?

Virendra Mhaiskar: Atul what has happened is we have got the permission for partial tolling, so if we look at the full tariff vis-à-vis what tariff we have got right now, it works to around 58%

of the full tariff, so out of 58% tariff level, we are collecting close to Rs. 8 lakh a day, so our sense is that once we get the permission to toll on the full tariff, we should be able to collect close to Rs.13 to 14 lakhs a day. If we have to compare that with our original estimates which were in the range of around Rs.16 odd lakhs, it is around 5-10% lower than our original estimation.

Atul Tiwari: Okay and sir when will we get the full tariff approval?

Virendra Mhaiskar: I think it will take a quarter more because most of the work is now nearing completion, but because of rains it has slightly delayed. We should be able to start tolling with full tariff in one more quarters' time.

Atul Tiwari: And sir though you mentioned in your briefing that you have seen some moderation in the traffic growth, but especially say on Bharuch-Surat where the revenues have grown only 5% and I believe there was a tariff hike of around 8-9% in between, and on Tumkur Chitradurga also, in both these cases the traffic seems to have declined year on year is that true and if there are any special reason what declined in tariff?

Virendra Mhaiskar: I think Bharuch-Surat the tariff revision has happened from 1st of July, so this quarter I don't see the impact right now, it appears to be only the traffic growth and for Tumkur-Chitradurga yes the tariff was revised from 1st April, but in spite of that due to the mining ban continuing and not concrete action being seen still on ground in terms of revival in the mining activity, the traffic seems to have dropped.

Atul Tiwari: Okay, but no special reason for decline in tariff in Bharuch-Surat, is that?

Virendra Mhaiskar: No special reason for decline.

Atul Tiwari: And sir how much of the consolidated gross debt in cash, that's my last question?

Anil Yadav: Gross debt is Rs.9250 crores and cash and bank is Rs.1225 crores.

Atul Tiwari: Okay sir. Thank you.

Moderator: Thank you for your question Mr. Tiwari. We have our next question from Mr. Dewang Patel from Avanders, please go ahead Mr. Patel.

Dewang Patel: Hi sir, on the recent trans-harbour link the participation was not there from bidders, could you talk about the reason or rather, what the government could do to get this project attracted?

Virendra Mhaiskar: See considering the experience of our Kolhapur project, we have publicly stated that we have stayed away from the project. If I have to also look at the merits of the particular project then we were also concerned about the tariff that was being made applicable on the project and considering the competing routes available that also was a major challenge, so looking to the overall environment, we decided to stay away from it.

Dewang Patel: Right sir, sir on the Kolhapur project now, the tolling has got delayed considerably would there be any reimbursement from the government for this?

Virendra Mhaiskar: Under the concession agreement, we stand fully protected and all these losses will have to be borne by the Government as per the tender provisions. Further by the Government accepting the Committees report and revoking the suspension, only strengthens our case that all the work was done in the most appropriate manner and the government has accepted our plea, so this also strengthens our case for claiming all these compensation for inordinate delay that the government has done in the finalizing this issue. Furthermore, we have also gone to the High Court seeking direction from the court directing the local authorities to immediately make the police protection available and that is the present status, but as far as your question is concerned, yes we have full compensation available under the contract.

Dewang Patel: Right sir. Sir on the ECB loans that has taken in some of the projects, we understand this was earlier un-hedged given the current volatility, is there any change in stance and in the thinking of hedging these loans?

Virendra Mhaiskar: At the moment, we haven't hedged because at this level the hedging makes no sense, but going forward, if there is improvement in the rupee then you will certainly look at doing that.

Dewang Patel: Right, sir on the Ahmedabad-Vadodara, the annual report indicates a revenue of Rs.247 crores is booked from that project in FY13, is there all of construction revenue or would this include some bit of development project fee from the SPV?

Anil Yadav: All construction revenue.

Dewang Patel: Okay that's all from my side, thank you so much.

Moderator: Thank you for your question Mr. Patel. We have our next question from Mr. Naveen Jain from J M financial.

Naveen Jain: Yeah good afternoon sir.

Virendra Mhaiskar: Good afternoon.

Naveen Jain: Yeah sir my first question is on the Tumkur-Chitradurga project, what was the hike that was taken on April 1st?

Virendra Mhaiskar: The toll rate hike was closed to 5.5%.

Naveen Jain: 5.5%, okay but despite that we have a YOY decline in toll collection that means the traffic has gone down quite significant in this project about 10-11% is that right?

Virendra Mhaiskar: At the moment it looks like that.

Naveen Jain: Okay sure and sir second question was on Bharuch-Surat, so 1st July we would have got this hike, what is the quantum of hike you know that we have taken?

Virendra Mhaiskar: Close to 7%.

Naveen Jain: Okay great and sir when I look at your construction revenue for the quarter you know most of it seem to be from the Ahmedabad Vadodara project close to Rs.700 crores, if I go

by order book calculations. So would you expect to maintain that kind of run rates for Ahmedabad Vadodara project going forward in this year?

Anil Yadav: Naveen here I would like to provide you the execution breakup, roughly Rs.75 crores we have executed from Amritsar Pathankot, Tumkur Chitradurga Rs.130 crores, and Ahmedabad Vadodara closed to Rs.550 crores.

Naveen Jain: Okay so would you expect to maintain Rs.550 crores going forward in this project?

Virendra Mhaiskar: Second quarter looks difficult because of monsoon, but third and fourth quarter yes.

Naveen Jain: Okay. Sure sir thanks a lot.

Moderator: Thank you for your question sir. We have our next question from Mr. Nitin Arora from M K global, over to you sir.

Nitin Arora: Hi sir, good evening, thanks you for taking my question. Sir my question related to Bharuch Surat once again, Bharuch Surat you said that the 1st July we took tariff hike and that is not comparable you know, its not an apple to apple comparison, so sir can you give us a breakup that how much of the traffic growth decline you have seen there. If I don't account for this let say 7% tariff hike, if you can give me a PCUs or the volume number there?

Anil Yadav: We don't have the PCU numbers ready in hand, but I am saying the revenue growth what we have seen is closed to 5.5%.

Nitin Arora: And sir what kind of a traffic growth if you can give me in the Surat-Dahisar project because there was September tariff hike of 8-9%, that gives me roughly around a traffic growth of 1-1.2%, so is that a correct reading for Surat Dahisar?

Virendra Mhaiskar: Yes as per as Arithmetical calculation is concerned that is a correct reading, but only issue is that this year monsoon has arrived little early, the monsoon has started from June itself, and last year the monsoon has started late July. Accordingly there will be an impact of monsoon also in this quarter.

Nitin Arora: Okay, so sir can we treat this specially for projects like Surat Dahisar, Bharuch Surat, can we treat this as a one of, that's how you are asking it from that angle, the early monsoon reason or do you see that there is a general traffic slow down there?

Virendra Mhaiskar: See the point is that we have always stated that these BOT projects are likely to give you anywhere between 10-12% revenue growth. Now whether this happens as a result of 5% or 6% tariff and 5% traffic or it happens as a result of 8-9% tariff and 2-3% traffic, ultimately what we look at is the revenue growth that we are able to achieve and if I look at Surat Dahisar, we have still achieved a 10% revenue growth in this quarter. So long as we are able to achieve at 10-12% revenue growth, we are happy about the progress and we are not unduly worried about it.

Nitin Arora: Okay, sir my next question pertains to construction revenue, though our execution run rate has been maintained every quarter, sir any sort of guidance or any sort of numbers you

want to put in for this year considering our current order book that what sort of run rate we will maintain in terms of execution for construction?

Virendra Mhaiskar: My sense is that this will be highly dependent on what dates we are able to start Karwar-Kundapur project, now if we are able to start Karwar-Kundapur project in the third quarter of this year, then we can see a similar kind of run rate on the construction revenue what we were able to do last year. If that project is delayed, then we might see a slight dip on the construction revenue vis-à-vis last year's construction revenue.

Nitin Arora: Sir but Kundapur I think is all cleared. What you have to achieve is just the financial closure there and then you can start right, I mean there is no point in delay from there?

Virendra Mhaiskar: On our side for achieving financial closure we are quite confident about that, but there are CPs to be complied by NHAI. In case if there are heavy delays on part of NHAI for completion on time and it leads to one or two months of delay then that can affect the construction revenue is only what I am trying to highlight. We do not foresee that at this point in time, but that will be only caveat.

Nitin Arora: Sir, Can you give me the break up of the equity infusion left in these projects?

Anil Yadav: Close to Rs.300-400 crores of equity we will infuse in this year and that will be roughly close to Rs.150-175 crores in Ahmedabad-Vadodara project and close to Rs.75 crores in Tumkur-Chitradurga and plus balance will be required in Goa-Kundapur.

Nitin Arora: Sir coming on to the ECB loan, can you give us the break up like how much of the ECB loan is there in the projects and what rate right now is there, the interest rate?

Anil Yadav: We have taken Rs.300 crores in Tumkur-Chitradurga and Amritsar Pathankot and Jaipur Deoli Rs.200 crores each and plus we have a Rs.500 crores of ECB loan sanctioned in Ahmedabad Vadodara out of that close to Rs.100 crores we have drawn till date. Accordingly ECB debt is closed to 10% of the net debt of the company.

Nitin Arora: Okay. Thank you so much.

Virendra Mhaiskar: Thank you.

Moderator: Thank you for question sir. We have our next question from Mr. Nirav Shah from Anti-stock broking, please go ahead.

Nirav Shah: Yeah good afternoon sir. Most of my questions have been answered, just the last question is we have shown gross toll revenues from Ahmedabad Vadodara at around Rs.28 crores and if you just net off the premium paid on the express way, its virtually flat zero revenue net of that. Is that the right way to look at it sir?

Virendra Mhaiskar: That's correct.

Nirav Shah: Okay, so I mean and we would have capitalized around of Rs.50 odd crores on the NHAI part.

Virendra Mhaiskar: NHAI part that's right.

Nirav Shah: Okay, but the gross amount is in line with our expectation that we are seeing or may slightly below because of this quarter so the reason you have mentioned but you don't foresee any problems in achieving the target growth rate for the Ahmedabad Vadodara target tolling?

Virendra Mhaiskar: See I will tell you few things about it, our yearly target revenue for Ahmedabad Vadodara is upwards of Rs.130 crores, now if we look at these two quarters, it was this first six months in which we were supposed to complete the entire overlay of 100 km four lane Expressway and there was a huge amount of construction activity going on that corridor. Now we have completed that overlay almost to a length of 90% and as a result we expect that post monsoon as the NH8 construction activity further picks up, we should see a good amount of traffic traction on the Expressway and as a result the yearly average of crossing Rs.130 crores, seems feasible and doable at this point in time.

Nirav Shah: Okay sir great sir, that's all from my side, thank you.

Moderator: Thank you for your question sir. We have our next question from Toshawat Shah, from Asian Market, please go ahead.

Toshawat Shah: Good afternoon sir.

Virendra Mhaiskar: Good afternoon.

Toshawat Shah: On a standalone, the construction cost as a percentage of income has increased drastically close to 9.8% YOY and 6.9% QOQ, is there any specific reason?

Virendra Mhaiskar: See it's a split of profit between EPC and holding company, now Ahmedabad-Vadodara project, the margin of holding companies comparatively lower than what we have in Talegaon-Amravati, Amritsar-Pathankot and Jaipur-Deoli projects.

Toshawat Shah: Okay. And sir as you have said that equity requirement for this year is closed to Rs.300-400 crores, sir in FY15 and FY16, how much equity requirement?

Virendra Mhaiskar: Overall next three years equity requirement will be closed to Rs.1700 to 1800 crores.

Toshawat Shah: Rs.1700 to 1800 crores, and sir referring to the earlier question asked by one participant that even my calculation also shows that Ahmedabad Vadodara is the major contributor in EPC revenue that is closed to Rs.700 crores, but you have mentioned that it is Rs.550 crores, so still I just wanted to once again clarify that?

Virendra Mhaiskar: Yes I also want to know that from where you are arriving this number?

Toshawat Shah: In the last quarter as a percentage you mentioned in the present session that Ahmedabad Vadodara as a percentage of total order book was 40.61% in Q4FY13, so that comes to 3424 crores and this time it is 35.5%.

Virendra Mhaiskar: Ahmedabad Vadodara as a percentage of total order book in Q4FY13 was around 38.81%.

Toshawat Shah: But sir in terms of execution, if you look at Rs.550 crores so that run rate we will be able to maintain in this FY14?

Virendra Mhaikar: As a full year yes, if second quarter no because of monsoon.

Toshawat Shah: Okay but sir then if we look, if there is a slight delay in Goa-Kundapur then may be for FY14 and 15 we don't have any worry in terms of the EPC revenue because of the order book, but then may be the first or second quarter of the FY15 we have to win the orders to make sure the revenue for FY17-18, so as there any plans or are we seeing in terms of the NHAI or state level any bidding and anything?

Virendra Mhaikar: I think if we look at the way the business is done all these road projects at any point in time would not have a construction like period of more than 30 months to 36 months. So at any given point in time, one can have only clarity of 2-2.5 years maximum 3 years, so at this point in time we have good visibility for next eight quarters and certainly we expect NHAI to start bidding of projects and we will be definitely bidding for them.

Toshawat Shah: Okay and sir Jaipur Deoli COD delayed any specific reason?

Virendra Mhaikar: No there is no specific reason but the overall time taken by the authorities to prove their own testing and recommending is a typical government delays nothing beyond that.

Toshawat Shah: And sir Goa-Kundapur how much land already we have?

Virendra Mhaikar: They would be handing over 80% land on the appointed date.

Toshawat Shah: But at present we don't have any idea, how much land already in?

Virendra Mhaikar: No, they have a considerable amount, so I don't foresee that as a challenge.

Toshawat Shah: Okay thank you sir.

Moderator: Thank you for your question sir. We have our next question from Mr. Vishal Sharma from BNP Baribas, please go ahead sir.

Vishal Sharma: Yes sir good afternoon, is there any mark to market losses that have included in the statement and how much are those?

Virendra Mhaikar: I don't think there is any mark to market losses.

Anil Yadav: There is no mark to market losses because whatever ECB we have taken and based on the MCA circular, whatever the Forex fluctuation will be there, that will be capitalized along with the cost of the assets.

Vishal Sharma: Okay, sir can you also provide bifurcation of your gross debt and cash between the SPVs and the non-SPVs i.e. the parent and MRM?

Anil Yadav: Yes. See as far as holding company is concerned, holding company and Modern Road Business is having close to cash of Rs.900 crores and that we will work out and we will let you know.

Vishal Sharma: Okay sir, thank you. That's all.

Moderator: Thank you Mr. Sharma. The next question comes from Mr. Ankush Mahajan from K R Choksy, please go ahead sir.

Ankush Mahajan: Good afternoon sir.

Virendra Mhaikar: Good afternoon.

Ankush Mahajan: Sir my question is regarding the macro side, what we are expecting at the ground level from the government side and from the NHAI about the ordering activity. There are some proposals by GVK and GMR for the back-ended premium, would you throw some light on it and how could you see the order activity in this year and the next year because in January we expect code of conduct for election also?

Virendra Mhaikar: I cannot throw any light on what is happening as regards GMR or GVK is concerned, but as regards bidding activity we expect the bidding activity to pick up in the third quarter for this financial year.

Ankush Mahajan: But in the January third quarter.

Virendra Mhaikar: So October to December is when we expect a lot of tendering activity to happen.

Ankush Mahajan: So only three months that we have.

Virendra Mhaikar: Yes.

Ankush Mahajan: So that time you can at least expect 1000 or 1500 km or something like that?

Virendra Mhaikar: See at this moment in time, there are around 30 project which have not achieved financial closure and our information is that there is a good possibility that many of those would come back for bidding in the third quarter, so at least two odd 1000 km from the rebidding side and another 1000 to 2000 fresh bidding, so we expect anywhere between 3000-5000 km getting bid out in the third quarter for this year.

Ankush Mahajan: Third quarter of this year.

Virendra Mhaikar: That's correct.

Ankush Mahajan: Sir any idea about the EPC contract that NHAI may come for the EPC contracts.

Virendra Mhaikar: No I am giving this number from the BOT side, on the EPC I don't have any specific idea.

Ankush Mahajan: Okay. Sir what about at the state level, how the states are taking BOT projects?

Virendra Mhaikar: Not much activity seen there actually.

Ankush Mahajan: Okay. Thank you sir.

Virendra Mhaikar: Thank you.

Moderator: Thank you for your question sir. Our next question comes from Mr. Krishnendu from Quantum, please go ahead.

Krishnendu: Most of my question has been answered, there is just one small clarification in ECB, how does the payment stand out for all the ECBs and the foreign currency loans?

Anil Yadav: Yes, the ECB loans is repayable after seven years in bullet payment.

Krishnendu: All of them?

Virendra Mhaikar: Yeah.

Krishnendu: Okay thank you.

Moderator: Thank you sir. Our next question is from Ashish Shah from IDFC securities, please go ahead.

Ashish Shah: Good evening sir. Sir, can you give me the break up of other income between EPC and BOT?

Virendra Mhaikar: This quarter June '13 other income for construction was closed to Rs.24 crores and BOT closed to Rs.6 crores.

Ashish Shah: Okay sir. Also in the previous question you said that the bullet repayment is after seven years, so when does this actually fall due?

Virendra Mhaikar: We have drawn first ECB in 2011, so first payment will be due in 2018.

Ashish Shah: Okay fine. Right sir,thank you.

Virendra Mhaikar: Thank you Ashish.

Moderator: Thank you for your question sir. We have our next question from Mr. Ashish Agarwal from Global, please go ahead Mr. Ashish.

Ashish Agarwal: All my questions has been answered.

Moderator: Thank you Mr. Ashish. Mr. Atul Tiwari from City Group has a question sir. Please go ahead Mr. Tiwari.

Atul Tiwari: Sir I knew that consolidated cash amount that you said, how much is a total consolidated cash?

Anil Yadav: Gross debt is Rs.9250 crores and cash and bank balances is Rs.1225 crores.

Atul Tiwari: Okay sir, thank you.

Moderator: Thank your Mr. Tiwari. We have our next question from Mr. Ashutosh Nargar from HSBC, please go ahead sir.

Ashutosh Nargar: Good evening gentleman.

Virendra Mhaiskar: Yeah good evening.

Ashutosh Nargar: Two questions one is what would be the operating cash flow we made during the quarter at how much CAPEX that we do and second one is Anil said that Rs.1800 crores of equity is likely to be infused over the next couple of years' timeframe. How much do we internally think would be make from free cash flows and what would our ability to bid for new projects over the next two years' time.

Anil Yadav: Operating cash before interest Rs.410 crores and after interest just close to Rs.250 crores.

Ashutosh Nargar: That's for this quarter?

Virendra Mhaiskar: For this quarter and as regard the equity infusion, I think that is required over three financial years and considering Rs.900 crores plus of cash accrual that we will be having on yearly basis, we do not foresee any problems making good big equity requirement than bidding for furthermore. I think Rs.4000-5000 crores worth of projects can be easily bid out by the company going forward.

Ashutosh Nargar: Sure thank you.

Moderator: Thank you sir. We have our next question from Mr. Nitin Arora from M K Global.

Moderator: Thank you sir. We have our next question from Mr. Niraj Agarwal from Tata Securities, please go ahead sir.

Niraj Agarwal: Good evening everyone.

Virendra Mhaiskar: Good evening.

Niraj Agarwal: Sir from 1st of July you would have tariff hike in Bharuch-Surat, so how much was that?

Virendra Mhaiskar: Close to 7%.

Niraj Agarwal: And did we have any tariff hike in Ahmedabad also from 1st of July?

Virendra Mhaiskar: Yes.

Niraj Agarwal: So how much would that be?

Virendra Mhaikar: That also was close to 5%.

Niraj Agarwal: That would be only on the Expressway.

Virendra Mhaikar: That's correct.

Niraj Agarwal: So what is the current toll per PCU in Ahmedabad?

Virendra Mhaikar: Per PCU we can't give you because we haven't calculated it that way, but at the moment in spite of monsoon, we are having a same run rate what we were having in the earlier quarter.

Niraj Agarwal: Okay sir thank you so much.

Moderator: Thank you sir for your question. Our next question from Mr. Salil Desai from Reliance general insurance, please go ahead.

Salil Desai: Sir this bidding activity from NHAI, you expect to pick up say from October to December quarter, now how confident can we be on Government being able to award 3000 km in given timeframe?

Virendra Mhaikar: I think its more of the financial bidding that remains to be done and its not the lengthy process because it all electronic bidding, so bidding out 3000 to 5000 km in a span of three months, I don't see in a very tough uphill task. They have done it in the past and probably they can do it again.

Salil Desai: Alright, but what would you see as a risk to this number not happening or you know the whole target not coming through, are you worried about?

Virendra Mhaikar: No if the elections get announced say in October, then certainly this cant happen because then you will be in a code of conduct period, but if one has to believe that the election will happen on time, then October to December is the period in which we certainly see lot of bidding happening at the NHAI end.

Salil Desai: Okay and the code of conduct apply to project bid out also or it is only for new?

Virendra Mhaikar: If the code of conduct comes in, it will affect the bidding as well.

Salil Desai: Okay, alright, but right now it's seem that we are on track for 3000-5000 km bidding.

Virendra Mhaikar: That's right.

Salil Desai: Great sir, thank you so much.

Moderator: Thank you for your question Mr. Desai. We have our next question from Mr. Ankush Mahajan from K R Choksy. Go ahead sir.

Ankush Mahajan: Hello. Sir this quarter the tax rate is 31.8% and any specific reason for that and what would be the guidance for the full year tax rate?

Virendra Mhaiskar: Tax rate will be remained more or less in this range only and the tax rate has increased one of the main reasons is that surcharge has also increased from 5% to 10%.

Ankush Mahajan: Surcharge. Okay and sir this depreciation cost is Rs.122 crores.

Virendra Mhaiskar: Yes as you know that our amortization policy is basically as far as if you see the BOT has increased around by 12%, so this is linked with the toll revenue and that goes on increasing on 10-12% in year-on-year basis.

Ankush Mahajan: Year on year basis, thank you sir. Thank you very much.

Moderator: Thank you for your question sir. We have our next question from Mr. Ashutosh Nargar from HSBC, please go ahead sir.

Ashutosh Nargar: Hi just one small question, what would the total advances made by the holding company as debt to the subsidiaries?

Virendra Mhaiskar: It would be close to Rs.650 crores.

Ashutosh Nargar: Sure, thank you.

Moderator: Thank you Mr. Ashutosh. Our next question is from Mr. Utkarsh Maheshwari from Reliance General Insurance, Mr. Maheshwari.

Utkarsh Maheshwari: Yeah. Sir just want to get an idea out of this Rs.9200 crores of debt, how much is actually eligible for take out financing at the moment?

Virendra Mhaiskar: See Utkarsh for Bharuch-Surat we have already taken Rs.280 odd crores on refinancing from IIFCL and to our best understanding Mumbai-Pune, we have already locked up long back at 10.3%, so Surat-Dahisar Rs.1200 odd crores and the upcoming project which will now become operational like Jaipur-Deoli, Talegaon-Amravati and so on, all of those would stand to eligible for refinancing.

Utkarsh Maheshwari: I mean what kind of quantum of debt?

Virendra Mhaiskar: Quantum would be close to Rs.4500 and 5000 crores.

Utkarsh Maheshwari: Yeah because I mean I believe this will be coming to get much lower rate of interest as compared to 11.5% what you are paying right now.

Virendra Mhaiskar: Yeah that's I mean that is the hope right now, but let see how the RBI policy goes forward from here.

Utkarsh Maheshwari: Yeah I mean, but after this thing the execution, once the tolling is started then they are eligible right as per the IIFCL norm.

Virendra Mhaiskar: Yeah as per the policy for refinancing, what you are saying is right, we will eligible the moment the tolling on the project starts.

Utkarsh Maheshwari: Okay sir one more thing I mean as we have seen that the traffic growth has not been to that extent which were expected but overall the top line has moved as a result being in inflation linked, so going for if we see that little bit of dip coming in the inflation, how do you see this impact in the overall top line going forward?

Virendra Mhaiskar: See we have seen some similar cycles in the past and you will always have a cyclical effect where at least one or two quarters because if you look at the way the economy performed as the inflation start coming off, slowly the inflation first comes down and then the growth starts picking up, so in a quarter or two where you actually have the inflation under control and the growth stagnant, you may see a dip, but that would be the actual starting of the inverting of the curve where the growth starts leading and the inflation starts following. So you may see a similar pattern here and thereafter you may see a more on the traffic growth and the lower inflation growth resulting in the lower traffic increase. So this is quite possible. But if you have to look at a longer term horizon, I think 10 to 12% revenue growth has I said earlier is fairly doable.

Utkarsh Maheshwari: Okay sir thanks a lot.

Moderator: Thank you for your question sir. We have our next question from Mr. Ashish Shah from IDFC securities. Please go ahead.

Ashish Shah: Sir, Can you help me with the debt on the EPC business, the parent plus MRM or?

Virendra Mhaiskar: Yeah sure. Can we work out and come back, there was an earlier question also to the some extent, we are working that number, will come back to you on both the numbers.

Ashish Shah: Also sir, apart from the number is there any plan to pay off this debt because you know we had taken a lot of debt in the parent and the EPC arm of business to put in as advances in the assets prior to drawing down the debt, but now since most of the projects are on the verge of completion or on the verge of COD, so a lot of this money will come back and will be paid down or the debt and interest cost will remain at the current level that we are seeing this quarter.

Virendra Mhaiskar: Some debt has been already paid down and going forward I think some level of debt will continue with because the point is that as Karwar-Kundapur project start, it has a Rs.500 crores plus element of the grant coming from NHAI and that always comes towards the end of the project, so considering that fact we will continue with some elements of debt for sure.

Ashish Shah: But broadly can you just say that what we are seeing the level of interest cost for the EPC?

Virendra Mhaiskar: That might go down to some extend but not predominantly moving down.

Ashish Shah: Okay sir thank you.

Virendra Mhaiskar: Thank you.

Moderator: Thank you for your question Mr. Shah. We have our next question from Mr. Rakesh Vyas from HDFC Mutual fund, please go ahead.

Rakesh Vyas: Yeah hi good afternoon sir.

Virendra Mhaikar: Good afternoon.

Rakesh Vyas: Two question one more on the macro side, you highlighted that third quarter we could expect re-bidding, I just wanted understand that some of these projects also have CPs to complied by NHAI and which is not being done so far and therefore do you expect that there could be a legal issue in re-bidding process at all.

Virendra Mhaikar: I do not think so, because my expectation is that it is a dual process, the process is that the developer has to achieve financial closure and submit the documents in which the lenders would say that the first disbursement will only happen upon NHAI complying with these CPs, but if the developer has paid to achieve the financial closure and submit the financial closure documents, then irrespective of the fact whether NHAI has achieved their CPs or not, they can simply get into project. So I do not see that as a challenge because NHAI has not achieved their CPs in time.

Rakesh Vyas: Got your point sir. Sir second is more related to the accounting, can you highlight what is the growth rate in revenue that we assume for calculating the depreciation currently.

Anil Yadav: Around 12%.

Rakesh Vyas: But sir in a lot of projects we are not seeing this number in last almost one and one half year. Therefore how is the adjustment being made?

Anil Yadav: See, but it will take yearly number, I think growth is in range of 10-12%, so at the year end whatever is there will be NHAI deficit that will be adjusted to that extend and we are using the amortization policy as prescribed by MCA circular.

Rakesh Vyas: No I didn't understood sir, I think I got lost.

Virendra Mhaikar: You know I think what we are trying to clarify that the amortization of the BOT project is linked to the economic value of the project. So as the revenue increases the amortization amount increases. Now this particular ratio as the revenue increases will keep going up. So what Anil is saying is around 10-12% annual increase in the amortization is something what you can expect. Now what you are saying is that you have not seen the amortization going up to that extent because all the project which are under construction, there the amortization will only start after the revenues starts coming in and the project is completed, so long as those projects are in the capitalization mode, the amortization on that project will not be reflective in the numbers.

Rakesh Vyas: Sure, now I got your point sir, what I am trying to highlight is in some of these projects where the amortization is calculated based on a 12% kind of growth going forward, we have not seen this number in last one or one and half year and therefore how does the adjustment made because its like in Bharuch-Surat, this year the number is lower, Tumkur-Chitradurga is negative, so I am just trying to understand how is the adjustment being made in the growth

project sir because 12% is universal growth that normally scabbed but it is not being attend in few years then how does adjustment?

Virendra Mhaiskar: See as far as Tumkur is concerned amortization has not started and with regard to the adjustment then whatever the actual number comes that you have to replace projected number we have to replace with the actual number.

Rakesh Vyas: The projected as well, okay got the clarification. Thank you so much and best of luck sir.

Virendra Mhaiskar: Thank you.

Moderator: Thank you for your question sir. We have our next question from Mr. Ronald from Sharekhan, please go ahead.

Ronald: Good afternoon sir, my question is if you expect about 3000-5000 km getting awarded then what is the players capability currently to bid for it say in terms of IRB? How much can we further stretch our balance sheet or what is our expectation with the balance sheet? Can we stretch further?

Virendra Mhaiskar: I would say that 300-400 kms is what we can comfortably look to back without stretching the balance sheet.

Ronald: Okay and have you seen projects getting weak like more and more projects gets for rebidding and if there are no bidder or if order is not passed through then, do you see any changes in the contracts or projects getting attractive going ahead?

Virendra Mhaiskar: See the bidding aggression has already come down and in the last quarter we have not seen any bidding happening at NHAI end because of these stuck projects, so the moment these projects come unstuck, we believe that there would be a good amount of bidding happening in the third quarter and at that junction 300-400 km is what we will look to back.

Ronald: Okay and sir there are any pledged share with respect to promoters?

Virendra Mhaiskar: Yes please. Mehul can you put light on that.

Mehul: Yeah well as far as the promoter is concerned, promoter holds around 60% of the total paid up capital, out of which around 14% of the paid up capital is pledged and promoter group holds around 1.7% of the paid up capital out of which the 100% is pledged.

Ronald: Okay sir any particular reasons because it's already a cash flow generating company and everything so what is the reason behind pledging of shares?

Virendra Mhaiskar: No I think this has nothing to do with the company cash flows, so I would just like to clarify that in the last two to three years, the promoter group entity has sold close to 15% of the stock and while these blocks were being done, I had myself bought almost 4% of that and to raise my percentage holding, I had taken certain personal loans and all these pledged is towards that amount.

Ronald: Okay sir thank you.

Moderator: Thank you sir. We have our next question from Mr. Ashutosh Nargar from HSBC, please go ahead.

Ashutosh Nargar: Yeah hi sir two question, one is on the adjoining question to what Rakesh asked. Would that 12% estimation be for the life of the asset and if so assuming that growth tapers off in the years which probably five years from now you would necessarily have to take a hit because depreciation will get accelerated, is that correct?

Anil Yadav: No here I would like to clarify that by year end we replace the projection with actual number and future projections also taper down in line with what we have collected in the current year.

Ashutosh Nargar: So of that future projection you are saying the average right now is 12%?

Anil Yadav: Yes.

Ashutosh Nargar: The second question is since our stock price is come down substantially internally are we discussing any thing like you know instead of bidding out for new project, the same can be reinvested for a buyback scheme?

Anil Yadav: No we haven't thought of that as yet, but this is a continuous process and we keep evaluating these proposals, so at this point we don't have any firm proposal on this.

Ashutosh Nargar: Okay.

Moderator: Thank you sir. We have our next question from Mr. Tiwari from City Group, please go ahead.

Atul Tiwari: Yes, sir my question is on the dividend policy, this quarter we had seen substantial increase in the entering dividend which is almost double, so should we extrapolate this base of entering dividend for the remaining three quarters of the year as well?

Anil Yadav: I think we have stated on dividend policy earlier which is around 20% of the PAT and we do not have any thinking of changing that and the guidance for the year as we said is likely to be flattish or slight improvement over last years performance. So by that logic I think around Rs. 4 dividend for the whole year, it looks feasible. We have done a little bit of rephrasing this time, but we don't foresee any major change in that.

Atul Tiwari: Okay sir thank you sir.

Moderator: Thank you for your question sir. We have our next question from Mr. Akshay from Morgan Stanley, please go ahead.

Akshay: Thanks my question has been answered.

Virendra Mhaikar: Yeah thanks Akshay.

Moderator: Thank you sir. We have our next question from Mr. Parikshit from Karvy Stock Broking, please go ahead.

Parikshit: Yeah sir hi, congratulations on good set of numbers. I just have one question sir until and unless this Kolhapur issue gets sorted out so will you continue to bid in Maharashtra or you stop bidding from any state projects?

Virendra Mhaikar: At the moment there is no project up for bidding, when there is one we will discuss this again.

Parikshit: Okay.

Anil Yadav: I think earlier some participants had asked for details of the loan breakup. BOT project term loans are close to Rs.7000 crores, equipment loans are Rs.100 crores, and thereafter IRB having loan of Rs.1150 crores, IRB is also having overdraft facility which is backed by close to Rs.600 crores and Modern Road Makers is having an OD facility of close to Rs.400 crores.

Moderator: Mr. Parikshit.

Parikshit: Yeah, I am done with the question.

Moderator: Thank you sir.

Virendra Mhaikar: I believe there are no more questions.

Moderator: Yes sir.

Virendra Mhaikar: So I think I would first of all thank all of you for being there on the conference all today and look forward to talk to you again after the next quarter results, thank you.

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