

IRB Infrastructure Developers Conference Call

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Moderator: Good evening ladies and gentlemen. Welcome to the IRB Infrastructure Developers conference call hosted by the company for the unaudited financial results for Q1FY15. We have with us today Mr. Virendra Mhaiskar – Chairman & Managing Director; Mr. Anil Yadav – Group CFO; Mr. Dhananjay Joshi – CEO, Corporate Affairs, Realty Airport & 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 an overview for the significant developments during the quarter. Thank you and over to you sir.

Virendra Mhaiskar: A very good evening to all of you. I welcome you all for this conference call on the results update.

During this quarter, we have seen significant milestones getting achieved. Firstly, we signed a supplementary agreement with NHAI as we got premium deferment for the Tumkur-Chitradurga and Ahmedabad-Vadodara project. This will help certainly the future cash flows to yield significantly. We have also signed the concession agreement for the two newly bagged BOT projects namely the Yedeshi-Aurangabad Rs.3,200 crores project and the Kaithal-Rajasthan border project which is of approximately Rs.2,300 crores. Going forward, these two projects along with Solapur-Yedeshi which was signed earlier will provide good visibility on the construction business for the next 3-4 years. We are on track to achieve financial closure for these projects and will be able to complete the same in the stipulated 6 months' time given by NHAI. The construction order book as a result now stands at around Rs.9,400 crores.

On the execution front, we have two projects which were under implementation during the quarter. Construction on Ahmedabad-Vadodara project and construction on Goa-Kundapur projects have largely contributed to the construction revenue this quarter. Construction revenue has marginally increased by 3% in Q1 of FY15 as compared to the trailing quarter. Construction segment operating EBITDA remains unchanged at 29% during the quarter.

On operation front, we have received tariff revision for some of our projects such as the Mumbai-Pune project, Talegaon-Amravati and Jaipur-Tonk Deoli. In case of Talegaon-Amravati and Jaipur-Tonk Deoli projects, we were collecting toll as partial tariff as the project had been substantially completed and the full tariff was not been effected. Having received the final completion, we have now started collecting toll as the full tariff and hence that has also helped increase in the overall toll tariff during this quarter.

We hope to see pickup in traffic in line with improving economic activities. Average cost of debt during the quarter remains close to around 11.25% and net debt-to-equity stands at 2.82:1. In line with our dividend policy, we have also declared a 20% interim dividend on the paid up capital for this fiscal. We have participated in the annual prequalification process of NHAI and have been declared qualified to bid for a single project on BOT worth up to Rs. 5,000 crores. We stand prequalified to bid for approximately 33,000 crores worth of road projects. We understand that the ministries have an intent to award around 3,500 Km of the total 8,000 odd Km that they wish to award on BOT basis and balance on EPC basis. On an average for last few years, our project base has resulted into a market share of approximately 10% and we intend to maintain that lead in the time to come. As regards this year, we have already achieved the hurdle rate by bagging almost 450 Km on the project and we are hopeful that with the new synergies that are being seen in the road sector, we will be able to keep our lead as in the past. With this, I would now request Anil Yadav to give the financial details of this quarter.

Anil Yadav: Thank you sir. First, I will present the analysis of Q1 of FY15 v/s Q1 of FY14. The total consolidated income for Q1 of FY15 has gone down to Rs.1,037 crores from Rs.1,062 crores

registering a marginal decline of 2% over Q1 of FY14. Consolidated toll revenue for Q1 of FY15 has gone up to Rs.427 crores from Rs.278 crores registering growth of 54%. Post deferment of premium in the current quarter, group has reassessed the accounting treatment on premium payment to NHAI. In order to more appropriately present the financial result of the group, total premium payable as per service concession agreement has been capitalized as intangible assets, toll collection rights and amortized over the period of the concession agreement as per the method prescribed in Part A to Schedule II of the Companies Act 2013 and corresponding obligation for committed premium has been recognized as the liability. Up to March 31st 2014, the premium payment as per service concession agreement with NHAI was reduced from the income arising from toll collection. Consolidated construction revenue had come down to Rs.583 crores from Rs.755 crores, decline of 23%. EBITDA for Q1 of FY15 has gone up to Rs.589 crores from Rs.484 crores registering growth of 22%. Interest has also increased by 31% to Rs.217 crores in Q1 of FY15 from Rs.166 crores in Q1 of FY14 because now Jaipur-Deoli project and Talegaon-Amravati project have been fully commissioned and interest is charged to the P&L account.

Depreciation has also gone up by 45% to Rs.177 crores in Q1 of FY15 from Rs.122 crores in Q1 of FY14. The spike in the depreciation mainly due to amortization of the premium deferred payable to the NHAI for Ahmedabad-Vadodara and Tumkur-Chitradurga project. As a result, PBT stands at Rs.196 crores in Q1 of FY15 from Rs.197 crores, marginal decline of 1%. The PAT before minority interest has gone up to Rs.151 crores, increase by 13% from Rs.134 crores in Q1 of FY14.

Now I will present analysis of Q1 of FY15 v/s Q4 of FY14, the current quarter compared with the trailing quarter. The total consolidated income in Q1 of FY15 has gone up to Rs.1,037 crores from Rs.918 crores registering growth of 13% over Q4 of FY14. Consolidated toll revenue for Q1 of FY14 has gone up to Rs.427 crores from Rs.315 crores registering growth of 36%. While the consolidated construction revenue in Q1 of FY15 has gone up to Rs.583 crores from Rs.568 crores over Q4 of FY14 registering growth of 3%. EBITDA for Q1 of FY15 has gone up to Rs.589 crores from Rs.477 crores registering growth of 23%. Interest costs have also increased by 3% to Rs.217 crores in Q1 of FY15 from Rs.210 crores in Q4 of FY14. Depreciation has also gone by 49% to Rs.177 crores in Q4 of FY15 from Rs.119 crores in Q4 of FY14. The spike is mainly due to amortization of the premium deferment payable to NHAI for Ahmedabad-Vadodara project and Tumkur-Chitradurga project. As a result, PBT has gone up to Rs.196 crores in Q1 of FY15 from Rs.148 crores registering growth of 32% over Q4 of FY14. PAT before minority interest in Q1 of FY15 has gone up to Rs.151 crores, increased by 37% from Rs.110 crores in Q4 of FY14. Now I will open the session for question-answer session.

- Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Devang Patel from ILFS Broking. Please go ahead.
- Devang Patel:** Sir my first question is on the increase in depreciation which seems to have gone up by 54 crores sequentially. Assuming 40 crores is the premium deferred and the depreciation increase seems to be higher, can you again please explain that.
- Management:** Basically the depreciation, if you compared with the corresponding quarter of the last year, this quarter Jaipur-Deoli and Talegaon-Amravati project has also become operational. So there is also an impact of the depreciation because of these projects have become operational.
- Devang Patel:** Other than that, there is no recalculation of the PCU count or just revenue.
- Management:** No. Apart from that, we amortize the toll collection right on the basis of the revenue as stated in the Schedule II of the Companies Act. As there is growth in revenue year-on-year, the depreciation automatically increases.
- Devang Patel:** Sir the second question was on the borrowing cost. In the opening comments, it was mentioned the average is 11.25%. The question is over the next one year, how much is the

average expected to come down and on specific projects, which project is the room to cut down the cost on refinancing?

Management: I think if you look at our project funding cost, the operational projects are today carrying the lending cost somewhere between 10.30% and 11%. So they are anyway at a very competitive rate at this point in time. And as recently operational projects complete one year of operation, we would also take them for refinancing window with IIFCL and try to adjust and get lower interest rates on those. So if the general interest rates in the market decrease and the base rate decreases, then that effect will also get passed on to others because in many projects, the rate is linked to base rate.

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

Naveen Jain: Sir, I had a few questions. First on the Jaipur-Deoli as well as Talegaon project, you mentioned that now they are collecting 100% toll. From what dates, they are doing that?

Management: Talegaon-Amravati, we are collecting 100% toll from 1st of April and in case of Jaipur-Deoli from 22nd of May.

Naveen Jain: Sure and second thing on the new amortization policy for premium that we have got into place. What was the amount of premium that is reflecting in the depreciation figure for the quarter?

Management: Because of the premium capitalization, the amortization is increased close to Rs.32-33 crores.

Naveen Jain: Rs.32-33 crores in this quarter. So will this run rate sustain for the rest of the year or?

Management: This year, it will remain same and next year as the revenue will increase by 10%-12%, it is based on the revenue amortization. So amortization will also increase in that line.

Naveen Jain: Fair point, sure and sir third thing was from 1st of July, I believe Bharuch-Surat would have got a hike in tariff. So what is that amount, can you please share? What is the tariff hike percentage?

Management: We have got the tariff revision of around close to somewhere between 5%-6%, but that is effective from 1st of July.

Naveen Jain: Sure and similarly Surat-Dahisar which is due in September, that will also be a similar figure?

Management: Yes. Surat-Dahisar also will be effective from 1st of September.

Naveen Jain: Right, but will be a similar sort of a figure.

Management: Yes, close to 6%.

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

Amit Sinha: Sir my first question is on the traffic growth of our portfolio, what is that number?

Management: See, if we just run across the key projects, the revenues of Mumbai-Pune have increased from Rs.108.9 crores to Rs.135.2 crores. That is primarily because of the 18% tariff revision which also was effective from 1st of April. So you see somewhere around 24.18% revenue growth. So if you remove the 18% tariff revision, it is close to 6%. Then on Surat-Dahisar, the revenue for the quarter has jumped from Rs.117 crores to Rs.131 crores. That is growth of around 12%. In case of Tumkur-Chitradurga, the revenues have jumped from Rs.38.6 crores to

Rs.44.7 crores which is again a jump of almost 15%. In case of Baruch-Surat, again Rs.40.2 crores the revenues have jumped to Rs.43.8 crores. That is again jump of almost 9.1%. So these are the key growth numbers as regard the key projects are concerned.

Amit Sinha: Right sir. So this looks like number on a pretty higher side. So have you seen any industrial traffic growth or something like that because this is the first quarter when we are seeing significant higher traffic growth number.

Management: Amit, as far as traffic growth is concerned, we have not seen more than 6% growth in any of the project. It will be too early to say that we have seen any kind of traffic basically increased significantly.

Amit Sinha: Alright sir and on the NHAI award side, what is the sense of number of awards coming in the next 6-8 months?

Management: Our sense is that what government intent we have seen so far is of about 8,500 Kms to get awarded in FY15. Of that, what we hear from the NHAI and government sources is around 3,500 kms of that is likely to come up for bidding on BOT basis and the balance would come up on EPC basis. So 3,000 odd Km of pipeline, if you check NHAI website, even more than that is already on the NHAI website. So we do not see any issue in terms of order pipeline in not being there or good set of projects not being there. But as I said earlier, we will be first focusing on achieving the financial closure for the recently awarded three projects and post that, only we will start evaluating for new projects in a judicious manner.

Amit Sinha: Okay sir and just a follow up question. What is our plan in terms of the number of kilometers of project which will be taking in the next 12 months and how we are planning to fund that?

Management: Usually we have been targeting 300-400 Kms of order book growth on annual basis. If you take these three projects, we have already bagged 450 Km worth of land. So somewhere closer to the end of this year if there are good opportunities, we would certainly look at that. But the hurdle rate, I do not think we would like to change it from 300-400 Km NHAI to anything larger than that.

Indar: Sir this is Indar here from Macquarie. My question is in terms of, if our financial closure goes through of the existing projects in a time bound fashion and we are then participating in the bids for some of these projects, how do we intend to look at financing aspect of it and have you kind of looked at some of these REIT structures which government has kind of proposed. Do you think these are workable models in the Indian context at this point of time, a broad view that you can address on the financing side.

Management: See, the draft of INVIT have been given out by SEBI, but there are certain tax issues which need to be further resolved. So the INVIT model is not ready to take off as yet. As regards incremental projects are concerned, the timing would be very important because it is the key project that we are bagged, we are absolutely hopeful in terms of achieving the closure for those and bringing in the equity for that. Once we have a clarity on the further bids and the further wins, then we will have to strategize as to how we fund the equity for those projects. But that event is certainly some time away from now.

Indar: One last question that I have is on, again I think it is a little more longer term kind of a thing, but how do you look at this dedicated freight corridor and does it pose any challenge, this is because we have lot of roads on the Western side. So how do we look at that?

Management: To our mind dedicated freight corridor will be a very big positive because any new economic activity will bring in lot of new traffic on the road. We agree that it is a freight corridor which is built by rail, but the rail connectivity exists even today. So whatever new investment that would come along the corridor will certainly have a rub-off effect bringing in more traffic on the national highways as well. So we do not look at it as a competing facility or as a challenging situation which might hurt the traffic.

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

Ashish Shah: Sir just to clarify again on this change in accounting practice for the premiums. So we are seeing that the depreciation is higher by Rs.32-33 crores on account of this treatment.

Management: Yes.

Ashish Shah: And Rs.40 crores is the premium which has not gone to the P&Ls. The net-to-net, we can say Rs.7-8 crores is the impact at the PBT level if one were to say.

Management: See, revenue is increased by close to Rs.70 plus crores and depreciation impact is roughly Rs.32 crores. Accordingly, PBT impact is close to Rs.40 crores.

Ashish Shah: PBT impact is Rs.40 crores sorry. Okay fine. Also can you give me the breakup of other income between the EPC and the BOT segment?

Management: Yes. For this quarter, we have close to Rs.23 crores other income in construction and close to Rs.3.5 crores in BOT segment.

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

Vibhor Singhal: Sir just wanted to touch base upon the depreciation part of the premium issuing part. I joined the call late. So could you just explain as to exactly how are we working this out. So what is the premium that we are paying and how it is being treated in terms of the P&L?

Management: Premium obligation for entire concession period i.e. 25 years or 23 years is shown as obligation. This obligation, is capitalized and that will be amortized over the entire concession period. And revenue will be as shown as revenue and amortization of that capitalized premium will come as expense as and when the amortization will happen.

Vibhor Singhal: So that will be a part of the depreciation?

Management: Yes.

VibhorSinghal: So when I compare the revenues for let us say Vadodara-Ahmedabad project, so basically the numbers have increased from on a Y-on-Y basis from Rs.29 crores to Rs.36 crores. So basically this will also have an impact that last year Rs.29 crores would have included the premium that we would have paid and this year we are not paying it here, but we are paying at the depreciation level.

Management: No, the Rs.29 crores also is the gross revenue and now reported number is also gross revenue.

Vibhor Singhal: So that change in the toll collection does not have any impact of this change in policy.

Management: Actually whatever that collection is there, that will remain the same irrespective of whatever the accounting treatment you follow.

Vibhor Singhal: Now I get that, that is a gross toll collection, so that will not be impacted.

Management: Yes.

Vibhor Singhal: Fair enough and sir also in the BOT segment, this quarter we have reported margins of around 90%. That is significantly higher than the numbers that we have reported. So any significant sales that we took towards the BOT margins so that led to this number?

Management: Yes, couple of projects which were recently completed. There, the O&M cost is very low and that is why the margin is high. But going forward, the margin will remain in range of 85%-88% only.

Moderator: Thank you Mr. Singhal. We have the next question from the line of Akshay Soni from Morgan Stanley. Please go ahead.

Akshay Soni: Just wanted to again, sorry to dwell on the premium bid, but just as per my understanding, on a cash basis it is supposed to be, it is basically a project mix zero cash that is how it supposed to work right?

Management: Yes.

Akshay Soni: So why should there be a PBT impact is what I am trying to figure out because logically whatever the cash you are making is the number you are going to pay on premium. So why would your revenues go up by a certain number, but logically that will be the same payout right?

Management: Yes. Akshay, as accounting does not work on the cash basis, it is accrual basis and there are the accounting principle provided. You have to account on those principles and we are talking about PBT impact. As you might be knowing that in Tumkur-Chitradurga and Ahmedabad-Vadodara, we have envisaged roughly Rs.300 crores and in Ahmedabad-Vadodara close to Rs.700 crores of negative shortfall which included the PBT losses also. So earlier there would have been losses, but now because of this, now there are no losses in that.

Akshay Soni: Just one follow up to that. So the amortization happens on the same basis as depreciation or is it straight line.

Management: No. Apart from that, we amortize the toll collection right on the basis of the revenue as stated in the Schedule II of the Companies Act. As there is growth in revenue year-on-year, the depreciation automatically increases.

Moderator: Thank you Mr. Soni. We have the next question from the line of Bharanidhar Vijaykumar from Spark Capital. Please go ahead.

Bharanidhar Vijaykumar: Could you give me the total number that has been capitalized for the premium obligation for these two projects?

Management: Over 25 years?

Bharanidhar Vijaykumar: Yes.

Management: Sir in Tumkur-Chitradurga, we have started from Rs.140.4 crores first year and it is a 26-yearconcession and increased by 5%. That is an entire premium. Three years is already lapsed, balance 23-year premium is capitalized. And as far as Ahmedabad-Vadodara is concerned, the premium was Rs.309.6 and roughly almost one year has passed and balance premium is still payable. Exact number I will provide you after this.

Management: It is Rs.21,000 crore odd number. That is the premium over the life of 23.5 years.

Bharanidhar Vijaykumar: Could you give me the debt number in the Holdco and at the MRM level?

Management: See in holding company after OD, the debt level is close to Rs.1,400 crores and in Modern Road makers it is roughly Rs.275 crores.

Bharanidhar Vijaykumar: And what about cash?

Management: Cash will be roughly, both put together will be close to Rs.932 crores.

Bharanidhar Vijaykumar: Could you give me the breakup sir?

Management: Rs.860 crores is the holding company and Rs.72 crores is Modern Road Makers.

BharanidharVijaykumar: And final question. So there have been close to 23 projects that have been given for restructuring with NHAI and about 4 have been accepted. So what is the status of the others and second part of the same question would be, what would be the way forward for some of the stalled projects and you mentioned about 8,500 Km worth of projects would be awarded this year. So of that what would be the number corresponding to the stalled projects or projects which have already been awarded and which would come for rebidding?

Management: To our understanding, the 8,500 Kms number would include the net that will come up for rebidding as a result of stalled projects and the ballpark bifurcation that we are hearing at this point in time is around 3,000 kms of that would be rebid and total outpay of 3,000 kms would be BOT and around 5,000-5,500 kms would be EPC.

Bharanidhar Vijaykumar: Okay. So the entire BOT 1 would be the ones which have been already awarded?

Management: Not necessary. There are many projects within the BOT framework of the stalled under purchase which may not be viable on BOT any longer and they may be shifted to EPC. Similarly the balance pipeline of BOT also, some of them from EPC may shift to BOT. So ballpark number I can say is around 3000 and 5500 kms.

Bharanidhar Vijaykumar: And what would be the way forward for the remaining projects where they have been submitted for restructuring and where is it stuck right now sir, in your view?

Management: So as I said as and when this visibility coming in on that project whether the promoter is willing to start that project or wants to surrender the project, accordingly NHAI has been taking decision that we are seeing certain projects which are already being put up for RFQ like Solapur-Bijapur is one project which was surrendered by one of the earlier companies and that project is back to bidding on BOT basis and RFQ is on right now. So as and when clarity comes, they'll come back for bidding.

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

Nitin Arora: Sir can I have a breakup of the equity requirement project wise?

Management: Yes. The balance equity required in Ahmedabad-Vadodara is close to Rs.550 crores, Goa-Kundapur left out equity is close to Rs.500 crores, Solapur-Yedeshi Rs.391, Yedesh-Aurangabad close to Rs. 800 crores and Kaithal-Rajasthan Rs. 600 crores.

Nitin Arora: Sir in terms of your depreciation policy, just one clarification. In terms of we are forecasting let us say for the next 25 years, the amount of premium outgo is there. Now earlier we were deducting it from our gross revenue and now what we are doing is we are just amortizing it and deducting from the balance sheet that net amount.

Management: Yes.

Management: No, it's not only getting reduced from the balance sheet. It will have P&L impact also but to the extent of the amortization linked to the revenue and economic value of that particular year.

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

Saurabh Mishra: Sir first thing on Ahmedabad-Vadodara, given our correct run rate, is it fair to assume that the construction would be over in this fiscal year itself?

Management: It may go beyond next monsoon but at this point in time I would not like to reduce the scheduled timeline.

Saurabh Mishra: Okay, because what I understand is only around 900 crores of acquisition is left.

Management: Yes, I understand that. But as of now, we are not rescheduling that date for any practical means.

Saurabh Mishra: And sir this premium rescheduling, it would have appended bank rate of 2%, that understanding is correct, right?

Management: That is correct.

Saurabh Mishra: Okay and again sir sorry to dwell on this cycle more on depreciation. If I understand the accounting policy correctly, what I understand is basically whatever premium is left basically you create an equal amount of long-term liability and then equal amount of basically intangible asset and then basically depreciation of asset happens according to your useful life of the project and the way the rest of the depreciation happens. But the liability will keep on reducing according to the cash that we are paying right?

Management: Yes sir.

Saurabh Mishra: But there is always a difference in how that is getting accounted in the balance sheet.

Management: See the interest on the deferred premium is being charged to the P&L.

Management: Sir, for an example, liability whatever is created, if I am going to pay Rs.100 for particular liability and my depreciation suppose is Rs.120, so that is nothing to do with the depreciation because the liability which will be paid it will be paid from out of my cash. So one asset will be reduced as against the other liability is reducing.

Saurabh Mishra: Absolutely, got it.

Management: My bank balance is reduced by that amount.

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

Naveen Jain: On this premium rescheduling thing in Ahmedabad - Vadodara project as well as Tumkur project, can you please share what is the amount of premium which we are actually going to pay in terms of cash payouts in both these projects in this year and what is the amount that has been deferred?

Management: See, total premium basically payment in this year is close to Rs.186 crores and next year it will be Rs.212 crores for both projects put together. Thereafter it will be Rs.236 crores.

Naveen Jain: So this you are saying the rescheduled premium.

Management: Yes.

Naveen Jain: So I thought whatever is the rescheduled amount will be finalized at the beginning of every year or is it like going to be fixed at the beginning of.

Management: They have already fixed the premium payable for next 25 years.

Naveen Jain: Okay, so that schedule is already fixed.

Management: Yes.

Naveen Jain: Okay, and this Rs.236 crores then going forward grows at 5% or it stays.

Management: No, it is based on the cash flow available because in FY15 we will be paying only close to 186 crores and thereafter it is going to increase to Rs.212 crores.

Naveen Jain: Fair point and this Rs.186 crores can you please split between Ahmedabad-Vadodara and Tumkur?

Management: Yes. First year, Ahmedabad-Vadodara is Rs.105 crores and this is the amount we are paying. We are only talking about what we are paying and Tumkur is Rs.81 crores.

Naveen Jain: And Rs.186 crores figure that you gave is the amount that has been deferred?

Management: No, this is the total payment. Balance is deferred. If you want deferred amount, then for Ahmedabad-Vadodara about Rs.237 crores is deferred and for Tumkur Rs.81 crores is deferred.

Naveen Jain: And like Rs.236 crores is the payout for FY17, right?

Management: Yes.

Naveen Jain: So how would that split between the projects?

Management: Close to 110 crores in Ahmedabad-Vadodara and close to 130 crores in Tumkur-Chitradurga.

Naveen Jain: Sir second thing was on since lot of the incremental projects from NHAI side is going to come from or in EPC mode, will we be interested in such projects also?

Management: No, so long we are able to build an order book on BOT, we will continue to do the same on BOT only.

Naveen Jain: Sure. So at least for the next 1-1.5 years it does not look likely.

Management: No. I mean as of now, we have a good visibility for next 4 years and as I said incrementally we would continue to look at 300-400 Km worth of opportunities on BOT basis and if the government is going to bid out 3,000-3,500 Km on BOT, then we really do not see a big problem in terms of growing the order book.

Naveen Jain: And also in Ahmedabad - Vadodara project, for last 3-4 quarters we have been seeing traffic ramping up pretty well. What would you attribute that to?

Management: See, the overall growth pattern what we are seeing in Ahmedabad - Vadodara project is very healthy and also you have to understand that the construction of NHAI has picked up. So that also has certainly led to diversion of certain amount of traffic on the expressway.

Naveen Jain: And finally on Jaipur and Talegaon, both these projects also would have had some sort of tariff hikes at the beginning of the year right from 1st April?

Management: Yes, that only the revenues have started.

Naveen Jain: No, I am saying apart from the full toll collection, from 75% we have moved to 100%?

Management: Yes, there you would have seen around 5.5% tariff hike.

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

Jonas Buta: Again on the deferred premium sir, one of the previous callers you mentioned that the expected premium payable in FY17 as per the revised schedule is Rs.240 crores.

Management: Yes.

Jonas Buta: So may I ask what is the kind of revenue projections that you have for that year for both these projects and what is your long-term estimated traffic growth rate now as per the revised schedule?

Management: The long-term estimated growth rate is around 6%. As regards, it will be revenue for.

Management: Revenue for Tumkur for FY16 is Rs.209 crores.

Jonas Buta: Okay. Sir my second question was more on a maintenance kind of thing. If you can just give the project wise EPC revenue booked in the current quarter?

Management: Ahmedabad-Vadodara close to Rs.450 crores and Kundapur project close to Rs.125 crores and plus balance is from the other projects.

Jonas Buta: And sir lastly just wanted to take your view on project of Jaipur-Deoli which at the time of bidding, the estimated per day collection was close to Rs.28 to Rs.30 crores. Excluding the tariff hike, where do we stand in this quarter sir and do you see that dramatically increasing going forward or is more or less stabilized here?

Management: I do not know what number you are working with. But if you look at the revenues for this quarter, Jaipur-Tonk Deoli as Anil mentioned earlier we got the full tariff only from 20th of May. Since then, what we have observed is around close to Rs.30 lakhs per day revenue is what we are seeing.

Jonas Buta: So it is Rs.30 lakhs and currently we are collecting Rs.24 lakhs?

Management: We are collecting Rs.30 lakhs is what I am saying. In this quarter you are not seeing that because it is only 40 days of impact what you have seen because that tariff revision happened only on 22th of May.

Jonas Buta: Got it. Sir lastly on again coming back on the deferred premium, so is it safe to assume that now this year's PBT would be higher by about Rs.160 odd crores against the earlier estimate?

Management: But you can extrapolate on this basis.

Jonas Buta: And as a result of which the potential loans that we were to take to fund a probable loss would also be lower. Is my understanding correct on that?

Management: Yes.

Moderator: Thank you. We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Can you clarify what would be the treatment for the carrying cost on the deferred premium?

Management: It is the RBI bank rate plus 2%. As of now, it is 9+2% that is 11% p.a.

Rakesh Vyas: So how will you account this, either in the P&L or in balance sheet?

Management: It will be accounted in the P&L itself as and when whatever the premium is deferred on yearly basis there, whatever is deferred on that basis 11% will be calculated and will be charged as an interest. It will be charged off to P&L.

Rakesh Vyas: It will be charged off to P&L till that time you actually reach the original premium payment schedule.

Management: Absolutely right.

Rakesh Vyas: But this basically implies that the interest cost could be exponentially increasing till the time we reach that level.

Management: That is correct.

Moderator: Thank you. We have the next question from the line of Prem Khurana from B&K Securities. Please go ahead.

Prem Khurana: Sir my question was with respect to the three recent projects. So would it be possible for you to share some thoughts on these three projects. Are we likely to have appointed date for these projects and what is the status on financial closure for Solapur-Yedeshi because it has been with us for more than 2 quarters now?

Management: No, I think the Solapur-Yedeshi agreement was signed on March 27. So I do not think it is with us for more than two quarters where closure has not been achieved and in fact we are at the last stage of achieving the financial closure. So before middle of August, we expect to declare the financial closure for the product.

Prem Khurana: For Yedeshi-Aurangabad and Kaithal, when do we expect to have appointed date for these two projects?

Management: See, the balance two projects we expect to start work on Yedeshi–Aurangabad somewhere in October and on Kaithal from January.

PremKhurana: Sure. Till that time we would be required to rely on these two projects, Ahmedabad-Vadodara and Goa-Kundapur.

Management: And Solapur-Yedeshi would start.

Prem Khurana: Yes, by that time Solapur-Yedeshi would have started. And this deferment of premium payment and these have been deferred for how many years? When do we expect Ahmedabad-Vadodara or Tumkur-Chitradurga to turn cash flow positive to be able to meet obligations on an ongoing basis?

Management: See if you look at the deferment, the deferment continues for 7-8 years and you start slowly unwinding the process and fully unwind it in next 7-8 years. So it is almost 18 odd years.

Moderator: Thank you. We have the next question from the line of Pawan Parekh from Dolat Capital. Please go ahead.

Pawan Parekh: Sir just one more thing on the premium rescheduling thing. Whatever amount is capitalized, have we capitalized that on some present value basis or the complete absolute amount over the next 7-8 years that we have capitalized?

Management: In India, PV is not allowed so far as per accounting standards. The entire obligation is capitalized. So it is the absolute amount.

Moderator: Thank you. We have the next follow up question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir just to recap those numbers again on what is payable this year between Tumkur-Chitradurga and Ahmedabad. So Tumkur-Chitradurga is Rs.81 crores and Ahmedabad is Rs.105 crores, is that right?

Management: I will give you again because it is causing a bit of confusion. So I will again read out what was the original payable, what is being paid and what is being deferred.

Ashish Shah: Right.

Ashish Shah: Okay, for next two years I will give you the numbers. First I am giving you the numbers for Ahmedabad-Vadodara. The premium payable for 2014-2015 was Rs.341.3 crores, deferment that has been granted is Rs.236.7 crores and the revised premium now payable is Rs.104.62 crores. This is for 2014-2015. For 2015-2016, on Ahmedabad-Vadodara, the premium payable was Rs.358.4 crores, the deferment granted is Rs.248.9 crores and the revised premium now payable is Rs.109.42 crores. This is as regards Ahmedabad-Vadodara is concerned. As in regards Tumkur, the premium payable for 2014-2015 was Rs.162.5 crores, the deferment granted is Rs.81.4 crores and the premium now payable is Rs.81.08 crores. For 2015-2016, the premium originally contracted was Rs.170.6 crores, deferment granted is Rs.67.8 crores and the revised premium now payable is Rs.102.8 crores, we are now very clear on this.

Ashish Shah: Absolutely. Sir just on this interest provision that you will have to make on the deferred component, but this will certainly be a non cash item right?

Management: That is correct.

Ashish Shah: Not actually pay a cash interest?

Management: That is correct.

Ashish Shah: It gets accumulated as a liability to be paid in future?

Management: That is right.

Ashish Shah: And lastly that the total amount which you said which will get capitalized was 14,000 crores, right?

Management: No, 14 + 7, almost Rs.21,000 odd crores. That is Ahmedabad plus Tumkur together and you will have a matching asset also.

Ashish Shah: Noncurrent asset, toll rights asset.

Management: Yes.

Ashish Shah: On which you will you will amortize as per the revenue proportion?

Management: That is correct.

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

Nitin Arora: Sir what is the toll collection on Talegaon-Amravati. We are inline with that the expectation which is Rs.1.5 to 1.6 million per day?

Management: Yes, closer to that. If you look at the number what we have collected is Rs.12.9 crores during this quarter.

Nitin Arora: And sir what is the status on this Amritsar-Pathankot project?

Management: Amritsar-Pathankot project, we have now applied for provision completion certificate because the ROBs are almost done. So within a month's time, we expect the PCOD to come in and after that we should be able to start the project.

Nitin Arora: And sir what is the traffic count you are seeing there?

Management: No, we cannot give you anything as of now. Once we start collecting, we will let you know.

Moderator: Thank you Mr. Arora. We have the next question from the line of Gaurav Pathak from Standard Chartered Securities. Please go ahead.

Gaurav Pathak: Just wanted to know, I came into the call late, on Mumbai-Pune and in Surat-Dahisar, there was a toll increase, right?

Management: Mumbai-Pune 18% tariff revision that is correct. Surat-Dahisar, the revision is due from 1st of September.

Gaurav Pathak: So in this case Surat-Dahisar, you have seen a 12% revenue increase year-on-year. So that is basically from last year's tariff increase or is there a traffic growth element also here?

Management: Last year traffic increase was close to 6.5%. The balance is attributable to the traffic.

Gaurav Pathak: And in Tumkur-Chitradurga and Ahmedabad-Vadodara, you also have a quarter-on-quarter increase. So has there been a tariff revision over there?

Management: Yes, from 1st of April, there was a revision and revision was close to 5.5%.

Gaurav Pathak: In both the projects?

Management: Yes.

Gaurav Pathak: And what has been the traffic growth across these projects?

Management: See Ahmedabad-Vadodara, we have seen a traffic growth of more than 15 plus percentage but that will not be basically true numbers. As the construction of NHAI is going on, certain traffic had diverted on expressway. And Tumkur, we have seen 4%-5% kind of rapid growth.

Moderator: Thank you Mr. Pathak. We have the next question from the line of Jonas Buta from Bank of America. Please go ahead.

Jonas Buta: Again on the deferred premium and the interest payable on that. Sir so basically as Mr. Mhaikar gave the deferred numbers again to an earlier caller, so with that we work out to roughly Rs.320 crores of premium that was deferred in FY15 and on that 11% which is about Rs. 35 crores is the interest which you will show in your P&L but will actually be just paid, will be accrued in the balance sheet.

Management: There I would like to clarify two things. The interest calculation will normally happen that average outstanding. So there basically if yearly deferment is close to Rs.320 crores or basically you have to take half of the amount to work out the interest and as you are knowing that Ahmedabad-Vadodara is under construction and because the one leg has not started that is why premium is deferred. So that interest will be basically capitalized. All the interest on Tumkur-Chitradurga that will be basically expensed out. There we have deferral of close to Rs.80 crores and roughly on Rs.40 crores roughly at 11% p.a, the interest will be there in P&L account.

Gaurav Pathak: So about just work for Rs.4.5 crores.

Management: Right.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to handover the floor back to the management for closing remarks. Thank you and over to you sir.

Management: Thank you all of you for participating in this conference call and wish you a very good evening. Thank you.

Moderator: Thank you sir. This concludes your conference call for today.