

IRB Infra

27 June 2018 05:30

46-58 minutes

Mumbai Jul 25, 2018 (Thomson StreetEvents) -- Edited Transcript of IRB Infrastructure Developers Ltd earnings conference call or presentation Wednesday, July 25, 2018 at 10:59:00am GMT

* Anil D. Yadav

* Virendra D. Mhaiskar

* Parikshit D. Kandpal

PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services

* Viral K. Shah

Welcome to the IRB Infrastructure Developers Q1 FY '19 Earnings Conference Call. We have with us today Mr. Virendra Mhaiskar, Mr. Sudhir Hoshing, Mr. Anil Yadav, Mr. Mehul Patel and Ms. Poonam Nishal on the call. After the opening remarks by the management, there will be a question-and-answer session.

I would now request Mr. Virendra Mhaiskar to give you an overview of the significant development during the quarter. Thank you, and over to you, sir.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [2]

Very good evening to all of you. I would like to welcome you all for this conference call. The results update has now been uploaded on the website, and the detailed presentation will now be available to you. Kindly bear with us for the delay because of a bit -- the -- taking some time on uploading of the results. As regards to the quarter 1 of FY '19 is concerned, it was a good quarter for us. We have been able to tick most of the boxes with decent earning run rate, good pace of execution on ongoing projects, and satisfying progress with regard to financial closure on the new product wins.

On the toll segment, we have seen robust double-digit growth for Ahmedabad-Vadodara project and Thane-Ghodbunder project. The momentum has softened a bit with early onset of monsoon and diversion of traffic at the Mumbra bypass. With monsoons arriving early in full vigor, traffic was impacted across projects in the month of June. Further, PWD has undertaken repair works on the road overbridge at Mumbra bypass. And since May, all the heavy traffic from JNPT towards the city was diverted to Kalyan or Airoli and similarly, on reverse route. This has led to significant decline in the collection for MIPL at Shilphata plaza by almost INR 12 lakhs to INR 14 lakhs per day, thus keeping MIPL revenues flattish on year-on-year growth basis. This is a temporary blip, and we expect coming quarters to be much stronger.

On construction side, the performance has been in line with our internal targets. We commissioned 2 of our projects Solapur-Yedeshi and Kaithal-Rajasthan last year, and another 2 projects, Yedeshi-Aurangabad, Karwar-Kundapur, are now at an advanced stage of execution, was not contributing meaningfully to the construction revenues. Accordingly, we see a decline on year-on-year basis in the construction revenues, while a 14% sequential jump is quite comforting for us and reflects the robust pace of execution for the new Rajasthan project and Agra-Etawah.

On the latest 3 events, the 3 hybrid annuities and 1 BOT projects are concerned, which we bagged around March, and they are progressing well as regard to financial closure and mobilization is concerned. We are at an advanced stage of discussion with the lenders on this, and expect to start construction for these projects in the second half of this year. Considering this, we are very well poised and fairly confident of achieving our targets for FY '19. We will be meeting the equity requirement corresponding to our current projects on hand through the cash balance of around INR 1,400 crores and internal accruals that we would be generating. And can grow at a 10% to 15% per annum without diluting or -- and without any dilution by growing order book with the HAM and BOT projects.

We are expecting good order inflow before code of conduct sets in for the General Elections in India. Apart from the HAM and BOT opportunities, there will be projects on TOT basis and couple of key state government projects, which would require large, say around USD 1 billion upfront payment each. Corresponding to this, chunky, upfront equity contribution will also be required on day 0. The company has multiple available options like raising debt at parent level, selling our projects to InvIT, their timing and size remains the key, and raising funds to QIP. In a tightening credit scenario and the next projects becoming eligible for transfer to InvIT, around FY '19 end, we have taken an enabling resolution to raise up to INR 1,500 crores from capital markets. This will keep us prepared for bidding and winning such large projects as and when they are announced. After scripting a transformational FY '18, we stand well poised for a remarkable FY '19.

I would now request Anil to give an overview of the financial performance.

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [3]

Thank you, sir.

I will present the financial analysis of Q1 of FY '19 versus Q1 of FY '18. Total consolidated income for Q1 of FY '19 has reduced to INR 1,583 crores as against INR 1,870 crores, a decline of 15%.

Consolidated toll revenue has increased over -- has increased to INR 523 crores from INR 496 crores, registering a growth of 5%, in spite of the transfer of the 7 assets to the trust. The consolidated construction revenue has declined to INR 1,015 crores, a decline of 23% from INR 1,321 crores over Q1 of FY '18. This decline is mainly because of the completion of Solapur-Yedeshi and Kaithal-Rajasthan, and Karwar-Kundapur and Yedeshi-Aurangabad also put this is on advanced stage, and there is not significant contribution coming in the construction segment. The project, which we will -- we have bagged last year, will start -- the construction will start from the second half of this financial year. We are well placed in terms of achieving the revenue growth, what we have discussed in our last phone call.

EBITDA for Q1 of FY '19 stood at INR 792 crores from INR 871 crores, a decline of over Q1 of FY '18. Interest cost has also declined to INR 248 crores in Q1 of FY '19 from INR 285 crores in Q1 of FY '18. Depreciation has also reduced to INR 134 crores in Q1 of FY '19 from INR 182 crores in Q1 of FY '18. PBT has increased to INR 410 crores in Q1 of FY '19 from INR 404 crores, registering a marginal growth of 1% over Q1 of FY '18. Profit for Q1 of FY '19 has also increased to INR 250 crores registering growth of 5% growth from INR 238 crores in Q1 of FY '18.

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

Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Vibhor Singhal from PhillipCapital.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [2]

Sir, I've got a couple of questions. So the first question is probably on the traffic growth that we saw. So we saw some traffic growth coming back in Vadodara-Ahmedabad and other position as well, but I think Mumbai-Pune and Agra-Etawah remained quite weak. I think you alluded to a couple of reasons in the beginning of the call, would you be just able to maybe just take us through what exactly impacted the traffic growth in these 2 projects, and are they kind of sustainable or would we be seeing a reversal maybe in near future?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [3]

I think Bombay-Pune must have witnessed a flat growth in its history for the first time. I think the Mumbra bypass, which is kind of a connecting -- last mile connectivity between NH-3 and NH-4 and NH-8 is undergoing heavy repairs at this point in time because of which -- why PWD notification, traffic has been diverted via Kalyan or via Airoli. And they are using further Shi-Kalyan road and taking the NH-3 to go down to Nashik and tends towards north. So as a result of this Bombay-Pune, Shilphata connection, collection on NH-4 has dramatically gone down and that is where we are suffering losses. Other plazas are doing well. And as a result of this, we have seen a flattish growth on Bombay-Pune, as soon as the repair work gets over, we should see this traffic immediately coming back, so we are not concerned or too much worried. We are only worried with regard to the pace of work that PWD's able to undertake to complete that repairs faster. As soon as repair is achieved, we expect the traffic to come back. As regard -- Agra-Etawah is concerned, we are awaiting the government to take up the toll rate for Lucknow Expressway on full tariff basis, which is leading to the leakage at this point in time. There are certain other construction works also which are likely to get completed on our project highway, which can help the traffic to come back. So in the coming quarter, we are hopeful that we should see some significant progress on Agra-Etawah and the Bombay-Pune traffic to come back.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [4]

So sir, the leakages in Agra-Etawah, are they a function of only the tariff that is being imposed? Or like there is some other reason that we might be able to get some traffic back on this road?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [5]

Some construction work is also leading to diversion of traffic, as you know, that as explaining is presently on full throttle. So some key elements of the work are also progressing well with regard to completion. So this completion of like Ferozepur bypass is concerned, so there are certain bottlenecks, which once get debottlenecked will bring back lot of traffic. So we are targeting to complete those at a faster pace, and we are quite hopeful that we'll be able to bring some traffic back sooner.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [6]

Sure, sir. And on the other hand, sir, I think we saw very strong growth in Vadodara-Ahmedabad. So are we seeing some sort of reversal in the traffic that was being diverted to the parallel roads and the state government which had -- to the state highway that was there?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [7]

Yes. I think if you look at the run rate of 13% odd revenue growth, it certainly suggests so. But I would not like to be too bullish at this point in time, we would like to see sustained, this kind of growth

over next couple of quarters, and then it would be right to say that we are on the recovery path. As regard to interest saving on the project is concerned, we had explained you last time itself that, that particular part has been achieved. So yes, the project is slowly turning around is what I can surely say.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [8]

That's great. Also sir, my second question is when do we expect the projects of Goa-Kundapur and Yedeshi-Aurangabad to be complete -- to start tolling in Q2 itself? Or will it be down to the second half?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [9]

It would be in the second half of this year that will see both these projects undergoing toll operation.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [10]

Sure, sir. Lastly, sir, my question is on the EPC growth -- or EPC numbers. So we know that basically because the HAM projects are yet to await financial closure, so the order book and the executable order book, if I could call it, at the beginning of the quarter was slightly weaker and projects also got completed, which led to this kind of a long -- a small -- which led to the decline in top line. So what is the kind of top line that we're targeting for the EPC segment for the full year now?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [11]

Full year construction target would be anywhere between INR 4,600 crores to INR 4,800 crores.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [12]

Okay. And are we assuming a significant contribution from the 4 HAM projects -- or from the 3 HAM projects, which are under financial pressure at this point of time?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [13]

So when I say the overall yearly target on the construction will be INR 4,600 crores to INR 4,800 crores, we are stenciling the HAM projects and the new BOT project to start contributing to the revenue in the third quarter onwards. And also the Agra-Etawah and Rajasthan projects to pick up pace further.

Operator [14]

The next question is from the line of Ankush Mahajan from JM Financial.

Ankush Mahajan, [15]

So just trying to know what is our financial status for these -- on 3 HAM projects?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [16]

The financial status is that the detailed appraisal for all the projects is on. And we are getting excellent response from all of our present lenders. And we are confident of achieving this closure in next couple of months.

Ankush Mahajan, [17]

Okay. And sir, what is the land status for all this HAM projects?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [18]

They are fairly in advanced stage. I think 100% lands would be available on the day of appointed date.

Ankush Mahajan, [19]

Okay. Sir, just last one from my side. Sir, before this code of conduct, how do you see the ordering activity, sir?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [20]

We expect the government will make all-out effort to push out as many projects as they can before the code of conduct can set in. So whatever we saw was getting piled up in the fourth quarter of FY '18, similar picture we expect over the next 2 quarters.

Operator [21]

The next question is from the line of Atul Tiwari from Citigroup.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [22]

Sir, for these HAM projects, what is the appointed date?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [23]

Appointed date will be the date on, which we achieve the financial closure. So another 2 to 3 months from now.

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [24]

And if you are -- Atul, if you are referring to the time line for the achieving the financial closure, we have signed the concession agreement in month of May.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [25]

Okay. So you have 6 months to complete?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [26]

Yes.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [27]

4 months.

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [28]

5 months.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [29]

5 months.

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [30]

5 months to complete. Okay.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [31]

And by that time, even the land acquisition will be complete 100%, you expect?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [32]

Yes. Yes.

Operator [33]

The next question is from the line of Ankita Shah from Elara Capital.

Ankita Shah, [34]

2 questions from my end. Firstly, sir, have you stopped collecting extra charges for overloading at our toll plaza?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [35]

No.

Ankita Shah, [36]

It still continues?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [37]

Yes.

Ankita Shah, [38]

So -- I mean, what is the reason? I mean, are we waiting for any kind of notification from NHAI, something like that?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [39]

No. No. The heavy equipment, I mean, the extra loading charges are collected based on the notification issued by Ministry. Now if they have issued the new notification for accepting a higher weightage, so anything above that will be charged as per the same notification. So that is what we're doing. I think everyone...

Ankita Shah, [40]

So the allowed tonnage that -- they are not charging now?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [41]

No. No. No. I mean -- see, I'll give you a little bit of a color on this whole issue. There is a lot of skepticism, which I believe because of this overloading charges may come off or may see a lot of rerating or things like that. Firstly, we should understand that in India, most vehicle have a tendency of carrying overloading. Now what is happening is 15%, 20% overloading is a given is what I would like to say. The overloading charges, which the government brought in, the 10x or 5x or 2x, whatever discretion each developer keeps using, that was predominantly focused on the local traffic, which caters to carting of sand or aggregate in the local pockets, who carry 2x, 3x approved weight and damage the road surface. So it was a deterrent brought in to plug those guys and penalize them. The freight traffic, which uses the intrastate transport, they have been carrying little bit of overweight, but they have not, never been harassed or never been charged with overloading or asked to pay extraordinarily high toll because of that. So today also what is happening is, these guys who are carrying say sand or aggregate, and caring 2x, 3x the weight, they are still paying the overloading charges as was being paid. Because the 20%, 25% additional weight nowhere saves them from getting any relief. But the freight traffic, which was also facing the lot of regulatory challenges will have a easier period ahead because their regulatory challenges as a result of modifying this limit will become easier. And so regulatory, they will have a lot of comfort flying on the national highways, that is what we expect it to achieve. As regards, any degrowth is concerned or any, because if we look at our overall revenue, that we collect as a -- as a result of overload charge is around 2% of our total collection. Now, even if I have to believe that there is some kind of softening that might happen to this overloading charges, we expect around 0.6% of total revenue that can be impacted if this overloading is to be strictly implemented, which even today is actually not, because as I said only the local pockets of sand carting or aggregate carting who really damage the road because of carting 2x, 3x weight are the ones who are focused and targeted for recovery of these kind of charges. So I don't really expect any major blip arising out of these particular notification. I look at it as a very positive development because a lot of intrastate freight carriers will have good amount of relief on the regulatory challenges that they face from various government authorities and that should make their life much easier and it should be a welcome step to their mind is what I feel. I don't see that impacting the revenues or volume growth by any logic at all.

Ankita Shah, [42]

Okay. Okay. Yes. That was great. Secondly, sir, what would be our targeted toll income for the year? Toll revenue?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [43]

For full year, we will be having toll revenue of close to INR 2,200 crores to INR 2,300 crores.

Operator [44]

(Operator Instructions) The next question is from the line of Vibhor Singhal from PhillipCapital.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [45]

Just a couple of bookkeeping questions. So one is -- -- and sir, if you could provide us the makeup of other income between the EPC and BOT segments?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [46]

In construction, it's INR 20 crores. In BOT, it's INR 25 crores.

Vibhor Singhal, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Lead Analyst of Infrastructure and IT Services [47]

Sure, sir. And sir, just one more question on the financial closure for these HAM projects. I saw the presentation and the release to the exchanges, InvIT it's basically mentioning that we are in touch with lot of banks and NBFCs, with respect to the financial closure for HAMS, now this NBFC is actually the first time that we are hearing that, we are having to go to these nonbanking financial institutions for financial closure of these projects. So just wanted your basically overall view on, what is the state of the kind of response that we're getting for the -- these projects financial from the banking industry? Because if I were to understand correctly, NBFCs would definitely have a much higher rate of borrowing that they would charge. So is it that the banks are kind of reluctant to lend that we are having to go to NBFCs to do that, because we are hearing other developers also approached them for the same?

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [48]

No. No. Nothing of the kind. We are getting excellent response from all the -- set of banks that we have been banking with. We do not see any extraordinary interest tightening happening either. We are seeing good response from the lenders with regard to participation in the HAM projects or BOT is concerned. As regards, NBFCs are concerned, they have been a part of the lending book even in the past,

if you look at the lenders for last set of BOT projects, we have seen NBFC is participating alongside the PSU banks as the same interest rate. So it is not that they are coming in for the first time, as regards, we are concerned. As regards, the response is concerned, I think, yes, the bankers are asking all relevant questions, whether the developer has the appetite and the wherewithal to put in the required equity, whether he can put in core upfront equity, whether he has the execution capability, whether the projects has been aggressively built, whether he has provided for right amount of O&M expense, whether the O&M receipt is less, so is he showing a lower O&M expense out, or he is showing the realistic O&M expense, all these questions are certainly getting properly scrutinized by the bank. And we're happy to state that we have built assuming all of this correctly. And hence, we do not expect any challenge as regards getting the closure is concerned.

Operator [49]

The next question is from the line of Viral Shah from Emkay Global.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [50]

Just couple of questions, 1, can I have the contribution of key projects during the quarter in terms of absolute numbers?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [51]

I think you are referring the construction revenue.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [52]

Construction revenue, yes.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [53]

Yes. The contribution from Yedeshi-Aurangabad was roughly INR 30 crores. A similar contribution was from KKBOT. And Agra-Etawah was close to INR 290 crores, USBOT was INR 270 crores. And CG Tollway was INR 222 crores, and KG was roughly INR 126 crores, INR 50-odd crores was the -- from utility shifting and change of scope.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [54]

Fair enough. And when do we expect the financial closure of Hapur-Moradabad to take place? Or it has been done?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [55]

We expect the achievement to be done in the scheduled 6 months' time. So by -- before November, we should be able to start Hapur-Moradabad as well.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [56]

Okay. And any kind of guidance in terms of rates for financial closure what we're looking at now?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [57]

Let's keep this for discussion in the next, once we achieve it.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [58]

Fair enough, sir. And what is the reason for tax rate being very high during the quarter?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [59]

See, from the last year itself, since Mumbai-Pune is not there, even in BOT segment also we are paying 34%, 35% tax rate and in the construction segment also we are paying similar tax.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [60]

Great. But when you look at the effective tax rate it comes around 39%, right?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [61]

Basically, in the BOT companies, the project, which has just started or even Ahmedabad-Vadodara, though they are -- there is a cash loss or book losses, but still, basically, while doing the consolidation that book losses gets -- you don't get a benefit of that while paying the taxes because you pay the taxes company-wise.

Viral K. Shah, Emkay Global Financial Services Ltd., Research Division - Research Analyst [62]

Okay. Fair enough. Basically for the full year what is the tax rate assumption, we should be billing in?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [63]

It will be in similar rate.

Operator [64]

The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [65]

Sir, what means the standalone debt and cash under this?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [66]

Cash is close to INR 1,350 crores, and standalone debt, excluding overdraft will be roughly INR 2,000 crores.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [67]

And including overdraft?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [68]

Roughly INR 3,000 crores.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [69]

This will IRB plus MRM together, right?

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [70]

Yes.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [71]

Yes, this is not only standalone IRB, this will be IRB plus the EPC model road makers together.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [72]

Yes, yes. And sir, any update from the state government on compensating -- on NHAI compensating on the 200 Ahmedabad-Vadodara project?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [73]

Yes. There has been good developments, as regards, Vadodara-Ahmedabad diversion issue is concerned. NHAI has agreed to take up this issue in the CTI to that is conciliation committee that they have, and we are expecting that the hearing on it should start very soon maybe in next week 10 days' time. And then we will know how the things progress and how fast we can get some relief on that. But we are quite hopeful that it is progressing in the right direction and hope to see get relief sooner than later.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [74]

So relief is like -- financial relief or like in terms of compensation or like the extension of the project?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [75]

So, yes. So if we look at the contractual condition. The contractual condition says that if there is any competing road or any diversion of traffic arising due to that, then whatever is the revenue loss as a result of diversion of traffic is supposed to be compensated by NHAI on a yearly basis. So whether they agree to reduce the premium that is payable to them or whether they cash compensate, I think the resultant will be the same. So once we reach to that stage, it would be more appropriate to give you a color on that. But if the principle is agreed upon, I think that will be a major relief because then what remains is more of a financial calculating and determination as to how the losses to be compensated. So right now the focus is on getting the diversion issue accepted and realize by them. So CCI2 is a good forum to take up this issue and it will be taken up soon now.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [76]

Okay. Sir, are you bidding for upcoming BOT project?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [77]

You asked about TOT, right?

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [78]

Yes.

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [79]

So we will be bidding for the upcoming TOT projects, whether they are coming up from the NHAI or state government.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [80]

And it could be like 100% in battling and some will be totally our...

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [81]

We will think of partnering for sure. Because we had partnered on the forefront and we have a very comfortable relationship with them, so we don't have hesitation in participating with them in case if they are comfortable doing the same.

Parikshit D. Kandpal, HDFC Securities Limited, Research Division - Research Analyst [82]

But we'll be having a majority deal?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [83]

No, it was a 50-50 deal.

Operator [84]

The next question is from the line of Ankush Mahajan from JM Financial.

Ankush Mahajan, [85]

Sir, my question lead you to macros -- or, sir, what do we have -- find in the coming in last few years and the proportion of heavy trucks, basically medium and heavy trucks like 20 tons, 25 tons has increased. In similar ways, with the increase of -- or with the implementation of a GST and e-tollway that trucks has increased their distance basically, they're covering more distance. So sir, you don't think so a lot of average distance is covered by per truck is also increased plus tonnage is also increased. The similarly way, the weight is not increasing. So it will impact the demand for the new trucks, as well as our volume also?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [86]

I think it's a very important -- very interesting observation that you have. I'd like to add some color to this. Now you're very right that the travel time has reduced because of good roads. That has resulted in them being able to carry higher tonnage for longer distance in shorter time. So technically, what happens is, their number of trips per week or number of trips per month, go up significantly. As regards, the total commuting of goods is concerned is a reflection of how the economy is doing. It is not a reflection of how automobile industry is doing. So the -- the volume growth can come in by 2 ways. Same number of vehicles making more trips per month, or new vehicles getting added to the road traffic. So if the economy is doing well, and if the road is good, resulting in a more number of trips per week, then I think the overall volume from a toll perspective will show a strong growth.

Ankush Mahajan, [87]

Sir, if I'm taking GDP is growing by 7% overall rate is growing by 10%. So that incremental increase in weight is basically nullify by the increase in distance covered by per truck. Now with the implementation of this new thing whether government they have increase, you can increase load by 310 more, so it will impact the volume?

Virendra D. Mhaiskar, IRB Infrastructure Developers Limited - Chairman & MD [88]

I don't think so. Volume might, see, again, as I'm saying if the total goods that are required to be transferred from point A to point B, if that goods required to be transported are increasing, which is a reflection of the economy, then how you carry them from point A to point B depends on 2 factors. 1, what is the time required to commute, and how many vehicles you have. So it is a function of both. If my road is excellent and I can say today between Bombay and Ahmedabad, I used to wait 16 hours to travel between these 2 places. Today, I'm doing that in 8 hours flat. So a same truck can double its number of trips per week. So it is a function of both, it is not function only of 1 sale of automobiles in the market. If the road condition improves, the number of trips per week goes. So that's I'm saying if the economy is doing well, which is resulting in more number of goods required to be transported from place A to place B, then the -- how the transporters commute that goods from point A to point B depends on whether they carry more goods and make more number of trips, in same time, or they add freight to their existing fleet to carry the same goods. That is -- their economy that they have to look. But if the clear reflection is, if economy is doing good, the number of trips will increase or number of trucks will increase, if number of trips also increase they increase the toll, because the same truck will cross the toll plaza more number of times. There might be -- so that is how it helps the tolling income to keep going up. It is not necessary that every time the truck number has to go up. With the same number of trucks also the -- toll revenue can go up as a volume growth because the same number of trucks are doing more number of trips in a given week.

Anil D. Yadav, IRB Infrastructure Developers Limited - Group Chief Finance Officer [89]

Just to add to it. See, as we initially told that today -- even on today, most of the vehicles are overload to the capacity of 10 to 15x already, maximum going to 20%. So those are not -- those calculations are not coming, so even if it is now officially allowed to go up to 15% to 20%, the total tonnage remains the same to be had. And so number of trucks will also be same, so that won't have any impact.

Operator [90]

Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Virendra D. Mhaskar, IRB Infrastructure Developers Limited - Chairman & MD [91]

Yes, we would like to thank all of you for being on this call. We know that it's a very heavy result season today, and there are many other companies also coming out with the results. So thank you for taking time out and being on this call. We hope to see you all on the next call as well. Thank you so much.

Operator [92]

Thank you very much, sir. Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using [Research Pipes Conferencing Services]. You may now disconnect your lines. Thank you, and have a great evening.