

**Transcript of Conference call – FY13 Audited Financial results
(May 15, 2013; 3.45 PM IST)**

Moderator: Good afternoon ladies and gentleman. Welcome to the IRB infrastructure Developers conference call hosted by the company on the audited financial results for the financial year 2013. We have with us today Mr. Virendra Mhaiskar, Chairman and Managing Director, Mr. Anil Yadav, Group Chief Financial Officer, Mr. Dhananjay Joshi, CEO Realty and Airport and Head Corporate finance, Mr. Madhav Kale, Head Corporate Strategy Planning and Mr. Mehul Patel, Group Company Secretary on the call. After the opening remarks by the management there will be a question and answer session. I now request Mr. Virendra Mhaiskar to give you an overview of the company's significant developments during the financial year. Over to you sir.

Virendra Mhaiskar: A very good afternoon to all of you. At a glance this year has been a crucial year for projects implementation for us. We had 5 projects under implementation during the year and we have completed substantial work on most of these projects. We have completed more than 95% work on Talegaon-Amravati project and have also received the provisional completion certificate. Consequentially we have also started partial tolling on this project. Construction on our Ahmadabad Vadodara project has also started from 1st of January 2013. We have also completed more than 95% work on the Jaipur - Deoli project and have already approached NHAI for issuance of provisional completion certificate, subsequent to which we will be able to start tolling on that one also. We expect to start toll collection in this quarter itself. We have completed more than 80% work on the Amritsar- Pathankot project and around 75% on the Tumkur-Chitradurga project. This strong execution activity has reflected in a 21% rise in the construction revenue year on year. We believe that the subdued raw material prices surely help us to maintain our construction margin through FY14.

On operation front, toll collection has increased by approximately 10% year on year due to higher wholesale prices indices and moderate traffic growth. The average gross toll collection is presently approximately 4.4 crores on a daily basis. For FY14 we believe that toll collection will see healthy growth on year on year basis on the back of Talegaon-Amravati project, Ahmadabad Vadodara expressway toll collection coming in. and Jaipur Deoli and Amritsar-Pathankot project likely to contribute for part of the year. Looking at the RBI estimate of growth rate in GDP may inch up which may reflect into modest traffic growth going forward.

Interest rates have not changed much across our projects. Average cost of debt for the company remains at around 11%. We believe that there will be further easing in interest rates which will benefit the company. Net debt now stands at approximately 7300 crores. And a net debt to equity ratio stands at 2.24.

We have distributed 24% of the consolidated profit after tax as dividend this year in comparison to 12% last year. Our order book now stands at approximately Rs.8400 crores. Out of which 6400 crores worth of order book is to be executed over next 2 – 3 years. This order book gives us a good visibility for next 10 quarter.

We have seen that there was a lukewarm response from the bidders of NHAI bid. Also slow approval process for environment clearance and forest clearance have also added to delay to some of the projects. Due to these factors we have seen tepid order flow from NHAI. They have awarded approximately 1300 kilometers in FY13. Out of this, we had bagged Karwar Kundapur project which is around 165 kilometers. Now having dealt with EC and FC clearance for FY14, we expect steady flow of projects from NHAI side. We stand qualified for bidding up to 28,000 crores worth of projects and will continue to bid for viable projects with the equity IRR of at least 18%.

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We continue to evaluate proposals for asset acquisitions in the secondary markets. Omallur-Salem-Namakkal BOT project which was acquired last year is well integrated and showing daily gross toll collection of more than Rs.16 lakh. We could bring down the cost of debt of MVR at around 11%.

Now I request Anil Yadav, our group CFO to give an overview of the financial performance of the company. Over to you Anil.

Anil Yadav: Thank you sir. First the financial analysis for FY13 versus FY12. The total income for FY13 has gone up to Rs. 3,817 from Rs. 3,268 crores in FY12 registering growth of 17%. Consolidated construction revenue in FY13 increased to Rs. 2729 crores from Rs. 2278 crores for FY12 registering growth of 20%. Consolidated toll revenue in FY13 increased to Rs.1,088 crores from Rs.981 crores in FY12 registering growth of 11%. EBITDA for FY13 has gone up to Rs.1,763 crores from Rs.1,499 crores in FY12 registering growth of 18%. Interest cost for FY13 has also gone up to Rs.615 crores from Rs.551 crores in FY12 resulting an increase of 12% mainly because of increase in quantum of loans of IRBTC an addition of new subsidiary MVR. Depreciation for FY13 has also gone up to Rs.442 crores from Rs. 297 crores of FY12 resulting an increase of 49% due to increase in amortization of Surat-Dahisar. Surat-Dahisar the project has completed the construction December 2011. Accordingly last year the amortization was provided only for 1 quarter and 15 days. This year the amortization for Surat-Dahisar is coming for full year. As a result of PBT for FY13 has gone up to Rs.707 crores from Rs.651 crores of FY12 registering growth of 9%. Post minority interest PAT for FY13 has gone up to 557 crores from 496 crores in FY12 registering growth of 12%.

Now I will present some of the financial numbers. The gross debt for the company is at Rs.8,770 crores and cash and bank balance for the company is Rs.1,470 crores, net debt for the company is Rs.7,300 crores. Net worth for the company is Rs. 3,255 crores, BOT asset is Rs. 9,945 crores and construction asset gross block is 609 crores, net debt to equity is 2.24:1.

Now I will present the financial analysis of Q4 of FY13 versus Q4 of FY12. Total consolidated income for Q4 FY13 has gone up to Rs.980 crores from Rs.883 crores registering growth of 11% over Q4 of FY12. Consolidated toll revenue for Q4 of FY13 has gone up to Rs. 289 crores from Rs. 257 crores registering growth of 12%. While consolidated construction revenue has gone up to Rs.691 crores in Q4 of FY13, from Rs.627 to Q4 of March '12 registering growth of 10%. EBITDA for Q4 of FY13 has gone up to Rs.451 crores from Rs. 414 crores registering growth of 9% over Q4 of FY12. Interest cost has marginally increased by 3% to Rs.154 crores from Rs.150 crores in Q4 of FY12. Depreciation has also marginally gone up by 7% to Rs.109 crores in Q4 of FY13 from Rs.102 crores in Q4 of FY12. As a result PBT has gone up to Rs.188 crores in Q4 of FY13 from Rs.163 crores, a growth of 15% over Q4 of FY12. Post minority interest PAT for Q4 stands at Rs.151 crores as compared to Rs.120 crores in Q4 of FY12 registering growth of 26%.

Now I have finished my financial analysis. We are open for Q&A session.

Moderator: Ladies and gentlemen, 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 your turn and wish to withdraw you request you may do so by pressing 1 on your phone. Ladies and gentlemen, please press * and 1 for any questions. We have our first question from Mr. Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: My first question is would you like to give any guidance for FY14 in terms of EBITDA margin and revenue growth?

Virendra Mhaikar: As a policy we would not like to give any guidance. We can only say that you are aware what the order book balance is which is to be executed in the next 10 quarters. On

construction side and on the tolling side we can say that we expect around 10 – 12% revenue growth in the year to come.

Amit Sinha: Sir would you basically break it up in the volume growth and the increase in toll rates?

Virendra Mhaiskar: We expect around close to 5% traffic growth and around 7% tariff growth.

Amit Sinha: For the 4th quarter FY13, can you give us the volume growth in traffic for projects like the key projects, 5 top projects?

Virendra Mhaiskar: We have put up our detailed presentation on the website which will give you very good clarity in terms of each of the projects and its performance. Just to give a glimpse of what has been through this year, I would like to take you through key projects Bombay - Pune has seen a yearly growth of around close to 5% on volume growth because there was no tariff growth for Bombay Pune in this year. Surat-Dahisar has seen revenue growth of 10.79% over the whole year but for this quarter the rise was around 12%. So if we take off the tariff hike then it is close to 5 – 5.5% traffic growth. Bharuch-Surat has seen 18% revenue growth in this quarter. If I take out around 8% tariff hike then it was close to 8 – 9%. So these are the 3 key projects which I think we should look at. Then if I look at another big project Thane Bhiwandi Bypass there also traffic growth was close to 9%. There again the revenue growth that is being seen without any tariff growth, it's purely traffic.

Amit Sinha: My next question is what is the equity requirement for next 2 – 3 years and given that our debt equity ratio is 2.24. What is the target debt equity ratio for the company?

Virendra Mhaiskar: If I look at overall equity requirement over next 3 years then I would say that close to Rs.1,700 crores would be the requirement considering around Rs.1,100 crores equity for Ahmadabad Vadodara and around Rs.500 crores for Karwar Kundapur. But if I have to look at only FY14, then the equity requirement would be in the range of 250 – 300 crores.

Amit Sinha: And in terms of the environment in terms of roads getting awarded, I understand that there is some lull from NHAI side, but have you seen any traction from the state government side, which all states are active in this respect?

Virendra Mhaiskar: Not really, there are few EPC projects happening at the state level but nothing substantive. I think we will continue to depend on NHAI for order flow and there are some state projects which are coming up, which are quite big ticket one but those are the ones where we need to spend some more time studying them before we can take a call on that. Like one project which we have pre qualified is the Mumbai Trans Harbor link project which we have a joint venture with Hyundai on that. So that one project we continue to study. But barring those kind of last projects not much traction on the state projects.

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

Sandeep Bansal: I have 2 questions. Firstly you said you would expect a steady flow of order from NHAI this year. If you could give some outlook in terms of when do you expect this to start from and what is the possible quantum that we could see this year?

Virendra Mhaiskar: My own sense Sandeep is that I don't think a target like 7000 or any aggressive target is something which can be met. But my own estimation is 3000 kilometers of BOT project through the year doesn't look to be a stretch and 300 – 400 kilometers if we are able to pick up from that, I don't think that should be a very difficult target.

Sandeep Bansal: EPC would be in addition to this right, this 2000 – 3000?

Virendra Mhaiskar: Yeah that's correct.

Sandeep Bansal: Sir my second question would be if you could share an update on the Kolhapur project?

Virendra Mhaiskar: Kolhapur as we had spoken about it in the past there was a committee which was substituted by the state government to look into the issues what the people had raised about the substantial completion and quality of the project and so on and so forth. That committee has submitted its report and the government had already acted upon it. And I am happy to tell you that they have lifted the suspension on the tolling and there is some formality of providing guarantee that is required to be given and some other paper works to be done upon which this month itself we should be in a position to start the tolling.

Sandeep Bansal: Obviously there is no change in terms of the toll rates or other terms and conditions of the projects.

Virendra Mhaiskar: Not at all.

Moderator: We have our next question from Sashi Kiran from Standard Chartered Securities. Please go ahead.

Sashi Kiran: Couple of questions, one is you had a very strong traffic growth in Bharuch-Surat, in Q4-FY13. So is it more to do with tariff hike?

Virendra Mhaiskar: I think tariff hike happened in July last year. Every year the tariff hike in Bharuch-Surat happens in July. So on a quarter-on-quarter comparison, I don't think there, the tariff impact would be around 7 – 7.5% out of the 18% revenue growth.

Sashi Kiran: On a quarter-on-quarter jump is quite substantial. That you said on account of traffic growth.

Virendra Mhaiskar: Yes.

Sashi Kiran: And my second question is on Surat-Dahisar also traffic growth. It seems the traffic has started growing again. So has the problem of the feeder in Thane-Ghodbunder been sorted out?

Virendra Mhaiskar: Partly yes because out of the 5 flyovers only 1 remains to be opened up and balance 4 has been opened up. So yes partly it has helped.

Sashi Kiran: So can we see a faster trajectory of traffic zone of this highway going forward?

Virendra Mhaiskar: I would not like to comment on that but we are hopeful about it.

Sashi Kiran: And dividend payment also, your pay out has been very strong. Would you be looking to maintain such this kind of dividend pay out ratio going forward?

Virendra Mhaiskar: As a policy yes, we have always stated that around 20%, that number is kind of dividend pay out which we would like to maintain.

Moderator: We have our next question from Mr. Nirav from Antique stock broking please go ahead.

Nirav: Few questions. First of all follow up of the previous question. So what's the reason for the jump in traffic on Tumkur-Chitradurga? We have seen the revenue growth of around 17.5% and toll revision was around 7 – 8%?

Virendra Mhaiskar: I think you are referring to Baruch-Surat?

Nirav: Tumkur-Chitradurga?

Virendra Mhaiskar: Tumkur-Chitradurga is not that much. You cannot really compare because you don't have lot of data. But last year we started on 4th of June. So against 37 crores you say it has been 39 crores. But the jump which you are asking is about Bharuch-Surat?

Nirav: Firstly we did around 29 crores of gross revenue from Ahmadabad-Vadodara. So was it in line with our expectations or?

Virendra Mhaiskar: Ahmadabad-Baroda when we started the project we had estimated that for the whole year we should be able to do somewhere close to 130 – 140 crores. Now there will be a tariff provisions come July. We are doing fairly close to 30 – 35 lakhs a day. Now we expect this to go up once the tariff revision happens and with that in place I think comfortably we should be able to reach between 130 - 140 number because what is also happening at this point in time is there is a entire renewal of expressway which is to be done in the first 6 months of the contract which is complete refurbishing the existing expressway. So we are tolling the traffic. At the same time there is lot amount of work which is going on the expressway which we will be completing in 6 months' time. And once that is done I believe that the traffic shift from NHAI because the activity of construction on NHAI should start peaking. So we expect more traffic to shift from NHAI on to the expressway in the next 6 months of this year. As the work on NHAI gears up. So we don't see any challenge reaching the target between 130 – 140 crores on the expressway alone.

Nirav: Last question is on what's in the news is that GMR and GVK are trying to restructure the project with the stagger premium. So what's your sense on that and incase the restructuring is accepted will our Ahmadabad-Vadodara project also qualify for that?

Virendra Mhaiskar: I am aware of these discussions which are going on. As a part of National Highway Builders Federation we are actively involved in discussing these issues with the government. So my understanding is that if this kind of proposal is approved then it will be applied to the entire sector across the board. It won't be for any single developer. If they decide to approve any kind of back-ending of premium with whatever formulations that they may finally approve, then our understanding is it will be applied for all the projects across the sector.

Nirav: Last question on the breakup of construction revenues can you just share that?

Anil Yadav: Construction revenue for the year is Rs. 2,641 crores for FY13 and FY12 it was Rs. 2,182 crores. If you want other income, other income in construction segment last year it was 96 crores. And this year it is 88 crores.

Nirav: I am talking about the breakup in terms of project wise break up of construction revenues?

Anil Yadav: This year Talegaon-Amravati has contributed Rs.370 crores, Jaipur-Deoli Rs. 720 crores, Amritsar-Pathankot Rs.680 crores, Tumkur- Chitradurga Rs.590 crores and Ahmadabad-Vadodara close to Rs. 240 crores and others have contributed close to Rs.40 crores.

Nirav: And can you give the quarterly figures please?

Anil Yadav: Q4 of FY13 Talegaon-Amravati Rs.26 crores, Jaipur-Deoli Rs.76 crores, Amritsar-Pathankot Rs.165 crores, Tumkur-Chitradurga Rs.163 crores and Ahmadabad-Vadodara close to 240 crores.

Moderator: We have our next question from Mr. Atul Tiwari from Citi Group. Please go ahead sir.

Atul Tiwari: The equity requirement of around 1700 crores that you mentioned, what's your sense, will you be able to fund it from internal cash flow generation or you need to raise equity in the market?

Virendra Mhaikar: Atul, if you look at the cash profit for this financial year it is close to Rs.958 crores. So I have absolutely no doubt about the ability of the company to fund its equity going forward.

Atul Tiwari: And consolidated debt-to-equity you as management will be comfortable for the company, we are already touching 2.3x.

Virendra Mhaikar: I think if you look at the sector today the gearing of the sector would be in the range of surplus of 6:1 and we stand at a comfortable 2.2:1 at this point in time. And as a policy we would not like to see that exceeding anywhere beyond 3:1.

Atul Tiwari: So in case if we manage to win 500 kilometers of road next year, do you think the debt built up will be contained within 3:1 or?

Virendra Mhaikar: Most certainly yes because what happens is that even if you win the project as you have seen in the past also, the lead time from an award to appointed date is almost a year. So the next 2 – 2.5 years what we are discussing presently by the time a new order comes and that gets financially close and execution start, you would be adding one more year of financials into it. That cash flow which is not today factored into this requirement will come in and take care of that growth.

Atul Tiwari: And sir I noticed on BSE that promoters have been buying the stock which is a very encouraging sign. So what is the thought process behind that? To what level the promoters plan to increase their stake and if you could throw some light on that?

Virendra Mhaikar: The point is I am a man of limited means. So whatever dividend the company gives I am using and making good use of that money to partially repay my loans which I had taken to buy stake in the past and using the balance to buy more stock. So I have accumulated almost a million shares in the last 2 months. And yes, going forward I would certainly like to buy more.

Atul Tiwari: And sir my last question is on your bigger road projects Surat-Dahisar, Bharuch-Surat and Bombay-Pune, in FY14 how much tariff hike do we expect?

Virendra Mhaikar: See Bharuch-Surat and Surat-Dahisar have a 100% pass through on WPI, so presuming a 6 – 6.5% inflation number as an average inflation for the last year that should be the kind of tariff hike we should see for these 2 projects and Bombay-Pune there is no tariff hike in FY14 but coming 1st April, 2014, there should be an 18% growth in that as well.

Moderator: We have our next question for Mr. Vishal Sharma from BNP Paribas.

Vishal Sharma: Although most of my questions have been answered is one question can you split the gross debt between the projects and the corporate level as well as the cash?

Virendra Mhaikar: We will work out the detail and provide to you later.

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

Lokesh Garg: Even as this question has been asked before just want to ask you in case there is a negotiation sort of going on for this project which have been awarded in FY12, would you want to go slower in terms of construction on Ahmadabad-Vadodara or would you rather believe that any incentive that comes to IRB by default. So there is no need to actually for us to wait for it to come?

Virendra Mhaiskar: No we have a very clear understanding, we have had enough number of rounds with the government on this and there is an active discussion which is being structured through NHBF and government and all the policy makers. And there is a very clear visibility that if at all any such dynamic decisions comes in it will be applied across the sectors to all projects. So there is absolutely no need to slow down the construction or go slow on Ahmadabad-Vadodara. If it happens it will happen across the board to all the projects.

Lokesh Garg: Other question I had was related to NHAI. Even though lets say you have commented that environmental clearance and forest clearance have been delinked which means that the project start coming up with some clearances, lot of developers have had issued in pursuing their projects related to either equity requirements or projects are less viable or other issue that we were discussing for GMR, GVK also and in which case are the projects stuck in terms of incremental ordering activity because of clearances or because of these developers having issues in which case the next round of award activity maybe slower to start rather than sort of happening soon.

Virendra Mhaiskar: Lokesh, my sense is that it is a multiple reason why we see this lull. So you have correctly identified the reasons. So if it is government related issue then naturally it will delay the project but if it is a developer related issue like not having the ability to raise the required equity or anything of that kind, then I don't think the government would wait beyond a particular period and those tender would see a rebidding happening.

Lokesh Garg: Sir roughly give or take a few 45 – 50 projects are stuck either in clearance or lack of willingness and things like that. How would you categorize between these 2 issues basically which would then start as soon as the clearance will start to come through which would now be happening actually.

Virendra Mhaiskar: Would be difficult or number or say anything conclusively. But my own estimation is that at least half of these projects should be available for rebidding.

Lokesh Garg: So basically they are unwillingness issue and not clearance issue.

Virendra Mhaiskar: Yes.

Lokesh Garg: Because the penalty on the existing bidder is relatively low. So he can actually walk out.

Virendra Mhaiskar: That's true.

Lokesh Garg: Another question I had was related to your comment that you made in the early part of the call you said subdued raw material cost would help margins. Just wanted to have your perspective with little bit more examples in terms of what cost have reduced in terms of aggregate or whatever labor material whatever you use.

Virendra Mhaiskar: I think barring diesel everything else has remained subdued and we have not seen a much different raw material prices in terms of cement or steel. On the soil there has been a little increase because of the procedural hassles that have now come in terms of getting the soils borrow area approved because one has to go through a long process but that is not a

big component of the project cost other than that steel and cement have been fairly stable and on the Bitumen price also because of the crude cooling off and bitumen having international price parity, we don't see that also rallying much from here.

Lokesh Garg: And this tumkur toll collection is under pressure of Karnataka mining issue also or they are unrelated. In which case, do we expect a pick up now?

Virendra Mhaiskar: It's good news that Supreme court has cleared many of the issues relating to mining in Karnataka. But for that too translates into actual core moving on the road, it will still become more time. No doubt there will be a good traction in the collection once that activity picks up but I don't see that happening in the next 3 – 6 months at least.

Lokesh Garg: And one welcome feature of this quarterly results is a very sharp set of change in trajectory in terms of traffic growth in Surat-Dahisar and Surat-Bharuch particularly but when I heard your comment it didn't seem as if all that change in trajectory is linked to this construction on the Thane-Ghodbunder road could you provide more perspective as to what has led to that and is it sustainable and is Thane-Ghodbunder the reason or there is something else also to it.

Virendra Mhaiskar: No, more than Thane-Ghodbunder to be a normal growth because there is nothing new that has happened or nothing, new growth coming in that kind that has happened. It's a normal feature I would say.

Lokesh Garg: Basically little surprised by the fact that Surat lets say Bharuch project which is almost flattish in terms of traffic and was growing only on inflation WPI basis has suddenly delivered like something like a 10% traffic growth. So this is mostly as you said exogenous reasons it has nothing to do with what you can identify and pin point?

Virendra Mhaiskar: No not able to identify as of now.

Lokesh Garg: Thanks a lot, I will come back to queue if I have more questions.

Moderator: We have the next question from Mr. Abhinav Bhandari fro Ellara Capital. Please go ahead.

Abhinav Bhandari: On Talegaon-Amravati just wanted to check on the initial toll collection you have done what's the run rate that we can expect per day or is it meeting your earlier targets as far as the full year initial targets are concerned.

Virendra Mhaiskar: It would be too early to comment on that. It is still a very nascent stage but I will give you a color on that. What has happened today is we haven't started a bypass length because if you know the toll tariff the way it works you get a higher tariff for a bypass lane but as bypass length is not yet complete we haven't got a bypass rates into the tariff for the time being. So although almost 80 – 85% of the length has been opened up, in tariff terms we are only collecting close to 60% of the overall tariff. And at that 60% tariff we are collecting close to Rs.8 lakh per day. So if I extrapolate it should come somewhere in the range of around 14 lakhs per day once the entire tariff comes in. So this would be around 10 – 15% less for the time being from our original estimation. But this was a good project and has not much of debt. So we don't see that much of a problem with this slowdown impacting 10 – 15% on the lower side.

Abhinav Bhandari: And on the Goa Kundapur stretch just wanted to understand when your sense is you will be able to start construction there in the second half of this fiscal or it might get delayed from there as well.

Virendra Mhaiskar: I think the 3rd quarter of this year we should be able to start construction.

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Abhinav Bhandari: Just had couple of book keeping question if Anil is available. Other income for FY13 if you can provide a break up on BOT and the construction side?

Anil Yadav: FY13 the total other income is Rs.130 crores and out of that Rs.88 crores is from construction and Rs.42 crores is from BOT

Abhinav Bhandari: And own MRMPL if you can just highlight on this interest expense is continued to be 60 crores per quarter on an average and the debt is high there and what's the kind of sense we are getting for FY14 there on interest expense side?

Anil Yadav: OD utilization because of the number of projects going on. OD utilization was on maximum. So going forward also interest will be in that range only.

Abhinav Bhandari: And what's the debt figure at MRMPL

Virendra Mhaiskar: Debt at MRM level will be close to approximately 520 crore.

Abhinav Bhandari: And one last question on the current maturities of long term debt if you can provide that number for both stand alone as well as the consol?

Virendra Mhaiskar: We will revert back to you on that.

Moderator: We have our next question from Mr. Ajit Motwani from Emkay Global please go ahead.

Ajit Motwani: Just had a query this Namakkal-Omallur you said the interest is reset about 11. So this is under the IFCL mechanism or this is just normal banking sense?

Virendra Mhaiskar: No what we have done is the high cost debt we have prepaid from the cash flows we had and we are in the process of refinancing it through some other lender. So 15% interest that was being charged by couple of lenders that has been prepaid and the debt cost has been brought down to 11%. Now we are placing the same amount of debt with some other lender at around 11% mark.

Ajit Motwani: So the blended cost will still be about 11%?

Virendra Mhaiskar: Yeah. The debt cost earlier was more than 13% coming down to 11%.

Ajit Motwani: And if I look at the collections on Ahmadabad is about Rs.29 crores but it seems that the revenue booked in the accounts are about Rs.0.5 crores so roughly the balance 24 crores is the royalty paid.

Virendra Mhaiskar: Annual premium to NHAI for first year is 309.6 crores and out of that 63% is attributable to NH-8 and 37% to expressway. Accordingly, 37% of the premium is adjusted against toll revenue.

Ajit Motwani: So out of lets say 29 crores of gross revenue how much is the net revenue, lets say for charged premium?

Virendra Mhaiskar: The net revenue for the quarter 42 lakhs.

Ajit Motwani: Got it. And one last thing for next year you will obviously be paying about 325 crores as royalty and 25 – 30 crores of operating cost of the expressway and 350 crores and you will collect about 140. So the balance cash flow gap how will it get funded?

Virendra Mhaiskar: Premium to the extent of NH-8 portion (63%) i.e. 615 crores is already included in the project cost. It will be funded in terms of debt and equity. Expressway portion (37%) will be funded from the collection of the expressway.

Ajit Motwani: So a part of those Rs. 615 crores would be also financed by the bankers.

Moderator: We have our next question from Mr. Mangesh from quantum broking. Please go ahead.

Mangesh: My question is with regard to the construction revenue with over next couple of quarters as most of the existing project like Amritsar Pathankot, Tumkur Chitradurga not Tumkur but at least Jaipur- Deoli these mostly would be complete. So last 40 – 50% of the revenue that we get from now in this quarter probably will not be there by the end of next quarter. So will Ahmadabad Vadodara be able to fulfill that or they would be at least some gap till the revenue growth picks up.

Virendra Mhaiskar: See our sense is that unless the new project Karwar -kundapur project delayed if that doesn't happen then we don't see any dip in construction revenue. Then I think there should be steady execution of the order book. Only if that project gets delayed you might see a dip in the construction revenue. The overlap looks to be quite perfect at the time being.

Mangesh: Because in this quarter we did around 240 crores from Ahmadabad. From Ahmadabad – Vadodara, 240 is the run rate that we had done in this quarter. So do we expect that to improve substantially over the next couple of years.

Virendra Mhaiskar: That's what I was saying. Unless we see Karwar Kundpur getting delayed the overlap of Karwar Kundapur these starting and these 2 – 3 projects getting phased out is matched quite well. So we don't see a blip in that. And Ahmedabad Vadodara naturally is picking up by the day.

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

Parvesh: All my questions have been answered. Thank you.

Moderator: Mr. Ankush Mahajan from KR Choksey. Please go ahead sir.

Ankush Mahajan: Just to check why the tax rate is low in this quarter?

Virendra Mhaiskar: As explained in the last quarter there was deferred tax credit and Mat credit because of those 2 credits the tax expenses are low and if you compare the current tax itself the current tax has increased but because of the deferred tax credit and Mat overall taxation has reduced.

Ankush Mahajan: Could you throw some light that NHAI will go for awarding activity in this year considering GMR and GMK back end equity and all these things?

Virendra Mhaiskar: As I explained earlier that proposal is under consideration with the ministry and NHAI. So we await more clarity from them. From the discussions what we have been able to understand yes they are actively looking at this proposition. So if it happens as I said they will apply for all the projects and all the developers who are willing to take up that kind of back ending. So it will be my choice for the developer.

Moderator: We have our next question from Gaurav Pathak from Standard chartered.

Gaurav Pathak: Just wanted to ask a few questions on this traffic growth that we have seen in Bharuch-Surat and even in Mumbai Pune expressway, looks like in the next few years you will be

hitting peak traffic, traffic capacity in both of the highways. What's the plan from there? Are you expecting any add on projects to increment capacities on these highway?

Virendra Mhaiskar: That is something which is a policy issue the government will have to look at. But as a part of the highway we are few more years from the peaking highway traffic capacity. So we will have to look at what steps the government intends to take.

Gaurav Pathak: In terms of order flow from state highway projects are you seeing any traction over there?

Virendra Mhaiskar: As I explained earlier barring couple of large projects not much of action.

Moderator: We have our next question from Mr. Ravindra Vashisht from IDFC Mutual fund. Please go ahead.

Ravindra Vashisht: Just wanted to understand if there is any update on the overhang because of the CBI case which is going on, any update on that?

Virendra Mhaiskar: I think we have clarified this enough number of times about having no involvement in the matter and that's where it stands. So I don't think there is anything more for us to add on it at all.

Ravindra Vashisht: Just wanted to understand that if there really next course of action have in terms of any hearing which has to happen or anything like that?

Virendra Mhaiskar: We have to understand that if you look at strict legal parlance, what was the case, we were never any accused in the case or anything. So as a suspect they called us, they enquired us, they took questions, they had some tests to be done. So I don't see anything remaining for our part to be done. Hardly anything new that we can do on it now

Moderator: Our next question comes from Mr. Keerti Suri from Span Capital. Please go ahead.

Keerti Suri: On your 10,000 crores asset base your currently of 5% ROA at about 500 odd crores at the net level. So by when do you see this scaling up and to what levels in your peak or optimum?

Virendra Mhaiskar: If you look at the average life of the concessions that we have it is close to 21 years. So the kind of return that we are saying is from a portfolio perspective at a very nascent stage. And if we have to believe that the revenue growth will continue to be in the range of 10 – 12% annually then I will say there is a significant return that one can expect going forward.

Keerti Suri: Would you like to give a range to that?

Virendra Mhaiskar: Asset base which we have talked about close to 10,000 crores out of that close to 5000 crores of the asset base where we have not yet started toll collection. So the revenue will be reflected in the subsequent year only

Keerti Suri: And the whole 10,000 crores asset base would be revenue generating in the next 10 quarters.

Virendra Mhaiskar: That's correct.

Keerti Suri: And roughly how long would you take to so right now you are 500 crores on a 5000 crores asset base. So how long into the execution would you take to get these kind of returns.

Virendra Mhaiskar: We believe that the equity returns should be in the range of at least 18%.

Keerti Suri: I am saying on a 10000 cores or 1000 crores profit on BOT segment would be in year 2 or year 3 of BOT asset getting operational.

Virendra Mhaiskar: That would be difficult to give a number today.

Keerti Suri: But generally what has been historic experience on this?

Virendra Mhaiskar: If you see the equity return if you refer our presentation as of now equity return is close to 17 – 18%.

Keerti Suri: Over past 3 – 4 years?

Virendra Mhaiskar: Yeah.

Keerti Suri: And in terms of this debt level you said you are comfortable up to 3 times, right?

Virendra Mhaiskar: Less than 3 times.

Keerti Suri: And like an earlier question which was asked that you will have 3 of your projects getting operational in the near future and you said the other projects CPC would compensate for it but do you see a scenario emerging in terms of delay we are facing policy wise there could be hardly substantial dip in EPC going ahead.

Virendra Mhaiskar: We don't think so.

Keerti Suri: And in terms of your EPC margins compared to the other players in the industry what would you term as a reason for such high EPC margins.

Virendra Mhaiskar: In-house execution, owning of equipment, fully integrated construction team, I think primarily those are the reason which has helped us to keep the margins at this level.

Moderator: We have our next question from Mr. Sundar Subramani from Almondz Global. Please go ahead.

Sundar Subramani: My questions have been answered.

Moderator: Mr. Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Just one book keeping question left, I just wanted to understand the construction segment financial expense what all does it include and what kind of an asset base at the construction segment If you could just throw some light on that. 238 crores of financial expense I am talking about.

Virendra Mhaiskar: The construction segment includes Modern Road Makers and holding company also. It includes interest of both the companies and both companies including will be average debt will be close to 1500 – 1800 crores. And one can expect that number to remain at those levels for the next year or two?

Moderator: We have question from Mr. Parikshit from Karvy Stock Broking. Please go ahead.

Parikshit: One question which I had was on this debt of Rs.500 crores which we have planned to raise the private placement so what is the purpose of doing this basically?

Virendra Mhaiskar: This is strictly going to be an exercise which we intent to do depending on rating and market situation to replace the short term debt which I was answering in the earlier

question. It is little long term medium term range debt. So this will be replacing the short term loans which we keep taking for a year, 2 year period and rolling them over. So this will be replacing from medium term loan of 500 crores.

Parikshit: And what kind of interest savings looking

Virendra Mhaiskar: We don't expect our average cost of funds to go up as a part of this exercise. Pricing will depend on the rating that we get but the average cost of fund for IRB today is around 11%.

Parikshit: Short term debt what is the cost of debt as of now?

Virendra Mhaiskar: At the moment it is inverted curve. The short term is actually having a little higher price but going forward by the time we actually do the exercise we expect that we should get a favorable rate.

Parikshit: You are using to reduce the similar quantum what you are rising.

Virendra Mhaiskar: It will be purely replacement of the existing short term debt with a medium term debt.

Parikshit: And what will be the underlying security?

Virendra Mhaiskar: It won't be toll securitization it will be subservient charge on the current assets.

Moderator: Mr. Shravan Shah from Asian markets. Please go ahead with your question.

Shravan Shah: I just wanted to know how much equity we have invested in Ahmadabad Vadodara and Tumkur Chitradurga till date?

Virendra Mhaiskar: Ahmadabad Vadodara we have already put in Rs.400 crores of equity. And Tumkur Chitradurga I think we have already invested close to Rs.250 crores of equity on Tumkur Chitradurga has been put up. So Tumkur Chitradurga the balance equity that remains to be put in FY14 would be around Rs.90 crores.

Shravan Shah: And in Ahmadabad Vadodara how much are we planning to put in FY14?

Virendra Mhaiskar: Around Rs.400 crores has been already brought up front. So till the time the pro rata debt comes in we don't need to put in any further equity. So probably this financial year there won't be any more equity addition in Ahmadabad Vadodara.

Shravan Shah: Okay and as we earlier said for FY14 if we put all the projects together there will be Rs. 250 – Rs.300 crores equity will be invested.

Virendra Mhaiskar: Rs.255 crores.

Shravan Shah: And sir I am just telling the number as you said Ahmadabad Vadodara in terms of execution it is 240 crores but when I compare last 3Q and this year 4Q order book number, it comes to 104 crores. So I am just wondering where the difference is.

Virendra Mhaiskar: Ahmadabad Vadodara bidding has only happened in this quarter. Here was no billing in the last quarter at all because we started the project itself from January.

Shravan Shah: At the end of 3rd quarter the order book for Ahmadabad Baroda it was 3500 crores and for this 4Q it is around 3400 crores. So the difference is the execution which is 104 crores.

Virendra Mhaiskar: The order book for Ahmadabad Vadodara was always close to 3600 crores including escalation and over head. But I can check that but I don't think there is any error. You are I think correlating it with the order book right?

Shravan Shah: Yeah I am taking as a percentage.

Virendra Mhaiskar: We will check but there won't be any error.

Shravan Shah: Because even the same for O&M contracts in the presentation is given 20.03% but and the absolute numbers is also given besides so it actually comes to 23.73.

Virendra Mhaiskar: I don't think there is any error but I will check.

Moderator: We have our last question from Mr. Ajit Motwani from Emkay Global. Please go ahead sir.

Ajit Motwani: Just wanted to know the status of the grants for the 3 projects, Jaipur – Deoli, Amravati and Amritsar - Pathankot totaling about 627 crores from NHAI how much is received till date?

Virendra Mhaiskar: In Jaipur – Deoli and Talegaon-Amravati is almost 90 – 95% grant has already come in and Amritsar - Pathankot we will be now drawing. We haven't drawn as yet.

Ajit Motwani: And one last thing if current maturities of long term debt is typically included in balance sheet.

Virendra Mhaiskar: Current maturity of long term BOT debt will be close to Rs.280 – Rs.290 crores.

Ajit Motwani: This is for consol?

Virendra Mhaiskar: Yeah.

Ajit Motwani: And for stand alone?

Virendra Mhaiskar: Stand alone we have short term debt only. We do not have any long term debt in stand alone.

Ajit Motwani: The essentially the 728 crores are the current liability which are shown as in the balance sheet. So it will also include other long term maturities?

Virendra Mhaiskar: The holding company debt will be either 1 year loan or a 2 year loan. So then definitely in the second year entire debt will be due for repayment and that will be a replaced when you get.

Moderator: There are no questions in the queue.

Virendra Mhaiskar: Okay I would like to thank all of you for coming on this conference call Good day. We can close the call now.

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Moderator: Certainly sir. Ladies and gentlemen this concludes this 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. Have a great evening.