IRB Infrastructure Developers

Audited Financial Results FY15 Conference Call

29th May 2015, 4.00 PM

Moderator: Ladies and gentlemen, welcome to the IRB Infrastructure Developers Conference Call hosted by the company for the audited financial results for FY15. We have with us today Mr. Virendra Mhaiskar, Mr. Sudhir Hoshing, Mr. Anil Yadav, Mr. Dhananjay Joshi, Mr. Madhav Kale and Mr. Mehul Patel. 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 of the results of the quarter. Thank you and over to you sir.

Virendra Mhaiskar: Good afternoon to all of you. At a glance this year has been another important year for the company in terms of execution of projects and operations as well. On execution front we continued with three projects under implementation during the year and could complete substantial work on Ahmedabad Vadodara project. Construction on Ahmedabad-Vadodara project has been completed to the extent of 91%. These projects have largely contributed to the construction revenue in this quarter. Construction revenue has reduced a bit because of the other contracts not starting as we had envisaged in the beginning of the year but that is more of a shift in the construction turnover rather than anything else.

On the operation front traffic growth for FY15 has improved significantly vis-à-vis FY14. Toll revenue has increased by almost 56% in comparison to the corresponding year largely due to commencing of toll operations of new projects, healthy traffic growth, change in accounting treatment for projects where premium is deferred and also rate revision in some of the key projects. Average cost of debt during the year has remained close to 11.25% and Net Debt to equity post QIP money has come down to 2.52:1. We stand to gain from the reduction in the interest rate led by cut in interest rates by RBI as and when the reset dates are due. The company in line with our dividend policy has declared the second interim dividend of 20%.

In the last quarter we have raised Rs. 440 crores by way of QIP resulting into a dilution of around 5.7%. Most of the subscription has come from long-only investors. As regards new projects are concerned we have bid for 4 to 5 projects in the recent past and have been declared preferred bidder for one of the projects which is Agra-Etawah, six-laning project in Uttar Pradesh. Subject to award, we have agreed to pay 81 crores premium to NHAI and the concession period on the project is 24 years with a construction period included in it of 2.5 years. Estimated project cost is likely to be Rs. 2600 odd crores and the company would be eligible to start toll collection from the appointed date. The project will be expanding company's base in the eighth state and helps us in diversifying our portfolio pan India and this geographical diversion will give a foothold in the eighth state for the company and also increase the order book to Rs. 10,800 crores to be executed over the next 3 to 4 years.

As regards annual prequalification process of NHAI is concerned we stand prequalified to bid up to a single project size of Rs. 5700 crores and we are prequalified to bid for approximately Rs. 24,000 odd crores worth of projects. NHAI has started awarding BOT projects in a big way and already awarded more than 400 kms of projects. They are talking about awarding 8000 plus kms over the full year which would have a breakup of around 5000 kms on EPC and the balance on BOT and we would look forward to participate in viable projects going forward as well.

I will now request Anil to give you an overview on the financial performance of the company.

Anil Yadav: Thank you sir. Now I will present the analysis of Q4 of FY15 versus Q4 of FY14. Total consolidated income for Q4 of FY15 stands at Rs.1019 crores from Rs.918 crores registering a growth of 11% over Q4 of FY14. The consolidated toll revenue including other Income for Q4 of FY15 has gone up to Rs. 503 crores from Rs.320 crores in Q4 of FY14 registering a growth of

57%. The construction revenue including other Income for Q4 of FY15 stands at Rs.515 crores from Rs.598 crores a decline of 14% over Q4 of FY14. EBITDA for Q4 of FY15 has gone up to Rs.599 crores from Rs.477 crores registering a growth of 26% over Q4 of FY14. Interest cost has also gone up by 20% to Rs.251 crores in Q4 of FY15 from Rs.210 crores in Q4 of FY14. This is due to starting of the few projects during the year and where the interest was capitalized in the last year. Depreciation has also gone up by 45% to Rs.172 crores in Q4 of FY15 from Rs.119 crores in Q4 of FY14. PBT has also gone up to Rs.176 crores in Q4 of FY15 from Rs.148 crores in Q4 of FY14, registering a growth of 19%. Post Minority Interest the PAT for Q4 of FY15 stands at Rs.138 crores at compared to Rs.109 crores in Q4 of FY14 registering a growth of 27%.

Now I will present the analysis of full year that is FY15, financial year 2015 versus financial year of 2014. Total consolidated income for FY15 stands at Rs.3960 crores from Rs.3853 crores over FY14. The consolidated toll revenue including other Income for FY15 has gone up to Rs.1852 crores from Rs.1195 crores registering a growth of 55%. While consolidated construction revenue including other Income for FY15 stands at Rs.2108 crores from Rs.2658 crores, a decline of 21% over FY14. EBITDA for FY15 has gone up to Rs.2325 crores from Rs.1875 crores registering a growth of 24%. Interest Cost has also increased by 23% to Rs.931 crores in FY15 from Rs.756 crores in FY14. Depreciation has also gone up by 48% to Rs.707 crores in FY15 from Rs.477 crores in FY14. PBT stands at Rs.687 crores in FY15 from Rs.642 crores in FY14 a growth of 7%. PAT before minority interest for FY15 stands at Rs.542 crores as compared to Rs.460 crores in FY14 registering a growth of 18%.

Now I have finished my analysis. We are open for question answer session.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Amit from Macquarie Cap. Please go ahead.

Amit: My first question is, I understand the traffic growth in Mumbai-Pune has been stupendous and this is the second quarter in a row where we have posted +15% traffic growth and the last quarter you mentioned that the general economic reasons are mostly responsible for such a high growth. Do you think that similar kind of reason is there for this quarter traffic growth as well or do you see port traffic from JNPT also contributing?

Virendra Mhaiskar: I think it will be a combination of result of economic growth, pickup in the port traffic as well as overall economy picking up will be the reasons why this is being noticed. And this is not only at Mumbai-Pune, if you look at the other projects particularly Surat-Dahisar, you will find a similar trend there as well.

Amit: More importantly, how do you see this year that is FY16 traffic growth? I understand you don't give any guidance and it is not possible but do you see a double-digit traffic growth for FY16?

Virendra Mhaiskar: I would not like to give a comment on whether it will be sustainable or not but if the economic conditions remain where they are today we don't see a reason why it should drop. Some kind of lag that was there in the traffic growth has been captured in the growth what we have witnessed so far. So sustaining at these levels I don't think that is a problem.

Amit: Would you like to give any guidance for the construction revenue for the next year?

Virendra Mhaiskar: Construction revenue we cannot give guidance but what we can certainly say is whatever was supposed to start in this year like Yedshi-Aurangabad or Kaithal; it would now be starting in this financial year. That would certainly help in having the construction revenue going up from where it is today because you would have 3-4 projects simultaneously under execution.

Amit: In Pathankot-Amritsar the traffic run rate so far has not been that great. Any particular reason which is affecting the traffic there and do we see traffic picking up in this financial year?

Virendra Mhaiskar: There have been few leakages in that project because of certain bypasses that people are using but certainly the quality of road that they are being offered by using our project road is much better than those smaller two-lane bypasses. So over a period of time we believe that the traffic should stabilize in Amritsar-Pathankot also because if we look at the growth, we have seen good growth there as well.

Amit: Growth is fine but current run rate is somewhere in the range of Rs.20-25 lakhs per day. What kind of run rate do you envisage in this year for the full year?

Virendra Mhaiskar: There we will be having the first rate revision also shortly, so with that rate revision happening plus the overall growth 10 to 12% revenue growth can certainly be expected.

Amit: Sorry for the confusion actually I was talking about the Pathankot-Amritsar....

Virendra Mhaiskar: Yes. Amritsar-Pathankot now that six months are over we will be entitled for the first rate revision which we will be exercising now and considering that annual rate revision plus the volume growth, 10 to 12% revenue growth is certainly doable.

Moderator: We have the next question from the line of Devang Patel from ILFS. Please go ahead.

Devang Patel: Firstly on Agra-Etawah project what kind of construction margins and overall IRRs have we factored in?

Virendra Mhaiskar: Construction margins should be in line with what we have been reporting in the past. And IRR on the project IRR should be in the range of around 17 to 18%.

Devang Patel: So you are seeing now an increase compared to the previous two years on the profitability of projects or the IRR at which you are able to get projects.

Virendra Mhaiskar: I would say this project we have been able to bid at around 17 to 18% IRR, yes.

Devang Patel: Secondly on the project cost increase NHAI had already increased the cost from Rs.1200 to 1600 crores and we are expecting it to be Rs.2600 crores, so this is the normal increase or is there some structures which NHAI has not factored in?

Virendra Mhaiskar: No, I don't think so. This is a total capitalized project cost; this is not the EPC cost.

Devang Patel: A bookkeeping question on the Notes to Accounts. The revenue that we have paid on projects as a premium is restructured is what Rs.46 crores. Previous quarter it is mentioned as Rs.56 crores, so it has come down. Should a normal such a quarterly fluctuation be expected again? In the previous quarter note this amount was Rs.46 crores but this quarter the amount is mentioned as Rs.55 crores, this is note 2B.

Virendra Mhaiskar: I think this must be to do with the number of days in the quarter also I believe. I will ask Anil to give you more color on this.

Anil Yadav: Previous quarter there was some payment in MVR project also. There is also premium payment in MVR, so that was included in last quarter. But normal trend will be approximately Rs.45-46 crores was the trend for current Financial year.

Devang Patel: For this Agra-Etawah since it's in a new state would we need to do a special CAPEX for this or can we mobilize some of our equipment from existing sites to this project?

Virendra Mhaiskar: Now, there are a lot of projects which we will be getting over by the time this project starts. This project the start date it will be somewhere 8 to 10 months down the line, so by then we will have for sure Ahmedabad-Baroda demobilized plus Goa-Kundapur would have progressed significantly. So reorganizing the assets would not be that big an issue.

Devang Patel: Lastly, how are the permissions in place for this project, the land acquisition, is everything you see will be smoothly handled for this project?

Virendra Mhaiskar: We believe so because that's what NHAI has said in their bid documents.

Moderator: We have the next question from the line of Ashutosh Narkar from HSBC. Please go ahead.

Ashutosh Narkar: Two three questions, first is on the guidance which you gave about 8000 kms again likely to get awarded and 5000 from EPC. So this 5000 is something which you expect will include the hybrid annuity projects or that is excluding them?

Virendra Mhaiskar: It would be including hybrid.

Ashutosh Narkar: So for us as a company 3000 kms is the focus target market this year?

Virendra Mhaiskar: That's right.

Ashutosh Narkar: Two other questions, one on the Ahmedabad-Vadodara. Once the entire project is complete what is the kind of uptick we can expect in toll revenues?

Virendra Mhaiskar: We can't give you any projection at this point.

Ashutosh Narkar: The last question is on the Pune-Solapur highway. Any specific reason while most other projects have been showing significant growth, that specific project the growth rates on toll revenues has been coming down.

Virendra Mhaiskar: There was some sand ban and sand options were halted by the government and as that particular road carries some good amount of sand traffic, we had seen some kind of aberration there. If that gets normalized we should start seeing growth again.

Ashutosh Narkar: One last question if I may, on your debt equity ratio 2.5, post the existing projects getting complete over the next three years, this again goes up to roughly around three times. So are we kind of again looking at coming down to the market sometime next year or we still will hold onto it?

Virendra Mhaiskar: We did come to the market after 8 years this time, so we will take a call as and when we reach that stage.

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

Nitin: I understand that this traffic growth as you mentioned but if you look at the port traffic weather it is JNPT whether it is any other port, even Mumbai it's not growing from the last six months. Can you give us some insight, some pointers that what is leading to this Mumbai-Pune double digit traffic growth?

Anil Yadav: Mumbai Pune Project consist the passenger traffic which is approximately 60% and accordingly if you look at Ahmedabad-Vadodara which also contributes significant passenger traffic, both the projects we have seen a double-digit kind of growth. Mumbai-Pune is not alone driven by the port traffic, it's more driven by the passenger traffic.

Nitin: Coming back to projects which is your Thane Ghodbunder, has seen a significant increase in the revenue growth. Was there any tariff hike been taken in this quarter or is it purely a traffic growth?

Anil Yadav: In this quarter we are seeing the jump. In earlier quarter, the bridge at Thane creek was under construction and there was a diversion of the traffic in corresponding quarter of the last year. Corresponding quarter's revenue of last year was roughly Rs.6.4 crores because there was one bridge which got damaged and entire heavy traffic was shifted through some other road.

Virendra Mhaiskar: In the past also we have discussed this where because of the ban on heavy traffic movement on Thane-Ghodbunder we were suffering on Surat-Dahisar as well. Those hindrances and diversions have now been called off resulting in a good pick up on the traffic on that road.

Nitin: What would be our equity requirement at this point if you can provide break up project wise?

Anil Yadav: Roughly total equity requirement is Rs. 285 crores for Ahmedabad Vadodara project, Rs. 365 crore for Karwar Kundapur project, Rs.200 for Solapur Yedeshi project, Rs. 430 crores for Yedeshi Aurangabad project, Rs.495 crores for Kaithal Rajasthan project and Rs. 685 crore for Mummbai Pune phase II.

Nitin: Which is including your new project which you have won?

Anil Yadav: No, excluding new project. Including new project it will be roughly 3000 crores.

Nitin: Can you give me the Other Income breakup part of construction and the BOT?

Anil Yadav: Other Income for construction it is at Rs.24 crores for the quarter and Rs.5 crores for toll business. And for full year the Other Income is approximately Rs.96 crores for the year for construction segment and close to Rs.16 crores for the BOT.

Nitin: Just want to understand that have we seen any interest rate reset in any of our projects over the last six months?

Virendra Mhaiskar: No, not yet.

Nitin: Moving on to your new project which you have won on NH2, just wanted to understand, I think this question has been asked but just wanted to understand that what led to this project cost increase, that is first, as per your calculation. And second, considering that there has been one expressway which is being tended by UP authority on an EPC basis, do you see that risk of traffic shifting there and that is already factored in, so just wanted to understand on that aspect.

Virendra Mhaiskar: The EPC cost what we assume is close to Rs.2150 crores and after capitalizing the interest the cost goes up to close to Rs.2600 crores. That is the answer to your first break up on the cost side. And as regards the expressway which is coming up between Agra and Lucknow we have adequately factored the diversion of traffic post 2020, that is the timeline by which the expressway is likely to be up and running, so we have certainly factored a good amount of traffic shift to happen on that. And post taking into consideration that this premium has been bid.

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

Vibhur Singhal: Just wanted to ask on the Vadodara-Ahmedabad project, so as you mentioned that you have already completed around 91% of the work, so it's probable that we would probably be completing the project by 2nd Quarter or maximum by 3rd Quarter of this financial year?

Virendra Mhaiskar: Yes, that would be the endeavor of the company.

Vibhor Singhal: And sir if I am not wrong the schedule completion date was probably December 2015 so we would be completing it ahead of the schedule time?

Virendra Mhaiskar: Yes, we do so.

Vibhor Singhal: So are we expecting any early completion bonus from NHAI on that front or will it be that we would be able to start tolling early and that is the only competition that we would get.

Virendra Mhaiskar: Yeah, starting early will be the only compensation that we will get.

Vibhor Singhal: Okay there is no extra benefit that you get in terms of early completion?

Virendra Mhaiskar: No.

Vibhor Singhal: Fair enough, secondly sir on the Amritsar-Pathankot project you mentioned that there has been a toll leakages and a parallel road on which people ply and there is why there has not been that much pick-up in the toll collections now a similar problem is being faced by GMR in their Ambala Chandigarh project in the same state. So just wanted to understand I mean is that specific problem in the state that there are a lot of parallel roads which are not being monitored and that leads to these problems in state of Punjab specifically.

Virendra Mhaiskar: No, I would not like to comment on any other project highway, what I have told is about the problem that we have for the Amritsar Pathankot and why our people encouraged to diversify on all other adjoining highway one reason is also the high toll rates on this particular project because if you look at the 100 kilometer corridor 45 kilometers was fresh new bypasses leading to that 1.5 times rate on that 100 kilometer corridor so effective per kilometer rate is much higher compared to those parallel roads which might be excised by the people so that is also one the teething points why people are trying to see whether they can some alternative roads rather than using a brand new four lane road.

Vibhor Singhal: So but over a period of time you expect the traffic to come.

Virendra Mhaiskar: Yeah, we have seen traffic coming back in Jaipur Deoli as well.

Vibhor Singhal: So on the Amritsar Pathankot project the major composition of the traffic would be passenger traffic?

Virendra Mhaiskar: It would be mix I think 60-40 is what safely can be assumed 60% would be commercial traffic and 40% would be passenger traffic.

Vibhor Singhal: Fair enough, sir just a last bookkeeping question sir if I get the gross debt amount and the debt at the standalone level at the year end?

Anil Yadav: Gross debt is around Rs. 12,570 crores and debt at parent and MRM level including overdraft will be roughly Rs.2,850 crores.

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

Akshay Soni: Just wanted to find out two or three reasons, one sir I know this question has been asked differently on the equity raising side which you would need to do what I wanted to know was you of course had a dividend policy in place any thoughts on trying to conserve capital by lowering the dividend payment and basically creating more internal accrual in that sense and therefore pushing out the equity requirement to the later stage?

Virendra Mhaiskar: Not given a thought to it as yet but it is welcome suggestion we will certainly dwell on it.

Akshay Soni: Sure, sir the other thing that I wanted to check up on was basically this is slightly strategic you have of course you are looking at 17% to 18% IRR on the new project but it has been a little while seen we have seen a premium award and I have been hearing from a couple of your competitors that some level of competition is starting to come back in the roads sector on the BOT side is that understanding correct? And if so do we think we are going to see some level of down tick in these IRRs or it is going to become tougher to get this kind of IRR?

Virendra Mhaiskar: Yes, you are right as regards being a premium project after a long time I would like to give some color it. This was a project which was bid earlier and being rebid now and this bid was allotted to Ramky Infrastructure in 2011 when they had offered to pay a premium of 128 crores no doubt the expressway did not exist at that time post that the project was called off four years of traffic has increased on it and that is what has led to this project again bid out on a premium because it is a six lane project with tolling rights on day 1. So with more than 140 crores of revenue being collected even as we speak the project not going on a premium would not have been possible. Number two, as regard competition in general is concerned where you are right they are as against the expectation that there would be a pretty lack luster response to BOT projects the government has seen newer names wanting to participate and some of them being some funds like Uniquest some new companies government companies like Ircon who have bid on the projects and then we have seen some other entrants like Tata Reality also bidding on these projects so yes there has been good response that the government has been receiving and as regards we are concerned we are very clear that unless we are able to get a project with around 18% IRR we do not want to just for the sake of project winning we do not want to go and commit capital for any project.

Akshay Soni: Understood, sir and should we assume that target of yours of basically going in of about 350 kilometers -400 kilometers roughly stays the same for the year?

Virendra Mhaiskar: Yes.

Akshay Soni: Okay. So no change in that prospective?

Virendra Mhaiskar: No.

Akshay Soni: Last question this one is for Anil, sir if you could just give me the breakup for the construction revenues?

Virendra Mhaiskar: Yes.

Akshay Soni: From a project basis?

Anil Yadav : Yes. For the March quarter Karwar-Kundapur project has contributed Rs.306 crores Ahmadabad Vadodara close to Rs.75 crores and Solapur-Yedsehi close to Rs.90 crores.

Moderator: Thank you. We have the next question from line of Atul Tiwari from Citigroup.

Atul Tiwari: Sir if I understand correctly you said that in this new project about Rs. 1.4 billion revenue can be collected even now I mean when you start tolling, is that right?

Virendra Mhaiskar: Yes.

Atul Tiwari: And sir how does this number change in 2020 as when you express way get commissioned?

Virendra Mhaiskar: After expressway gets commissioned and our project get commissioned we get the extra rate for the structures and the elevated one we expect the toll revenues to be in the range of around 250 crores to 260 crores.

Anil Yadav: And as of now this tolling is only for 75% rate so that is revenue for 75%.

Atul Tiwari: Okay, but this 75% will increase to 100% only after the construction is complete.

Virendra Mhaiskar: That is correct.

Moderator: Thank you. We have the next question from line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: Yeah sir just two questions continuing on the Agra Etawah project who was the second highest bidder and what was the bid for this?

Virendra Mhaiskar: It was Oriental, quoting Rs.17 odd crores of premium.

Anupam Gupta: Okay. And secondly on the Mumbai Pune extension project you were suppose to pay 1,000 crores premium over four installment so I think the first installment was due to March end so have you already paid for that or that is first still to be paid to due?

Virendra Mhaiskar: No, it is yet to be paid. We have understood from media reports that there is some committee which is dealing with the toll policy in Maharashtra particularly in MSRDC and PWD and by July end they are going to come out with their findings post which this will get initiated.

Anupam Gupta: So that payment will go through mostly probably second quarter of this year?

Virendra Mhaiskar: Yes, that is right.

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

Nimit Shah: Sir one question if you can specify toll rate increase which we had witness in this financial year for various projects.

Virendra Mhaiskar: Yes, toll rate increase was particularly in Mumbai Pune which was18%

Nimit Shah: I am asking about FY-16 what are the projects which are due for toll rate increase in this financial year and what will be the rate?

Virendra Mhaiskar: I think all the NHAI project were annual toll rate revision is there will be done however this year because your WPI is very nominal or in minus we expect only the 3% fixed rate revision to come through.

Nimit Shah: Correct, so it will be only 3% for most of the NHAI projects.

Virendra Mhaiskar: Yes.

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

Ashish: Hi, sir this is Ashish from IDFC Securities. Just a clarification on the Agra project cost does the 2650 cost include premium amount capitalized during construction or no?

Virendra Mhaiskar: No.

Anil Yadav: No, it does not include because toll collection is higher than the premium amount accordingly it will not get capitalized.

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

Nitin: Sir just one question on this Agra-Lucknow, you said about 140 crores revenue here at about 75% commissioning if I do it 100% takes you to 186 and you said that 250 crore of revenue post the commissioning of the project which implies about 33% growth so that 33% is equivalent to the tariff hike or both tariff and the toll growth we are assuming. Just wanted to understand how much tariff you will get once the structures are complete?

Virendra Mhaiskar: No, I think tariff hike would be worth from 28 kilometer to 30 kilometer so considering that we are saying 250 crores to 260 crores will be revenue

Nitin: By FY-20?

Virendra Mhaiskar: That is correct.

Moderator: Thank you. We have the next question from the line of Dheeraj Sanghvi from SBI. Please go ahead.

Dheeraj: Hello sir, hi, this is Dheeraj here. Just one question during the quarter when you look on quarter-on-quarter basis there is a decline in toll collection and Omalur - Salem so anything which is specific there is seasonality or there is something specific on that?

Anil Yadav: If you look at the last quarter increase which was roughly 33% percentage kind of increase and which was more kind of seasonality thing but if you will compare with the quarter-on-quarter with corresponding quarter then definitely there is substantial increase in terms of the toll collection.

Dheeraj: No, when you look at quarter-on-quarter the number is Rs.19.2 crores if I right and last quarter it was Rs.20.7 crores right? So there is a decline of 7%.

Anil Yadav: You are comparing with the trailing quarter.

Dheeraj: Yes, I am comparing with the trailing quarter.

Anil Yadav: Yes, the trailing quarter because of the festival season and other factors the collection was a bit higher but if you will compare with the corresponding quarter of the last year the number are still we are seeing some kind of growth. For MVR, March 2014 was Rs.16.63 crores against that we have seen 19.24 crores. So there is a significant increase in the revenue compare to year-on-year.

Dheeraj: Yes, I understand that but I just wanted to know since there are dip of 7% on sequential basis so there was only seasonality impact or something you are stop collecting of toll or something?

Anil Yadav: No, it is a more kind of seasonality impact.

Dheeraj: I think Rs.20.74 crores has gone down to Rs.19.24 crores, right?

Virendra Mhaiskar: Yeah.

Moderator: Thank you. We have the next question from line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Quazi: A couple of questions from my side. One is have we repaid some debt in Amritsar Pathankot project during the quarter?

Management: No, there is no repayment of debt in Amritsar-Pathankot.

Parvez Quazi: Okay. Somehow I got idea that Q-on-Q there was some reduction in debt.

Anil Yadav: There may be a minor repayment which will not be substantial.

Virendra Mhaiskar: Yeah, as the project is now commissioned there would some nominal principal repayment that would have started you are right.

Parvez Akhtar: Sure. And the other thing have we got toll revision already in Tumkur, Talegaon and Jaipur projects this year or is it still pending? I believe it stat from April 1?

Virendra Mhaiskar: Yes, it has been done.

Parvez Akhtar: So what is the kind of tariff hike that we have received in these projects?

Virendra Mhaiskar: As I said earlier roughly around 3%.

Moderator: Thank you. We have the next question from line of Chockalingam Narayanan from Deutsche Bank. Please go ahead.

Chockalingam Narayanan: Just a few housekeeping question one on this other expenses in the quarter it has been pretty low is it just a Q4 phenomenon or how should one read that?

Anil Yadav: See basically other expenses also includes CSR expenses and other thing which is one kind of expense which was done in earlier quarter and which is not there in the current quarter.

Chockalingam Narayanan: Okay. But what should be a normalized level on a quarterly basis one were to look at that?

Anil Yadav: I think it will be somewhere in 25 crores of 30 crores range.

Chockalingam Narayanan: The other thing was on current maturities of long term liabilities how much is that number if you can...

Anil Yadav: Current maturities of long term borrowings for SPVs are Rs.540 crores.

Chockalingam Narayanan: Sure, sir and in terms of other thing was on the state road projects any particular states which are seeing awards coming in?

Virendra Mhaiskar: We have strategically decided not to go for state projects at this point in time.

Chockalingam Narayanan: Okay, and NHAI projects that you were mentioning the 8,000 kilometers that is NHAI plus MoRTH or it is only NHAI that we are talking about of 8,000 sir?

Virendra Mhaiskar: I believe it is only NHAI.

Chockalingam Narayanan: So over and above that how much could MoRTH be?

Virendra Mhaiskar: We have no idea on that.

Moderator: Thank you. Our next question is from the line of Navin Jain for JM Financial. Please go ahead.

Navin Jain: I had a couple of questions, one again you mentioned that the pipeline for the coming year is about 3,000 odd kilometer on toll basis could you please comment as to how is the pipeline looking currently from the next three months' perspective so what are the big projects that are on offer which could interest us and if you can just briefly highlight some of the projects?

Virendra Mhaiskar: Cannot give you names or what interest but I can certainly say 1,000 kilometers are up for bidding in next three months.

Navin Jain: Okay, sure. Sir secondly on EPC projects so we continue not be so much interested in the EPC segment, right?

Virendra Mhaiskar: Yes, because there is too much competition there.

Navin Jain: Sure, sir. Secondly on the AV project in the past few quarter execution has slowed down I understand obviously there is a very little that is left in the project now so is there any specific issue in terms of execution?

Virendra Mhaiskar: It is more of finishing items going on and hence the billing would be lower.

Navin Jain: The other thing was from a construction business margin perspective you have given the kind of correction that we have seen in crude prices in the last six months or so is there any benefit that eventually trickle into a construction player like us and will help improve the margin further can something like that happens? The margins have been fairly stable.

Virendra Mhaiskar: As far as crude prices is concern you are very right but that has not translated out to bitumen, diesel or petrol prices. So that impact is not felt because that has not been a pass through as regards the refineries have not been kind to give that pass through to bitumen, petrol, and diesel.

Navin Jain: Finally sir, I missed out on the gross debt number for the parent as well as construction entity if you can share it again.

Anil Yadav: Gross debt is around Rs.12,570 crores, parent and Modern Road Makers including overdraft will be roughly Rs.2,850 crores and current maturity of long term debt for SPVs will be roughly Rs.540 crores for this year.

Navin Jain: What is the cash at the parent level?

Anil Yadav: Total cash is roughly Rs.1,600 out of that roughly Rs.1,100 crores will be with the parent and Modern Road Makers.

Moderator: Our next question is from the line of Ronak Siyani from Sharekhan. Please go ahead.

Ronak Siyani: Sir I have one question regarding the news which are floating recently with respect to say Maharashtra Government let cars and state vehicles to not avail toll. So what is the development, what is the state government's call in terms of compensation, has it decided on the compensation at what kind will be provided if tolling is exempted for this vehicles?

Virendra Mhaiskar: We are in as much in dark as you are. But whatever color we know and have heard about is says that there will be 12 projects where the government has decided to close tolling from 31st of May that is from two days from now and 53 toll projects they will be exempting cars and busses as regards our understanding and from whatever we have read in media reports three of our projects would be affected one will be Nagar-Karmala-Tembhurni, one will be Mohol - Kurul - Mandrup Kamti and these projects form the part where they will be closing down the toll their nominal concession period is left and as regard Thane Ghodbunder is concerned we expect cars and buses be exempted on this project. All put together these three projects form around 3% of the total toll revenue and as regard compensation is concerned we expect them to compensate on a year basis some kind of annuity is that they have discussing once we know the fine print we will share that with you.

Moderator: Thank you. Our next question is from line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Just a couple of questions what is the status on the Kolapur Road Project I mean what are the talks with the state government in terms of being compensated for the delay in tolling that we have done and are we collecting the toll on the entire stretch right now?

Virendra Mhaiskar: We are collecting on entire stretch right as of now but we are expecting some announcement on Kolhapur also to come through in a short time for now. We believe that there are two thought processes which they have been talking about one is to exempt MH09 that is the local vehicles of Kolhapur across all categories and second is to completely close down the toll. But from what we understand the first is option is what is something being looked up very aggressively so to that extent they will be compensating us again we will wait for the fine print to emerge.

Vibhor Singhal: Sure. And this project will be part of toll plaza that the Maharashtra State Government is intending to close down right?

Virendra Mhaiskar: No, this is not part of the 53 project. On this they have not yet made any declaration.

Vibhor Singhal: Okay. So this is not even under that preview.

Virendra Mhaiskar: Yes.

Vibhor Singhal: One last book keeping question I mean the NHAI project which have a toll revision policy of 3% plus 50% of WPI so is that 3% floor there or in case of negative WPI it could actually fall below 3% also.

Virendra Mhaiskar: No, to our understanding it is a floor.

Vibhor Singhal: It is a floor so even the WPI minus 3% or 4% we still get a 3% tariff to it.

Virendra Mhaiskar: That is right.

Moderator: Thank you. Ladies and gentlemen that was the last question, I would now like to hand the floor over the management for closing comments. Thank you and over to you.

Virendra Mhaiskar: Yeah, thank you all of you for being on the call and for your questions. Thank you so much.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference for today. We thank you for your participation for using the Research Bytes Conferencing Services. You may please disconnect your lines now. Thank you and have a great evening.