

Conference call – Q2FY14
(November 14, 2013, 3.30 PM)

Moderator: Good afternoon ladies and gentlemen. Welcome to the IRB Infrastructure Developers' conference call hosted by the company for the unaudited financial results for the September quarter of Financial Year 2014.

We have with us today Mr. Virendra Mhaikar – Chairman & Managing Director; Mr. Anil Yadav – Group Chief Financial Officer; Mr. Madhav Kale – Head -Corporate Strategy Planning; and Mr. Mehul Patel – Group Company Secretary on the call.

After the opening remarks by the management there will be a question and answer session. I would now request Mr. Mhaikar to give you an overview of the significant development during the September quarter. Over to you, sir.

Virendra Mhaikar: A very good afternoon to all of you. During this quarter as also we have continued our focus on project execution. We have five projects under implementation during the quarter. Construction on Ahmedabad-Vadodara project is progressing well and we have completed around 35% of the work. Tumkur-Chitradurga, Amritsar-Pathankot and Jaipur-Deoli projects stand substantially completed. This has reflected in 12% increase in the construction revenue in comparison with September quarter last year. Construction segment operating EBITDA margin remains at 27% during the quarter.

We have also started partial toll collection on Jaipur-Deoli project in later part of September. Also subsequent to withdrawal of suspension on toll notification by the State of Maharashtra & in pursuant to the directions of the Honorable High Court of Mumbai to the State of Maharashtra to provide Police protection to each of our toll plaza with Kolhapur project, we have commenced tolling on that project in October.

On operation front we have seen tepid traffic growth and in some cases de-growth which is in line with the level of economic activities during this quarter in comparison to corresponding period last year. However, due to higher tariff rates which are linked to inflation toll revenue has increased moderately by around 10% in comparison to the corresponding quarter last year.

We expect Amritsar-Pathankot project to be completed by the end of this Fiscal. We expect to achieve financial closure for our Goa-Kundapur project by the end of this quarter. Average cost of debt for the company remains at 11.25% with a net debt-to-equity ratio of 2.55:1. The order book for the company stands at around Rs. 7,000 crores of which Rs. 5,000 odd crores is construction order book to be executed in next two years. We have participated in the annual pre-qualification process of NHAI and having declared qualified to bid for a single project of size of up to Rs. 5,000 crores. We stand pre-qualified to bid for approximately Rs. 31,000 crores worth of projects in the road sector.

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

Anil Yadav: Thank you, sir.

First I will present financial analysis of Q2 FY14 versus Q2 of FY13. Total consolidated income for Q2 of FY14 has gone up to Rs. 967 crores from Rs. 878 crores registering growth of 10%. Total consolidated toll revenue for Q2 of FY14 has gone up to Rs. 273 crores from Rs. 248 crores registering growth of 10%. While consolidated construction revenue for Q2 of FY14 has gone up to Rs. 666 crores from Rs. 597 crores registering growth of 12%. EBITDA for Q2 of FY14 has

gone up to Rs. 450 crores from Rs. 413 crores registering growth of 9%. Interest cost has also increased by 20% to Rs.176 crores in Q2 of FY14 from Rs. 147 crores in Q2 of FY13 mainly due to increase in finance cost of IRB Tumkur-Chitradurga and new subsidiary MVR Project. Depreciation has also gone up by 12% to Rs. 124 crores in Q2 of FY14 from Rs. 111 crores in Q2 of FY13 mainly due to increase in amortization in Surat-Dahisar and Mumbai-Pune Expressway based on the revenue pattern as we are amortizing based on the revenue of the company and MVR Project which we have acquired last year from October. As a result, PBT has marginally gone down to Rs. 150 crores in Q2 of FY14 from Rs. 155 crores in Q2 of FY13. PAT before minority interest in Q2 of FY14 stands at Rs. 107 crores as compared to Rs. 119 crores in Q2 of FY13. Decline in PAT is higher as compared to PBT due to increase in tax surcharge from 5% to 10%.

Now I will present the financial analysis of half year FY14 versus half year of FY13. Total consolidated income for half year FY14 has gone up to Rs. 2,029 crores from Rs. 1,890 crores registering growth of 7%. Total toll revenue for half year FY14 has gone up to Rs. 551 crores from Rs. 500 crores registering growth of 10% while consolidated construction revenue for half year FY14 has gone up to Rs. 1,421 crores from Rs. 1,325 crores registering growth of 7%. EBITDA for half year FY14 has gone up to Rs. 934 crores from Rs. 869 crores registering growth of 7% over half year of FY13. Interest cost has also increased by 14% to Rs. 342 crores in half year FY14 from Rs. 299 crores in half year FY13. Depreciation has also gone up by 12% to Rs. 245 crores in half year FY14 from Rs. 219 crores as compared to half year FY13.

As a result PBT has marginally gone down to Rs. 347 crores in half year FY14 from Rs. 351 crores in half year FY13 by 1%. PAT before minority interest in half year FY14 stands at Rs. 241 crores as compared to Rs. 258 crores in half year FY13. Decline in PAT is higher as compared to PBT due to increase in tax surcharge from 5% to 10%. Now I have finished my analysis. We are open for Q&A session.

Moderator: Certainly sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press * and 1 on your pushbutton phone and await your turn to ask the question when guided by the facilitator.

We have our first question from Mr. Devang Patel from Avendus. Please go ahead sir.

Devang Patel: The standalone profit has gone up sharply to Rs. 120 crores; can you explain if there is any exceptional there and also does it mean that MRM we have booked some loss in this quarter?

Anil Yadav: No, Modern Road Makers does not have any loss in this quarter. The standalone profit is higher because of the dividend. As you are aware that last quarter we have declared to Rs. 2 dividend and Rs. 1 which was declared in along with the March result that was also paid in the last quarter itself. So there was a total Rs. 99 crores impact because of the dividend which gets eliminated while doing the consolidation.

Devang Patel: Secondly on the toll building growth between Surat-Dahisar and Bharuth-Surat we see a large gap although the stretches are contiguous. Is this explained by just the bridge building activity near Thane or is there some other reason for this difference?

Virendra Mhaiskar: No, I think it will be partly explained by it because that. Also look at the Thane-Ghodbunder numbers there was a tariff revision but there also the revenue number has improved substantially. So we believe part of that growth at Surat-Dahisar would also be to do with the shift of traffic back on Surat-Dahisar.

Devang Patel: So most of the difference is because the traffic?

Virendra Mhaiskar: Yes.

Devang Patel: On the Goa-Kundapur project now earlier last con call you mentioned you are expecting financial closure by end of September it has not happened. What is the visibility of it happening within the next quarter? Have things moved on that?

Virendra Mhaiskar: On Goa-Kundapur we have received almost all the bank sanctions barring one or two and those are awaited in this week or so. So the financing documents have also been finalized with the lead lender and they are being submitted to NHAI. So we are confident that this month itself we should be very close to declaring the financial exposure of the project.

Moderator: Thank you for your question sir. We have our next question from Mr. Shravan Shah from the market. Please go ahead sir.

Shravan Shah: Can I have the other income EBITDA in constructions and BOT?

Anil Yadav: Other income for this quarter in construction was Rs. 24 crores and for toll it was Rs. 4 crores.

Shravan Shah: And what was the same in the last year last quarter?

Anil Yadav: Rs. 24 crores construction and Rs. 9 crores BOT.

Shravan Shah: How much equity we have invested in this quarter in all our projects?

Virendra Mhaiskar: We have infused approx Rs.178 crores equity in this quarter.

Shravan Shah: In terms of the requirement remaining in this second half and in FY15 how much are we planning to invest?

Anil Yadav: Yeah, balance equity requirement Goa-Kundapur will be roughly Rs. 600 crores plus and Ahmedabad-Vadodara it will be roughly Rs. 980 crores.

Virendra Mhaiskar: This equity is to be infused in to these two projects over the next 2.5 to 3 years.

Shravan Shah: But can we have any number specific for the second half in FY15?

Virendra Mhaiskar: No, I think the Goa-Kundapur it will largely depend on the fact as to when we get the date. So it will be very difficult to project the exact quantum of equity that would be infused in this Fiscal.

Shravan Shah: And continuing this in Goa-Kundapur in terms of the appointed that will it be by December or?

Virendra Mhaiskar: I think it will be before March.

Shravan Shah: Okay so is there any land acquisition or something problem?

Virendra Mhaiskar: Not really but certain approvals are in advance stage so for NHAI to complete the process then hand it over to us we believe fairly it should happen in the coming quarter.

Shravan Shah: Okay so then in terms of EPC revenue only Ahmedabad will be the major driver for this FY14?

Virendra Mhaiskar: Yes, that is right.

Shravan Shah: And sir, is there any reason for delay in getting COD for this Amritsar-Pathankot?

Virendra Mhaiskar: No, no specific reason but as we had explained in the last conference call also there are around 3 or 4 ROBs which have connectivity with the bypass lane and that ROB approvals are pending with the Railways. So unless we complete those ROBs we will not be able to open those bypasses because of which the substantial completion is not becoming feasible in spite of the bypass has been ready. And as far as the ROBs are concerned both the approaches have already constructed. The girders for the Railway portion are ready but we are just holding back because of the approvals yet to come from Railways.

Shravan Shah: So by March we are expecting COD?

Virendra Mhaiskar: Yes.

Shravan Shah: And sir in Jaipur-Deoli definitely from September 28th one-and-half month has gone how is our experience in terms of the toll was it better than expectation?

Virendra Mhaiskar: Frankly no. Because of one major reason what has happened since the opening of the highway you might have noticed there has been a blanket ban on sand mining and aggregate mining by the National Environment Regulators in the State of Rajasthan. As a result of that the entire mining has come to a standstill and we have told that this particular corridor has a lot of sand movement because of Banas River from which most of the sand is supplied to the entire Jaipur and as a result we have seen substantial drop in the revenue on Jaipur Tonk for the last 15 odd days since the ban has been in force. We are also told that the State has now approached the Supreme Court for lifting the ban and some result on that is expected by 18th of this month. So if that happens then it should be okay because before that ban the things were pretty good.

Shravan Shah: And sir, one on industry side. Is there any update on the premium rescheduling in terms of the awarding from NHAI; how do we see in the coming months?

Virendra Mhaiskar: Premium rescheduling as a scheme what we read from newspapers and what we gather from our interactions with NHAI and NHBA is that the scheme stands approved and the final fine points of the scheme are being worked out for which a committee has been appointed by the government so once those final points are decided then we will know the exact modalities as to how we can apply to projects concerned with us.

Shravan Shah: And in terms of the awarding in coming months?

Virendra Mhaiskar: We have started seeing some RFP's now being floated by NHAI, so we will wait for more clarity as to how many projects they intent to bid out in this Fiscal and we certainly will continue to bid for projects as they come along.

Moderator: Thank you for your question sir. We have our next question from Mr. Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: My question is on the dividend policy. So last quarter we declared Rs. 2 as dividend so how is the policy likely to be going forward during FY14?

Virendra Mhaiskar: There is no change in the policy, Atul. So the policy is continued with the same which is around 20% of the consolidated PAT will be distributed as the dividend.

Atul Tiwari: And sir, in terms of the strategy of the company going ahead I mean do you think that this NHAI award activity has any chance of picking up especially given that we have elections in June. So what is your stance I mean or nothing will happen till at least June next year?

Virendra Mhaikar: Yeah Atul, the present focus with which what we are looking at is that we want to get Karwar-Kundapur project operationalized on the appointed date and have to start the construction on that. That is our primary objective. As regards to the new projects are concerned we are seeing some RFP's that have been floated of which some of them are due this month, some of them due next month. So if that process commences then they continue on that trend and certainly yes, they have lot of projects where RFP have already been done and they can bid out those projects. So it will be worthwhile to wait and see how it goes along. We are hopeful that they will continue the bidding activity in the next two months.

Atul Tiwari: And sir, I mean in terms of the debt on the balance sheet and how much more room you have to increase the debt, I mean how much more CAPEX you can plan for given the current environment? I mean is there any thought on that I mean your debt is to say roughly around Rs. 85 billion today. How much debt you are comfortable with on the balance sheet? Any thoughts on that; that would help?

Virendra Mhaikar: I think we would not like to exceed a 3:1 debt equity ratio going forward. At presently we are at around 2.55:1 on net basis. And one thing we will have to keep in mind is that the equity infusion is not required upfront so I mean if we look at the calendar presently and our experience on hand you can notice that from the date of award to date of appointed date it almost takes you a year. So even if one does win a project in next couple of months the actual execution of the same will start somewhere only in FY16. So if you look at that perspective and the infusion calendar then I think we can continue to comfortably grow going forward.

Moderator: Thank you for your question sir. We have our next question from Mr. Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Sir, I just want a breakup of the revenue project wise?

Anil Yadav: Yes, Talegaon-Amravati Rs. 10 crores; Jaipur-Deoli Rs. 10 crores; Amritsar-Pathankot roughly Rs. 35 crores; Tumkur-Chitradurga Rs. 150 crores; Ahmedabad-Vadodara Rs. 425 crores; and balance roughly Rs. 35 odd crores is from utility shifting and other cash contracts.

Nitin Arora: Sir, I just want to know if you can give me the debt on the MRM and the cash on the MRM books?

Anil Yadav: Modern Road Makers cash balance is Rs. 147 crores and credit number is close to Rs. 700 crores.

Nitin Arora: Sir, I just want to understand the Forex policy now because I think we have a Forex debt on these three projects which are on grant. So isn't the end-to-end really adjusted against the reserves and will not be get accounted in the P&L side?

Anil Yadav: Yeah, you are absolutely correct. Based on the MCA circular the M-to-M impact till 2020 will be adjusted towards reserves.

Nitin Arora: Just last one on the traffic numbers. Ahmedabad-Vadodara is again going a little lower than our expectation. So any one offs sir do you think it is a normal slowdown or the port traffic is coming down so normal economic slowdown that what we are seeing on any one of do you see any division from the traffic because of some patch coming in or the CV vehicles have come down just because of the slowdown?

Anil Yadav: I think it will be very difficult to pass a judgment today because if you look at the numbers you will see a 20% growth on Thane-Ghodbunder; you will see a 12% growth on Surat-Dahisar; a flat on Bharuch-Surat and a flat on Ahmedabad-Vadodara. So I think it is very difficult to pass the judgment it is quite turbulent at this time. And one will have to wait and see how it stabilizes.

Nitin Arora: And sir, the last thing on this premium restructuring you have been always given us the analyst fraternity the thoughts about it. Sir, do that really improve the project viability I mean even if I get that in what kind of a synergy is just wanted to know I mean not for project specific but what kind of synergies it can give to a project basically on the financing part?

Virendra Mhaiskar: Good question. I would say that beyond the fact that it eases out the cash flow I do not think it is a value accretive exercise except for if the interest rate at which we are allowed to back in is cheaper than our average cost of funds. If that happens then it would be a bit value accretive but more than that it will ease out the cash flows because for the negative cash flows what we are supposed to infuse that cash will be available and handed to us to infuse in to newer projects. So to that extent it will be healthy and good strategy but if on a standalone project if one has to work out and see whether it is really value accretive in value terms I do not think so.

Moderator: Thank you for your question sir. We have our next question from Niral Shah from Angel Broking. Please go ahead sir.

Niral Shah: Basically on Tumkur-Chitradurga. Sir, are the projects working construction being on schedule and what is the commission that is expected on the project?

Virendra Mhaiskar: See the project is already being tolled as you know. So the construction is absolutely bang on schedule and we will be inaugurating the project probably by end of the month or in the next month. The preparation for the same are under way and as far as the revenue is concerned it has been flattish because of the mining ban going on in the region.

Niral Shah: And secondly, sir on IRB Kolhapur since we have started collecting toll what is the revenue guidance or estimate there?

Virendra Mhaiskar: See the Kolhapur tolling has commenced few days back and as you know after a long struggle and resistance we have been able to start the tolling on the project with the help of Police force and Court orders and so on and so forth. So what has happened is we are going very slow in terms of exercising the tolling is concerned and presently if you ask me frankly what we are doing is we are going as per the Police directions not becoming very strict and as a result what today is happening is almost 50% of the revenue has been realized from the potential revenues. So it should not right to give out any number at this point but wait for a couple of months more for the same to fully stabilize and people start paying fully as per the law is concerned.

Niral Shah: And sir, till the time I remember we have some land bank as well with the project so we have thought about something on that front as well or currently there are no plans on it?

Virendra Mhaiskar: See as far as the land parcel which was given along with project the hotel construction on the same is already going on and is as per schedule progressing well.

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

Ashish Shah: Sir, on your Maharashtra Road projects the decline seems to be particularly high for almost all the road projects in Maharashtra. So is there anything peculiar that is there in which you would like to highlight?

Virendra Mhaiskar: Ashish, very good question. First of all I would like to draw it clear here that all these four, five projects which you are seeing where there has been a bit of de-growth together constitute not more than 10% of the total revenues of IRB projects. Having said that this de-growth or slowdown is because of various reasons like if you look at Thane-Bhiwandi bypass which is the largest of the pact where we have seen de-growth it is primarily because of the part of traffic shifting back to NH-8 as a result of which you might have seen higher revenue growth in Thane-Ghodbunder. Now the other road projects in the pact which are the smaller ones constituting 1% or 2% of the total revenue there we have peculiar issues where the adjoining length are not well maintained during the monsoon resulting in diversion of traffic and particularly couple of projects around Pune Municipal Corporation area where in PMC limit you have seen lot of automobile industries living and having closer because of piling up of inventories resulting in a very dismal movements of vehicles and traffic. So these are peculiar spot specific reasons which have resulted in this kind of a de-growth in those projects. I do not think they are symbolic as far as the overall portfolio is concerned and they do not contribute significantly to the overall revenue that we collect.

Ashish Shah: Sir, in Talegaon-Amravati when do we expect full tolling to commence?

Virendra Mhaiskar: See the balance work have been completed we have already filed with NHAI for releasing the final COD so we expect that the paperwork should be complete and we should get the final COD by end of this quarter.

Ashish Shah: So by January we can expect to we are collecting 100% of the toll?

Virendra Mhaiskar: That is what we expect, yes.

Ashish Shah: What could be the toll collection at that level let us say January, February level approximately?

Virendra Mhaiskar: Presently we are collecting Rs. 7 lakhs to Rs. 8 lakhs as we said and that is around 58% of the total tariff. So, on prorata basis, around Rs. 12 lakhs to Rs. 13 lakhs should be what that is something what one can expect.

Ashish Shah: Sir, in Pathankot-Amritsar is there be any toll collection at all this year or you expect that it will probably commence next year only?

Virendra Mhaiskar: I think we should get the substantial completion by end of this Fiscal so logically the tolling should commence in the coming Fiscal.

Moderator: Thank you for your question sir. We have our next question from Mr. Shashikiran from Standard Chartered Securities. Please go ahead.

Shashikiran: My question is on is there any future projects through the pipeline so Ahmedabad-Baroda would be your only project that such EPC revenues in the next year or so. So would you be looking to I mean how important is it for you to add new projects in the next six months or so and what are the prospects of being it?

Virendra Mhaiskar: I think yes, we are very certainly looking forward to bid and win more projects but for that NHAI has to commence bidding and we are keeping fingers crossed when they start the same.

Shashikiran: Can you share with us what all toll escalations that you have received in the last one quarter or so in Q2?

Anil Yadav: Surat-Dahisar we have got our rate hike of close to 7% from 1st of September. Bharuch-Surat close to 6% from 1st of July and MVR 5.65% from 1st of September.

Moderator: Thank you for your question sir. We have our next question from Mr. Saurabh Mishra from Barclays. Please go ahead, sir.

Saurabh Mishra: By when can we expect the construction of Goa-Kundapur to commence? Because if you are guiding for this month's financial closure then can we expect something by this Fiscal end?

Virendra Mhaiskar: We do not expect any EPC billing in this quarter for Karwar-Kundapur. Some minor billing can be expected in the next quarter. But that too in the later part of the next quarter.

Saurabh Mishra: So from December or basically I should say from fourth quarter we should start expecting the construction to commence in full scale?

Virendra Mhaiskar: That is right.

Moderator: Thank you for your question sir. We have our next question from Mr. Parvez Akhtar from Edelweiss. Please go ahead, sir.

Parvez Akhtar: Sir, just one question. I mean assuming that the Goa-Kundapur project we get the appointed date by March even then it will be close to two years from the date of project of which I believe was in May 2012. So are you in talks with NHAI for any kind of gains and compensation on those and in general there has been the gap between the date of project awarded and appointed date has been increasing quite a lot over the last couple of years. So do you see any kind of changes on the positive side from the Government whatever they talk about improvement in clearances and so on going ahead?

Virendra Mhaiskar: See Parvez, these issues have been on a macro level already been taken up through NHBF with NHAI and NHAI has been actively looking at all these issues. Now what relief that the sector can expect out of this is very early to comment upon because presently we are engaged with them on the back-ending of premium. All these other issues with regard to escalation in appointed days, we have not heard anything concrete from NHAI on this as yet. In case if there is any positive outcome it will get applicable to all of the projects where the issues have been in existence.

Parvez Akhtar: The reason why I am asking is that if the project has been awarded on premium then obviously you can restructure the premium but for projects like these which have been awarded on a VGF what kind of solution or compensation can you get from the Government?

Virendra Mhaiskar: See one flagging what NHBF has done with NHAI is that for all these period which is delayed we have said that we should be given a WPI based escalation. Now there will be issues whether this escalation has to be computed with regard to the TPC assumed by NHAI or the TPC assumed by the developers whether the already provision where delay in handing over of land there is a penalty which NHAI is supposed to pay at a rate of some Rs. 100 per square meter whether that penalty is sufficient enough to tackle the delay and the compensation in view of that; all these issues are very fluid issues and very sticky issues. So it will be very difficult to quantify and say firmly whether there is belief that may really come forward.

Parvez Akhtar: And sir, with the substantial number of projects coming to completion stage would we be looking to refinance this project either from IIFCL or any other lending agencies and what kind of benefit can we expect in terms of interest rates whenever it comes?

Virendra Mhaiskar: See I think the first project that will be now eligible for refinancing will be Surat-Dahisar because sometime back we had approached IIFCL for refinancing the project & they stated that the project has to have achieved COD and it should have a 12 months of revenue record post COD. Now we tried to explain them that the project has a tolling from the date of appointed date but they cannot go beyond their rules. So we are waiting for one year of the PCOD certification to be over upon which that project under Rs. 1,200 crores of debt would be eligible for refinancing. Similarly all the other projects which are now becoming operational after a year's period they would also be eligible for refinancing.

Moderator: Thank you for your question sir. We have our next question from Mr. Sandeep Kale from UBS. Please go ahead, sir.

Sandeep Kale: Sir, just one question from my side. Most of my questions have been answered. Are you surprised by the construction sector margins these were the margins which were factored in while taking on these projects?

Virendra Mhaiskar: No, Margin is higher due to good designing and lower inflation but we normally bid on a 10% to 12% PAT margin.

Sandeep Kale: So there are not any cost elements or engineering or any such gains which you have realized during the execution over the last few quarters?

Virendra Mhaiskar: Nothing substantive.

Moderator: Thank you for your question sir. We have our next question from Mr. Lokesh Garg from Kotak Institutional. Please go ahead, sir.

Lokesh Garg: Sir, just want to check basically on the Jaipur-Kota-Deoli where you are starting to toll the road now what is the per day toll collection which you are getting? I know it is they said some problems but any number should be helpful to us basically to gage?

Virendra Mhaiskar: Lokesh, the number today is a dismal Rs. 15 lakhs.

Lokesh Garg: Rs. 15 lakhs per day today, right?

Virendra Mhaiskar: That is correct.

Lokesh Garg: Yes, basically this number should have been around Rs. 25 lakhs at least?

Virendra Mhaiskar: Yes, around Rs. 22 lakhs.

Lokesh Garg: And on the average sir, Pathankot Railway clearances are due on some ROBs as you sort of shared on the call. Now in the past we have seen with several other companies that Railway clearances are taking lot more time than initially envisaged. So do you have a set of fall back option in case clearances get delayed versus the plan currently and what would that be?

Virendra Mhaiskar: See in Jaipur Tonk Deoli also there are two ROBs which are yet not complete but they were dealing that they were able to start tolling. Now in Amritsar-Pathankot the situation is a bit tricky because there is one single corridor which passes and cut the project location at five places. So it is the same department and same office which we will have to accord approval for all these five ROBs and the tricky part is that these ROBs are hindering the opening up of the bypass lane and unless the bypass becomes operational because there is substantive length of bypass which has been built in this project. Now unless we open up those bypass lanes for the 75% completion to be exercised there will be an issue. So in this particular project the ROBs will hold much more trickier situation for us than elsewhere. But the way the things are going as I explained earlier both the approaches are ready, **once** the ROBs are ready,

the approvals are at the final stage. So we are pretty hopeful that before March we could be able to get done with those.

Lokesh Garg: Sir, my last question basically relates to slightly weak traffic growth at Tumkur and Bharuch-Surat projects. Anything specific which is happening out here which is leading to this because both these projects had in the base numbers all the problems that are leading to these issues. So to that extent Y-o-Y growth should have been possible?

Virendra Mhaiskar: Very difficult to pinpoint. Tumkur-Chitradurga I can attribute that to the mining stoppage because we have not seen any mining coming back and Bharuch-Surat is a very tricky project we are not been able to quantify why the slowdown is there because Surat-Dahisar we have seen quite good pick up but I mean very difficult to pinpoint Bharuch-Surat.

Moderator: Thank you for your question sir. We have our next question from Mr. Naveen Jain from JM Financials. Please go ahead, sir.

Naveen Jain: Sir, I just wanted to know the consolidated debt as on September 30th?

Anil Yadav: Consolidated gross debt is Rs. 10,000 crores; cash balance is roughly Rs. 1,300 crores and net debt is Rs. 8,700 crores and net worth of the company gross at consolidated level is Rs. 3,420 crores.

Naveen Jain: So basically if I add up the debt of all the projects it is closer to about Rs. 6,660 crores so the balance will be at the holding company level; is that a right understanding?

Anil Yadav: No, holding company and MRM both including will be roughly Rs. 2,350 crores including the overdraft and balance will be on the SPV itself.

Naveen Jain: So you mentioned gross debt to be how much confused, sorry?

Anil Yadav: Rs. 10,000 crores.

Naveen Jain: And sir, second question was on Thane-Ghodbunder. When was the last toll like taken on this project?

Anil Yadav: April 1, 2013.

Naveen Jain: How much was that?

Virendra Mhaiskar: Around 18%.

Naveen Jain: And the next leg it will obviously be after three years?

Anil Yadav: Three years.

Naveen Jain: And sir, just on the question of one of the participant was asking about refinancing and what could be the benefit so what kind of lowering of interest rate you would expect whenever this refinancing happens let us say may be Surat-Dahisar project?

Virendra Mhaiskar: I think if you look at the present cost of funding it is around 11.25%. We should be able to save at least 100 bps in case of refinancing.

Naveen Jain: What is the current interest rate in this project?

Virendra Mhaiskar: Around 11.25%.

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

Akshay: Akshay here from Morgan Stanley. Just two questions, sir. One, I wanted to understand in terms of traffic I know there have been earlier questions but if you could just decompose you know what the changes have been they told across the various roads over the year. If you could just decompose this in to pricing and volume your volumes would be down slightly on a Year-on-year basis? Would they or would they change about 1% to 2%?

Virendra Mhaiskar: No, I did not get the question.

Akshay: Sir, basically just want to understand if you decompose the growth that you got in the quarter in the total tolls in to the change in pricing into the change in toll and the volume growth on the various projects then that said what could be the volume growth that you would have come up with and I understand that you have ensured on the two, three projects that apart from that?

Virendra Mhaiskar: On an average I would say anywhere between 4% to 6% have been the traffic growth. If I have to segregate the tariff from it and look at the poor traffic growth I think it would be 4% to 6% varying across projects.

Akshay: And perse this growth what would you utilizing them other than the two, three projects that we discussed in terms of sand mining the growth not having come back and of course benefit that you did not say that you did not develop strategy to figure out but apart from that what would give us an indicator for set up in this growth?

Virendra Mhaiskar: See at the moment it is too volatile so we will have to wait out for a quarter or two and see how it pans out because few of the states are also under election at the moment. So there is every possibility that there is a lowered activity because of these reasons. So it would be better to wait for a quarter or two to see really how the things pan out.

Akshay: And the last question is as far as the media has been talking about 21 projects on which there is going to be a premium restructuring so are these projects included in that or do you still have to plan therefore you will have to take the decision later?

Virendra Mhaiskar: No, this particular doubt is I am very well clarified because if you look at the newspaper reports and our interactions with NHAI through NHBF there was this confusion earlier that only 23 projects would be considered for back ending but the final approval that have come from the Government what we learn is it will be accommodating all premium projects beyond April 2010 if I am not wrong. So now the projects will certainly stand qualified for back ending depending on what norm they finally decide.

Moderator: Thank you for your question sir. We have our next question from Mr. Krishnendu Saha from Quantum. Please go ahead, sir.

Krishnendu Saha: Sir, I do have similar question. The Maharashtra projects which were one year back absolutely debt free all these Thane-Bhiwandi, Pune-Solapur all these [Kharpada] Bridge they had no debt suddenly they have a debt on this. So like it is to refinance something like this just rough idea on that?

Anil Yadav: We have neither refinanced nor we have done any activity in last two quarters and as I think we have already explained in earlier con call that whatever the surplus generated in the BOT project are routed to the holding company through other subsidiary. If one company has a surplus that gives loan to another subsidiary accordingly in that books it will be shown a loan received from that company and then after that company gives the loan to the holding company.

Krishnendu Saha: But you have loan in the books of suppose Thane-Bhiwandi has a loan of Rs. 150 crores so Thane-Bhiwandi has taken a loan of Rs. 150 crores and that has been an equity infusion in some other project, right?

Anil Yadav: Thane-Bhiwandi bypass and Thane-Ghodbunder these two projects there we have taken some loan earlier. We were having some short-term loans and then since the short-term rates were increased we have replaced that short term loans by taking a loan in Thane-Bhiwandi bypass and Thane-Ghodbunder.

Krishnendu Saha: So like in FY13 end if I remember there was no debt in the book?

Anil Yadav: No, there was a debt in FY '13 itself.

Krishnendu Saha: Okay, so Pune-Solapur, Pune-Nasik also were the same there was no debt I think so?

Anil Yadav: Yes. But Pune-Nasik, Pune-Solapur there is no external debt in those two companies.

Moderator: Thank you for your question sir. We have our next question from Mr. Abhinav Bhandari from Elara Capital. Please go ahead, sir.

Abhinav Bhandari: Continuing on that restructuring part you mentioned that all the projects post April 2012 would stand eligible for that. Just wanted to check once the final norms are announced is that on the developer to forward their project for restructuring or compulsorily all the projects would have to go for restructuring?

Virendra Mhaiskar: First to correct the date it is April 2010 not April 2012. As regards participating in the field it would be to the discretion of the concessioner whether he wants to participate in the scheme or not.

Abhinav Bhandari: So once the norms are finalized you will perhaps have a look at it and then you will take a decision on that?

Virendra Mhaiskar: That is absolutely right.

Abhinav Bhandari: And we have had one project which got cancelled the Goa-Karnataka border and we had some claims regarding that particular project. Any update on that front?

Virendra Mhaiskar: No, nothing as of now.

Abhinav Bhandari: And similarly I mean can we expect some compensation on the Kolhapur project as well because of the delays which have happened?

Virendra Mhaiskar: Yes, we will be. We are in the process of merging the claims with MSRDC now.

Abhinav Bhandari: And any thoughts on what quantum it would be and how it would be settled? Would it be increasing the concession period or some other thing?

Virendra Mhaiskar: No, we have not had any interaction on this because we were pretty busy getting the toll operation started. So these exercises now will be taken up.

Abhinav Bhandari: And could you give some number on the cost covered on account of the damage to the toll-plaza which have happened or the IDC which has happened over the last couple of years?

Virendra Mhaiskar: See the debt on the project is around Rs. 250 crores and it has been delayed for almost 20 months. So from that you can make out the IDC that has been incurred excess because of non-starting of the toll,

Abhinav Bhandari: Would that be included in the project cost now?

Virendra Mhaiskar: Yes, at the moment it is the capitalized cost. That is the amount which we will be claiming from MSRDC.

Abhinav Bhandari: Any update on the Sindhudurg Airport project? Have you commenced the construction or the equity funding in to that project?

Virendra Mhaiskar: Yes, the construction of the project has commenced.

Abhinav Bhandari: And any equity have gone from our side or not yet?

Virendra Mhaiskar: Not majorly because it has just commenced couple of months back.

Moderator: Thank you for your question sir. We have our next question from Mr. Jonas from Bank of America. Please go ahead, sir.

Jonas: My first question was on Thane-Ghodbunder. Sir, is the 20% revenue growth purely traffic link because if I get it right you said that the rates were hiked only in April?

Virendra Mhaiskar: Yes, the rates were increased in April but that will have an impact on the September quarter also.

Jonas: Sir, and on the EPC revenue part I just wanted to understand now that you are saying that Goa-Kundapur is mostly now second half of say March or so. So revenues until then would be largely driven by Ahmedabad-Baroda given that even Pathankot-Amritsar and Tumkur-Chitradurga are nearing completion?

Virendra Mhaiskar: Yes, you are right and that is the reason why we may see softer construction turnover in the next two quarters.

Jonas: So this was slightly has your internal estimate sort of changed over the last quarter so Q1 versus Q2 has there been a change in their estimate internally?

Virendra Mhaiskar: Q1 versus Q2 not really because Q2 we had never expected Karwar-Kundapur to commence.

Jonas: No sir, I meant your FY14 targets have been using EPC say you had targeted say x is it now probably x minus something because?

Virendra Mhaiskar: Yes, it would be x minus something because of delay in Karwar-Kundapur.

Jonas: And also Sindhudurg you just mentioned that commenced construction. Any ballpark figure what kind of revenues that can generate for EPC?

Virendra Mhaiskar: Nothing substantive in this financial year.

Jonas: And lastly sir, on the balance sheet side what is the debt which is part of current maturities of long term debt that as in what is it clubbed with in terms of other current liabilities?

Anil Yadav: Current liabilities are of approx Rs.1200 crores.

Moderator: Thank you for your question sir. We have a question from Mr. Nitin Arora from Emkay Global.

Nitin Arora: Sir, just two questions again. Sir, we did a quarterly run rate of Ahmedabad-Vadodara let us say Rs. 700 crores in Q1 Rs. 425 crores we did in Q2. What sort of like I am just ask you on the backdrop of Goa-Kundapur getting delayed on the last year. So what kind of quarterly run rate we can maintain for Ahmedabad-Baroda?

Virendra Mhaiskar: See there is some order book execution pending on the balance three projects as well. So those balance EPC billing in those three or four projects and Ahmedabad together one can expect closer to what we have been able to do in the first half that can be repeated in the next half.

Nitin Arora: Rs. 600 crores kind of a Ahmedabad-Vadodara can still can get executed including the balance I meant to say?

Virendra Mhaiskar: Yes.

Nitin Arora: Sir, just one thing more. On the Goa-Kundapur let us say even if it comes in the Q4 we must have been tied up with all our equipments and everything. What sort estimate you have build in like on a quarterly run rate I can do it let us say even if I get it in February I get started on February so let us say in one month or two months time how much I can execute? Just any rough estimate, sir?

Virendra Mhaiskar: Anywhere between Rs. 100 crores and Rs. 200 crores of work if we are able to start say in February. We should be able to do anywhere between Rs. 100 crores and Rs. 200 crores of work in the two months time.

Moderator: Thank you for your question sir. Mr. Ashish Shah from IDFC Securities. Please go ahead, sir.

Ashish Shah: Sir, I had a question on your EPC and holdco debt. Sir, my understanding was that we have been delaying the debt drawdown in some of the project because we found it cheaper to sort of take that on the parent company or the EPC arm and fund these projects. So how much is the outstanding loans that we would have given to such entities as on date or whatever is comfortable and how much can come back once your debt drawdown in the projects is complete?

Virendra Mhaiskar: See debt drawdown has been now more or less complete and that is the reason we are holding good amount of cash in hand because we have not repaid those short term. So as we keep the short term repayments going out the cash will come down to that extent. We have already received the debt drawdown from most of these projects now. And that is the reason we have a very high cash on hand at the moment.

Ashish Shah: But is there nothing which is balance which is yet to come back from?

Anil Yadav: Except Ahmedabad-Vadodara.

Virendra Mhaiskar: Yeah, except Ahmedabad-Vadodara most of the projects we have received the debt drawdown. But there is a going project so it will have a debt drawdown commensurate with the progress of the work.

Ashish Shah: Sir, also I might have missed this but what is the EPC revenue guidance for the year?

Virendra Mhaiskar: EPC revenue guidance for the year is very difficult to project today because of the fact that Karwar-Kundapur has not yet commenced. But as I was saying in the earlier question we will try to go closer to what we have been able to do in the first half.

Moderator: Thank you for your question sir. Shravan Shah] from the market has a question. Please go ahead.

Shravan Shah: Sir, just has one question. How much equity are we planning to infuse in Sindhudurg project in FY14 and FY15?

Virendra Mhaiskar: FY14 I do not think it would be in excess of Rs. 50 crores and around Rs. 100 crores is in FY15.

Shravan Shah: And in terms of the EPC revenue in FY14 will it be Rs. 50 crores EPC revenue are we expecting?

Virendra Mhaiskar: Rs. 50 crores for the next half?

Shravan Shah: Yeah, Rs. 50 crores to Rs. 100 crores EPC revenue in the second half?

Virendra Mhaiskar: Yes.

Shravan Shah: Airport?

Virendra Mhaiskar: Yes.

Shravan Shah: And in FY15 it will be around Rs.200 crores to Rs. 300 crores?

Virendra Mhaiskar: That is correct.

Shravan Shah: And sir, I know we believe in EPC plus toll so is there any chance or are we thinking to buy some of the distressed assets or are we any thoughts on that?

Virendra Mhaiskar: No, we are not thinking of buying any distressed assets at this point.

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

Vishal Sharma: Most of my questions have been answered. Just one last housekeeping question. How much of debt and cash on the holding Company, sir?

Anil Yadav: Holding Company has a debt of roughly Rs. 1,600 crores and cash balance of roughly Rs. 900 crores.

Moderator: Thank you for your question sir. Participants are requested to press * and 1 for further questions.

Virendra Mhaiskar: I think there are no more questions then we can close this call.

Moderator: Certainly sir.

Virendra Mhaiskar: So I would like to thank all of you for being there on this conference call today and look forward to talk to you again after the next quarter results. Thank you very much.

IRB Infrastructure Developers Limited

Moderator: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using Tata Docomo Conferencing Services. You may please disconnect your lines now. Thanks and have a pleasant evening.