Q2 FY16 Un-audited Financial Results Conference Call
October 21, 2015, 4.00 P.M.

Moderator: Good day and welcome to IRB Infrastructure Developers Conference Call hosted by the company for the un-audited financial results for Q2 FY16. We have with us on the call today, Mr. Virendra Mhaiskar, Mr. Sudhir Hoshing, Mr. Anil Yadav, Mr. Dhananjay Joshi, Mr. Madhav Kale and Mr. Mehul Patel. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by entering '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now request Mr. Hoshing to give you an overview of the significant development during the quarter. Thank you and over to you, sir.

Sudhir Hoshing: Good evening. I welcome all our investors and analyst friends for the second quarter concall. I hope all of you have our detail number as well as presentation in your hand by now. Overall the September 15 quarter has been a good quarter in terms of progress on the project construction as well as operations. If you look at the industry, the first-half of the year by now almost Rs.108 billion BOT work has been award and in EPC approximately 168 billion work has been awarded by NHAI. We always try to give our best by optimizing our resource and by use of technology. Have been giving a quality product to our user and deliver best value to our stakeholders.

On project construction front we had four projects under implementation during the quarter. Construction on Ahmedabad project is completed to the extent of 98% and we are in verge of getting COD from NHAI. We shall be achieving the feat much before schedule time of competition. Construction of Yedeshi - Aurangabad and Kaithal – Rajasthan project has largely contributed to the construction revenue in last quarter. Other projects like Soalpur Yedeshi too have contributed to the construction revenue.

Construction segment operating EBITDA margin is at 29% during the quarter. Construction order book now stands at 9,650 crores to be executed in next three years to four years. On operational front traffic growth from for quarter Q2 has improved over FY15 tariff revision was due on Omallur – Namakkal Bharuch – Surat and Surat – Dahisar project in September 15 quarter. Omallur – Namakkal, and Bharuch – Surat received negative 2.33% tariff revision while Surat – Dahisar projects received positive 2% tariff revision. Further during the quarter the company handed over Kharpada Bridge project upon completion of concession period to Maharashtra government. You will recollect that during June 15 quarter as per directions of Maharashtra government the company has stopped toll on Mohol – Mandrup – Kamtee BOT

Project, Nagar – Karmala – Tembhurni BOT Project and is not collecting toll from cars and MSRTC buses on Thane – Ghodbunder BOT Project. Also due to landslide on few occasions, traffic on Mumbai - Pune Project was diverted and we had to allow vehicles to pass through without paying toll. Due to this toll revenue of this project for September quarter was affected some extent. However continue strong momentum in traffic growth during the quarter has resulted in 9% toll revenue growth in comparison to the corresponding quarter last year. We hope to see additional revenue adding up to the kitty with Ahmedabad - Vadodara Project to likely to commence toll much before schedule time of completion.

In line with our dividend policy the board has declared 20% interim dividend. On a consolidated basis average cost of debt has now come down to 10.75% from 11.25% earlier. Net debt to equity stands at 2.66 is to 1. We now stand prequalifying to bid for approximately 23,000 crore worth of project as an when the projects will come for bidding we will evaluate them and bid for them. We have taken definitive steps to a formation of infrastructure investment trust and we are hopeful to complete the entire process by end of this fiscal. This will help company to unlock the value of earlier investment and help fuel further growth into its business.

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

Anil Yadav: Thank you, sir. I will present the analysis of Q2 of FY16 versus Q2 of FY15. Total consolidated income for Q2 of FY16 has gone up to 1,179 crores from 912 crores registering growth of 29% over Q2 of FY15. Consolidated toll revenue for Q2 of FY16 have gone up to 471 crores from 431 crores registering growth of 9%.

Consolidated construction revenue for Q2 of FY16 has gone up to 678 crores from 452 crores over Q2 of FY15 registering growth of 50%. EBITDA for Q2 of FY16 has gone up to 635 crores from 552 crores registering growth of 15% over Q2 of FY15. Interest cost has also increased by 5% to 239 crores in Q2 of FY16 from 227 crores in Q2 of FY15. Depreciation has also gone up by 13% to 203 crores in Q2 of FY16 from 180 crores in Q2 of FY15. PBT has also increased to 193 crores in Q2 of FY16 from 145 crores registering growth of 33% over Q2 of FY15. PAT before minority interest and for Q2 of FY16 has gone up to 150 crores increased by 23% from 122 crores in Q2 of FY15. Earnings per share on basic and diluted basis is 4.24 for Q2 of FY16 as against 3.66 in Q2 of FY15 registering growth of 16%.

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

Moderator: Thank you. Ladies and gentlemen we will now begin with a question and answer session. We have the first question from the line of Devang Patel from IL&FS Broking. Please go ahead.

Devang Patel: My question was on the toll revenue growth on a sequential basis, you explained on the Mumbai - Pune it was impacted by landslides. But several other projects also we have seen a steep decline for example Talegaon – Amravati is down 16%, Jaipur – Deoli is down 20%, Ahmedabad - Vadodara is down 15% Q-on-Q. So if you can explain what is contributing to the toll revenue degrowth?

Virendra Mhaiskar: To begin with on as you rightly said Bombay - Pune was affected because of landslides and frequent diversion of traffics and allowing the traffic to move free. Whereas Jaipur toll Deoli has not gone down it has increased by 10.4%. So I believe you need to check numbers on Jaipur - Deoli. Even on Ahmedabad - Vadodara I am talking on year-on-year. On a trailing quarter basis it has decreased because of the monsoon effect because on Jaipur – Deoli also the sand mining remains closed during the monsoon quarter. So if you look at the same quarter last year you will see a dip there as well. As regards Ahmedabad - Vadodara is concerned what has now happened is entire NH-8 has been six lane and is operational to traffic so, there is a good amount of diversion of traffic from NE 1 to the NH-8 because of all the structures being opened to traffic. So we are looking forward for getting the permission to start tolling on NH-8 by which we are able to bridge this gap.

Devang Patel: Right, sir. Sir, my second question was on the Kolhapur project in case the buyout of the project what could the formula be? Would it be on the project cost as appraised by the lenders or would it be on the project cost as they would have mentioned in the project documents?

Virendra Mhaiskar: See we have put across our claim which is based on the concession agreement provision and we were in discussion with the government on arriving at the final pricing on this. So once we have a clarity on that we will be able to give more color on this.

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

Atul Tiwari: Sir, on Ahmedabad - Vadodara when is the tolling likely to start any idea in terms of date?

Virendra Mhaiskar: I can only say at the moment very soon.

Atul Tiwari: Okay. And once the full tolling start what is our estimate for daily toll collection?

Virendra Mhaiskar: No, that will be difficult for me to give you at the moment being a forward-looking thing. But once we have started the tolling we will come out on this numbers.

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

Nitin Arora: Sir on Mumbai - Pune can you quantify the amount of revenue we loss because of the landslide issue?

Virendra Mhaiskar: Difficult to quantify because there have been lot of events, I mean sometime they have diverted the traffic sometimes it has been exempted so not that every time it has been exempted so quantifying exact loss will be difficult.

Nitin Arora: Okay. And sir, in terms of, I am talking on sequential basis whether it is Surat - Dahisar - Tumkur it is largely we should take into account that it is purely decline is on the seasonal factor or have you seen some traffic as well slowing down on these passage?

Virendra Mhaiskar: Basically as far as Surat - Dahisar is concerned Surat - Dahisar is mainly because of the seasonal thing and there was some agitation in Gujarat state with regard to the Patidar Samaj and other thing so, that has also impacted the traffic in few days and as far as Tumkur - Chitradurga it is more driven by the mining traffic. So in the monsoon quarter we normally see a certain dip.

Nitin Arora: Sir have we received any tariff hike in Pune - Nasik in this July?

Virendra Mhaiskar: No, I do not think so.

Nitin Arora: Sir, in the Mumbai - Pune Phase II when we are ready to commence the construction and can you tell us about the payment starting date to the MMRD on this project?

Virendra Mhaiskar: See earlier we explained, the State Government had incorporated a committee to look into the tolling issues for Government of Maharashtra projects and their final report is still awaited. So in spite of we achieving financial closure and submitting documents to MSRDC we are yet to hear from them. And hence we have not yet given the first installment due to them and we are waiting for the work order to be issued by them.

Nitin Arora: And sir, can you just also tell us the equity requirement project by project that how much is left now and the debt numbers of standalone and MRM also?

Virendra Mhaiskar: See including overdraft total debt number is 3,000 crores and out of that OD will include roughly 1,100 crores and total debt will be roughly 13,632 crores and balance equity requirement in Karwar - Kundapur is 265 crores, Yedeshi - Aurangabad 426 crores, Solapur - Yedeshi 150 crores, Kaithal - Rajasthan 288 crores, Agra - Etawah is close to 750 crores and Mumbai - Pune Phase II is close to 600 crores.

Nitin Arora: And sir, when you give the debt number that is total debt for the MRM and standalone?

Virendra Mhaiskar: Yes, including overdraft.

Nitin Arora: So that amount is about 3,000 crores, right?

Virendra Mhaiskar: Yes.

Nitin Arora: Okay. And sir can you give us a break-up of the other income?

Virendra Mhaiskar: Yeah, 25 crores is from the construction business balance is from BOT.

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

Shravan Shah: Sir, in presentation you have mentioned Surat - Dahisar traffic growth of 10%. If I am not wrong, last year 1st September, 2014 we received a close to 5.5% to 6% tariff hike and this September also the tariff revision was close to 2% and the toll revenue growth for this quarter Y-o-Y is at 10%. So if I adjust everything then the traffic growth close to be around 6% so but we have mentioned 10% traffic growth on Surat - Dahisar?

Virendra Mhaiskar: See it is a revenue growth not the traffic growth. If you look at the presentation we state that what is a growth in the revenue, it is not a traffic growth.

Shravan Shah: Okay. So the traffic growth is in Surat - Dahisar is close to...

Virendra Mhaiskar: 6% to 7%.

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

Vibhor Singhal: Sir, I just wanted to touch up on the Talegaon - Amravati Project. In this quarter we did a toll collection of around 10 crores. This is a second consecutive quarter in which we have shown a Y-o-Y decline in the last quarter also our toll collection had dropped from around 13 crores to 12 crores and now it is down to 10 crores. So any specific reason or any toll leakage that we are facing in this project?

Virendra Mhaiskar: That is correct. There is a toll leakage which we are facing at the moment because what is happening is there was a parallel state highway and as you are aware State Government of Maharashtra had banned tolling on some 12 odd projects. So as a result what has happened, three or four tolls which were on that parallel state highway have now gone. So that has led to some diversion of traffic on these state highways.

Vibhor Singhal: Okay. And so is there any corrective measure that we can do with this, I mean apart from let us say appealing to NHAI?

Virendra Mhaiskar: I mean our guess is that those state highways are two-lane roads and not capable of catering to that kind of traffic momentum. So over a period of time we believe it will come back. We have seen such kind of events in the past in some other projects as well.

Vibhor Singhal: And the traffic tends to come back to the more developed road over a period?

Virendra Mhaiskar: That is right.

Vibhor Singhal: Fair enough, sir. Secondly sir on the Agra - Etawah project, what is a status and when are we expected to let us say commence tolling and do the financial closure on that project?

Virendra Mhaiskar: We have a 180 days period and probably before end of this financial year we will try to achieve the closure.

Vibhor Singhal: Okay. And that is just a widening project so we start tolling from day one, right?

Virendra Mhaiskar: Yeah, that is right. But I do not think that the project execution will start in this financial year.

Vibhor Singhal: Okay. So that would probably be spell down to FY17?

Virendra Mhaiskar: Yes, yes.

Vibhor Singhal: Fair enough. Sir my last question is on the in INVIT that we are proposing to flow. So just to get a broad idea I mean as I understand I think the way we are going to approach that is that we transfer those projects to that in infrastructure that would be publically listed and then the cash flows on those projects go to the investors who have invested in that infrastructure. So is there any incentive that has been provided to that special structure by the Income Tax Authorities in terms of dividend distribution tax or any other tax resumption which make those yields little more attractive for foreign investors?

Madhav Kale: Madhav Kale here. In case of INVIT taxation what has been done in the finance bill is that dividend does not meet any further tax leakage beyond the dividend distribution tax paid by the SPV. Interest also is a pass through. The SPV claims it as expenditure as it is paid out. INVIT does not pay any tax on that. But the interest is taxable in the hands of the unit holders and as far as the foreign investors go, they are subject to 5% withholding tax.

Vibhor Singhal: So foreign investors will be charged 5% withholding tax?

Madhav Kale: Yes.

Vibhor Singhal: And for rest the domestic investors it will the normal tax rate that is applicable to them?

Madhav Kale: That is right.

Vibhor Singhal: Okay. Just a bit dwell a bit deeper on that. So basically there will be a dividend distribution tax and then the whatever the income that the investors make out of those units that will be subject to either the domestic tax or a 5% withholding tax?

Madhav Kale: Right.

Vibhor Singhal: So just wanted to understand, do you think that now the double rate tax such are with a different distribution tax as well as withholding tax yields on the same would be attractive enough to kind of lure the investors into this, considering that the foreign investors would also be adding some part of the hedging cost into their written profile as well?

Madhav Kale: Yeah, it looks like it would be sufficiently attractive enough for them even though they attract the hedging cost to what they get in terms of dollars invested outside.

Virendra Mhaiskar: Vibhor, just to add basically there will not be a double taxation. Today also if you want to pay any dividend from SPV you are required to pay dividend distribution tax. Earlier there was issue whether INVIT is also required to pay a dividend distribution tax now they have clarified that INVIT level there will not be any dividend distribution tax. And as far as interest is concerned interest will be allowed as expenditure in SPV company so, that there will be tax saving to that extent. There will be only 5% tax outgo which earlier in case of interest that was 20%. Reduction will be there in terms of the MAT.

Vibhor Singhal: Yeah, the MAT credit definitely remain, right?

Virendra Mhaiskar: Right.

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

Nimit Shah: Sir, just wanted to know the cost of the project for Ahmedabad - Vadodara.

Virendra Mhaiskar: Which cost?

Nimit Shah: The project cost because the debt originally planned was 33 billion and currently the draw down seems at 29 billion.

Virendra Mhaiskar: Close to 30 billion.

Nimit Shah: Correct.

Virendra Mhaiskar: There will be some saving on Ahmedabad - Vadodara project because the premium got deferred earlier the part of the premium got capitalized so there will some saving. Once the final cost will come in this quarter we will definitely provide the detail in next quarter.

Nimit Shah: So this will be the peak debt 30 billion or?

Virendra Mhaiskar: No, there are some drawl pending for whatever the work executed in last one or two months so then definitely there will be some increase but not to the extent of 33 billion.

Nimit Shah: Sure. And sir can you repeat the total equity which has been infused outstanding and the peak level of debt once all these projects are constructed?

Virendra Mhaiskar: Basically as far as equity is concerned we have already narrated I will again tell whatever the balance equity requires.

Nimit Shah: Total equity infused till date number for all the projects.

Virendra Mhaiskar: For this year or?

Nimit Shah: No, total till date.

Virendra Mhaiskar: Please refer financials of subsidiaries uploaded on the Company's website.

Nimit Shah: And outstanding equity pending which is there.

Virendra Mhaiskar: That is 2,500 crores.

Nimit Shah: 25 million. And sir, what will be the peak debt currently it is 11,000 crore roughly once this...

Virendra Mhaiskar: Currently it is 13,000.

Nimit Shah: 13,000.

Virendra Mhaiskar: Yeah.

Nimit Shah: So what will be the peak debt once say by FY18 or like that once these projects are constructed or like that?

Virendra Mhaiskar: Will be close to 18,000 crores of debt.

Nimit Shah: That will be the peak for the current projects?

Virendra Mhaiskar: Yeah.

Nimit Shah: And sir, how is the interest on this deferred payment getting accounted in the P&L in the respective SPVs? So it will be charged as P&L interest expense?

Virendra Mhaiskar: Yes, it is charged as P&L interest expense that is bank rate plus 2%. Now bank rate is 7.75% and interest charge will be 9.75%.

Nimit Shah: Okay. So currently in Ahmedabad - Vadodara in FY15 was there any interest charged because of deferred...

Virendra Mhaiskar: Because project is under construction so it would be capitalized, it will be operational then it will be charged to the P&L but in Tumkur - Chitradurga it was charged to the P&L account.

Nimit Shah: So is it shown separately or it is clubbed in the interest expense?

Virendra Mhaiskar: It will part of the interest expense only.

Nimit Shah: Total interest expense.

Virendra Mhaiskar: Yes.

Nimit Shah: Sure. And sir for some of the projects like Pathankot - Amritsar, Tumkur - Chitradurga our debt levels has been higher then what we had earlier projected so like Tumkur - Chitradurga our debt level was say around 830 crores, currently it is around more than 1,000 crores. Similarly with Pathankot - Amritsar there has been a slight increase in the debt level as compare to our original estimates.

Virendra Mhaiskar: Basically as far as Tumkur - Chitradurga is concerned there was some debt envisaged basically coming from the sponsors for the shortfall in the initial years in cashflow.

Nimit Shah: Okay. So that has been funded by debt external debt?

Virendra Mhaiskar: Not external debt, that will be funded by the internal debt from IRB.

Nimit Shah: Okay. And sir would have that consolidated debt amount which has been I think infused by say various subsidiaries or group to other subsidiaries like a shortfall funding what has been done apart from the equity amount?

Virendra Mhaiskar: See, whatever the surplus remains in one SPV that it gets transfer to the holding company and while doing the consolidation those numbers get eliminated.

Nimit Shah: Correct. No sir, I am talking about these projects like where Tumkur - Chitradurga, Pathankot - Amritsar there might be some shortfalls funding which has been contributed by promoters or say other subsidiaries. So at consolidated level what is that amount which is outstanding?

Virendra Mhaiskar: See basically consolidated level means there will not be a specific debt break-up available that we can work out and we can provide to you but as console balance sheet goes those numbers will basically coming as a debt only it will not be different idea shortfall funding or surplus available SPV provided to the holding company those nominal cases is not there.

Nimit Shah: Putting it in a different way that will get captured in the total equity which has been infused till date?

Virendra Mhaiskar: No.

Nimit Shah: That will be over and above that amount.

Virendra Mhaiskar: Yes, that will be over and above that amount and that basically get returned once there is surplus in those SPV.

Nimit Shah: So it is treated as a interest free debt?

Virendra Mhaiskar: Yes.

Nimit Shah: Or interest is chargeable?

Virendra Mhaiskar: No, it is a interest free debt.

Nimit Shah: Okay. And repayment over the next three years - four years or it is little longer?

Virendra Mhaiskar: See it is based on the cash flow available in that particular SPV.

Moderator: Thank you. We have the next question from the line of Ankita Bora from Batlivala & Karani Securities. Please go ahead.

Ankita Bora: Sir, my question was on project execution that has happened in this quarter so how much as the work been executed on each of the project if you can give us project wise break-up?

Virendra Mhaiskar: Yeah, current quarter Ahmedabad - Vadodara project has contributed close to 40 crores and there was some change of scope in Ahmedabad - Vadodara that was to the extent of 50 crores. SYBOT has contributed roughly 115 crores, YABOT has contributed roughly 260 crores and Kaithal – Rajasthan has contributed roughly 200 crores and there was close to 10 crores to 15 crores utility shifting.

Ankita Bora: Okay. And sir, is there any traffic decline in Bharuch – Surat, are we seeing that thing?

Anil Yadav: As explained by Mr. Sudhir Hoshing in the opening remarks that there is decline in the toll rate. The toll rate got downwards by 2.33% and as you might be aware that the toll rate gets rounded off to next Rs. 5 or lower of the 5 by reduction of 2.33 the toll rate for example is some 52.04 then it will be rounded off to 50.

Ankita Bora: Okay. And sir the reason for this thing I mean negative…

Management: WPI was negative to the extent of 2.3%.

Ankita Bora: No but then there is no fixed component for this road project?

Management: Bharuch – Surat and Surat - Dahisar projects have 100% parity with WPI and as a result these two projects have seen either negative or flat tariff growth for the whole of the year and whatever revenue growth you are seeing is entirely coming out of the volume growth.

Ankita Bora: Okay, Bharuch – Surat and Surat...

Management: Dahisar.

Ankita Bora: Surat - Dahisar, okay.

Management: That is right. And further this project were also affected because of the some agitation going on in Gujarat.

Ankita Bora: Okay, sir. And sir in terms of order pipeline that we are seeing with uptick in NHAI awarding activity. Do we have some projects in pipeline in the bid pipeline as of now?

Virendra Mhaiskar: Yeah, there are many. I mean as we have said in our presentation, Press Release also we have around 23,000 crores of project where the company stand prequalified at this point in time and depending on the viability we will continue to bid on these projects.

Ankita Bora: Are we also bidding for hybrid annuity projects?

Virendra Mhaiskar: Yeah, we are looking at that.

Ankita Bora: Okay. Anything you want to highlight on that?

Virendra Mhaiskar: No, nothing at the moment.

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

Akshay Soni: Just sir, one, wanted to find out you said just now that you are looking at hybrid annuity project it seems a little bit of departure from earlier. Are we seeing a lot lesser projects on just the normal BOT side?

Virendra Mhaiskar: No, I said we are just looking at it. We have not bid for it. The point is that there are two three projects which are the first one of the block now so, we are evaluating the model and the only if we find it attractive we may think of bidding on it and it has nothing to do with the balance pipeline as such. The balance pipeline continues to look quite good and being a new venture, new kind of bidding platform we are evaluating the opportunity that is it. We have not bid for it as yet.

Akshay Soni: Understood sir. And given that you would not be running a toll risk on this one would you be looking at lower the numbers in terms of the typical the benchmark return that you have looked for historically on BOT project if you do choose to bid?

Virendra Mhaiskar: Yeah, Akshay that is the catch. Problem is that there is very limited return availability on these hybrid projects and that is the reason we are not very convinced about bidding on this so we are evaluating it but cannot say that we will be very much coming forward to bid on these as such.

Akshay Soni: Understood sir. And on INVIT is there any update in terms of anything that has happened in the last quarter as a step forward towards it?

Virendra Mhaiskar: I think one step from NHAI which has come forward is that they have now cleared the 100% exit and earlier there was a catch in the exit that it said that you have to invest that money only in the NHAI project. So to that effect whatever clarity the sector had asked from NHAI they have cleared that. So now the money received by transferring this project or selling this project can be utilized for either investing into new NHAI project or for repaying of debt or for any other purpose so that visibility which was not there earlier has come in. As regard to the work on the investment trust as such is concerned is progressing well.

Akshay Soni: Just one last question. If you could break-up that equity requirement into years in terms of the 2,500 crores I am assuming it is including Agra – Etawah also and if you could just break it up over the next three years?

Virendra Mhaiskar: Yeah, so broadly I will tell you this 2,500 crore equity is required over next four financial years and if we look at our gross cash accruals for FY15 they were in the range of around 1,200 crores and bound to increase as more project become operational so funding this equity comfortably does not seem to be challenge and certainly if you aggregate those numbers you will realize that there is further headroom available for bidding on new projects as well.

Akshay Soni: Right, understood sir. And if I could actually get a break-up on the four years if possible?

Virendra Mhaiskar: Four years break-up. Akshay can we come back on this?

Akshay Soni: Of course, sir.

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

Nitin Arora: Sir, in the starting of the conference call you said that the average borrowing cost has come down to about 10.75% from 11.25%. So has that been said for the company or for the BOT portfolio?

Virendra Mhaiskar: No, this is the average cost. So individual projects would have different cost so broadly speaking under construction projects are right now getting funded in the range of around 11.5 or 11.75 and the operational projects are getting funded in the range of around 10% to 10.3%.

Nitin Arora: Sir, now much savings we are looking at in the second-half if you can share some numbers with us in terms of savings in the interest cost?

Virendra Mhaiskar: No, we would not like to ascribe a specific number for it because on various dates this reset had happened. So as they kick-in naturally you know the gross debt number you know the net debt number so, if active savings should come according to that.

Nitin Arora: Sir, in terms of your construction revenue any sort of now because all the projects are now going in the full swing it has been the strongest quarter for us so, any sort of guidance you would like to give for FY16?

Virendra Mhaiskar: I can only say Nitin that usually the first-half consist of the monsoon so, the second-half if bound to be much better than the first quarter first-half that is all what I can say.

Nitin Arora: And sir in terms of the WPI logic I understand that Bharuch and Surat was 100% parity with WPI. But even if going by the formula what NHAI has with 3% plus 40% into WPI. Sir if WPI becomes negative let us say then my whole tariff becomes negative that is clear right?

Virendra Mhaiskar: Yeah, if it continues to be negative for the whole of the year because then the average has to be minus 5%.

Moderator: Thank you. The next question is from the line of Madan from Sundaram Mutual Fund. Please go ahead.

Madan: This is Madan from Sundaram Mutual Fund. I have a question on INVITs that we were talking about. When we discuss with some of the tax consultants on this issue they were saying the foreign investors are still worried about some of the tax linkage in the structure as what is existing right now and this is exactly do with the dividend distribution tax at the SPV level. What is take on this sir?

Virendra Mhaiskar: See the dividend distribution tax regime remains the same as it was even before the INVIT regulations were announced and later given effect in the finance bill. So there has been no change to that extent. If you see from the EBITDA level downwards the returns that the unit holders would get there has been lot of investor friendly measures brought out in the sense that dividend does not become taxable anymore in their hands and interest of course is subject only to a 5% withhold in tax.

Management: And one more thing I would like to add that the present INVIT structure that we are working on is assuming the present tax regime. So in case even in future there is any more incentive that get declared is bound to I mean improve the viability of the trust. So the yield that we are discussing presently in our model is assuming the present tax structure.

Madan: So to that extend the yield will be higher than what other REITs markets are, right?

Management: Yes, if the taxation benefits go up.

Madan: What sort of numbers you are looking at sir right now?

Management: We are looking at the 10 year G-Sec plus at least 2% to 2.5% spread on that.

Madan: Okay, that is great. So you said in a year's time you will finalize and kind of launch it.

Management: We intend to complete the process by the end of this financial year.

Madan: And the investors are broadly, mostly from international you are talking to some of them or you have started those process?

Management: We are in the process, I mean we cannot discuss this at the moment because we are in the process of doing it.

Virendra Mhaiskar: With respect to Akshay's question, this year's balance equity requirement is roughly 300 crores and in FY 16-FY17 it is close to 1,200 crores, 17-18 it is close to 500 crores and 18-19 also close to 500 crores.

Moderator: Thank you. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir few questions from my side. Firstly, on the construction EBITDA margin which was close to let us say 30% in this quarter, it has been broadly at those levels for the past few quarters even though raw material cost have gone down. Would you envisage EBITDA margins improving from current levels incrementally?

Virendra Mhaiskar: Yes, we feel that it will improve from year on because always new projects you will appreciate that all the three projects Solapur - Yedeshi, Yedeshi - Aurangabad as well as Kaithal have just commenced. And as the bituminous items or the concrete items start getting into in expeditious mode, then the saving would come because the material prizing which has soften is in those items.

Aditya Mongia: Understood sir. Sir, the next few questions are basically more on clarification, you are basically saying that 18,000 crores would be the peak debt that you would see. Here, are you talking about project level debt which is let say it 11,000 crores or the overall debt which is let say, 13,000 crores?

Virendra Mhaiskar: But we are talking about the consolidated debt.

Aditya Mongia: Overall debt, okay.

Virendra Mhaiskar: Holding plus SPVs together.

Aditya Mongia: Understood. Sir lastly on the Ahmedabad - Vadodara you had said that the project also gone revised, could you just put that number again for me?

Virendra Mhaiskar: No project I said not got revised its revised downwards actually, so we expect some saving because of the premium back ending and we are in the final stages of achieving the COD. So once the number are frozen we will let you know on that.

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

Parvez Akhtar: Couple of questions from my side. Sir first one is on the Amritsar- Pathankot Project, when are we expected to get a tariff hike?

Virendra Mhaiskar: Next tarrif hike would be on 1st April 2016.

Parvez Akhtar: Sir, I guess, we started a toll collection last year in FY15 itself so is that no tariff hike in this year?

Virendra Mhaiskar: This year tariff hike was in May , 2015.

Parvez Akhtar: Sir, the second thing is it would be possible for Anil to give the project wise break-up of equity required again, I am sorry, I missed it?

Virendra Mhaiskar: Yeah, sure.

Anil Yadav Our Kundapur balance equity left is 265 crores, Yedeshi - Auragabad 426 crores, SY project 150 crores KR BOT Project 288 crores, Agra - Etawah 750 crores and Mumbai - Pune 12 to 600 crores.

Parvez Akhtar: And sir, lastly on the Mumbai - Pune extension, it has been now more than a year that we have won the project so, I know you have said that there is a committee which has been formed but by when do we expect a decision on that?

Virendra Mhaiskar: The next opportunity you get to interact with the state government you should ask this to them.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, just to clarify you said that Surat - Dahisar and Bharuch – Surat there was tariff decline of close to 2% but what I can see from whatever the toll announcement is there notification the calculation is close to 1.7% toll hike from September.

Virendra Mhaiskar: See toll hike is there on Surat - Dahisar there is a decline on MVR project and Bharuch – Surat project.

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

Chockalingam Narayanan: If you can just at the start of the call I think you have outline numbers on the bidding pipeline. So if you can just talk about that once again I missed those numbers.

Virendra Mhaiskar: Yeah the projects where stand prequalified at this point in time these are around 23,000 crores and in terms of kilometers close to 1300 kms on BOT has been awarded by the government so far and as stated earlier 300 kilometers to 400 kilometers is what we will be looking for as of whole financial year of which 125 kilometers has already been backed by way of Agra – Etawah. So another 250 kilometers is what we will be looking for or in project terms another couple of projects is what we will be looking forward in the balance financial year.

Chockalingam Narayanan: Okay, sir. And 23,000 crores is there a split between the Central Government projects and State Government projects?

Virendra Mhaiskar: Most of these are NHAI projects.

Chockalingam Narayanan: NHAI projects, okay. And I think you had mentioned that the pending equity required is 2,500 crores but the year wise split was given that number added to 3,700 so how should we...

Virendra Mhaiskar: Hold on for a second, we will just read out again.

Virendra Mhaiskar: FY15-16, 300 crores.

Management: For FY16-17, 1,200 crores, for FY17-18, 500 crores and for FY18-19, 500 crores.

Virendra Mhaiskar: I think that 1,200 counted twice.

Chockalingam Narayanan: Counted twice, year.

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

Ashish Shah: Sir on the Kundapur Project could you help me with the revenue during the quarter I think I missed that number.

Virendra Mhaiskar: No, Kundapur most of the work is in work in progress not much billing has happened because of heavy rains in that region.

Ashish Shah: Right. So the 260 crore mentioned was for the Aurangabad - Yedeshi Project, is it?

Virendra Mhaiskar: Yes.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund.

Rakesh Vyas: Yeah, few questions from my side. First, just to get the understanding right sir on the Mumbai - Pune Phase II project is that binding concession agreement between you and State Government and in case there is adverse committee report then are you liable to receive anything in view of that?

Virendra Mhaiskar: As regards enforceable agreement is concerned yes, we have signed a concession with MSRTC as regard to the Phase II is concerned. But as no financial implication has been incurred as yet in case, if they decide to terminate we do not see there is going to be any compensation our way or we losing any money on it.

Rakesh Vyas: Sure. Despite this being enforceable contract, you still need the work order to start the Phase II?

Virendra Mhaiskar: Yes, of course.

Rakesh Vyas: Okay. Secondly, sir can you just highlight as to how would you see the TOT mode which NHAI is thinking about whether we will be keen player in that mode at all?

Virendra Mhaiskar: See TOT is concept there is no bid that has been announced by NHAI on TOT as yet, point number one. Point number two if we look at the overall environment where the governments have short changed the tolling tariff or short change the category of vehicle which are being tolled considering the long-term risks involved with this I am not very sure how many banks would be willing to fund this future liability. And thirdly, I do not know how many companies would have the capability to take such kind of debt on their books because it is a situation where the company would raise their debt and pay NHAI upfront money. So to my understanding how viable that option is a big question mark.

Rakesh Vyas: Okay, got it. But in certain cases it will be a water tight kind of agreement, I mean because risk are already know that you highlighted. I am just trying to understanding whether NHAI is looking to mitigate those risks at all.

Virendra Mhaiskar: No, I do not see how one can mitigate those risks because if you have received the money upfront and next subsequent government coming in if they decide to change anything then it can be quite tricky.

Rakesh Vyas: Okay, sure. But sir just to extend the argument that argument polls to even for the BOT projects?

Virendra Mhaiskar: Yeah but here you have a definitive termination payment clause. So there you would have already paid for it.

Rakesh Vyas: Okay, got your point. And just book keeping question, can you just give me the standalone and consolidated cash?

Virendra Mhaiskar: Yeah, total cash is 1,400 crores out of that close to 1000 crores will be on a standalone.

Rakesh Vyas: Sorry, if I got my number right the total net debt on the MRM plus standalone is 2,000 crores?

Virendra Mhaiskar: See I am talking about cash total cash is 1,400 crores out of that cash close to 900 crores will be on standalone and MRM and as far as debt is concerned I have already provide the number close to 3,000 crores out of that includes close to 1,100 crores comprises of OD.

Rakesh Vyas: So effectively 2,000, got your point.

Moderator: Thank you. We have the next question from the line of Prateek Poddar from ICICI Prudential. Please go ahead.

Prateek Poddar: Sir, I just missed one data mentioned you mentioned that in Surat - Dahisar the toll growth is I mean the toll rate increase has been around 2.5%.

Virendra Mhaiskar: Surat - Dahisar close to 2%.

Prateek Poddar: So when I see a Y-o-Y growth of 10% roughly traffic growth volume growth would be around 7.88% times.

Virendra Mhaiskar: That is right.

Prateek Poddar: Okay, sir that is one. The second question is on the INVIT side whenever you plan to less then would you holding some units into the INVIT or you would completely exit and all the money into the company.

Virendra Mhaiskar: As per regulation we are suppose to hold 25% of the INVIT for three years.

Prateek Poddar: Would you hold 25 or you would be holding higher than you know look to sell down further or how is it? I am trying to understand how much stake would you have in that INVIT. Legally I understand it is 25 would you be...

Virendra Mhaiskar: See it will depend on what is the appetite we are able to find when we actually interest to that process. So once the projects are transferred to the trust depending on the appetite we can decide the dilution. The bare minimum that we need to hold is 25, if need be we can hold more.

Prateek Poddar: Fair enough. And the money which you get into the company would be again utilized to be invested into new projects as in only BOT projects?

Virendra Mhaiskar: Yeah, BOT, TOT anything can be done with.

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

Amit Sinha: Sir, my first question is on the quarter only on tariff quarter, what would be that number roughly?

Anil Yadav: The traffic growth on major project it was close to 6% to 7%.

Amit Sinha: Okay. And sir, what would be the outlook for the entire year?

Virendra Mhaiskar: See Amit, as I explained year usually the second-half of the financial year is always better than the first one. The only catch here would be that Ahmedabad - Vadodara will be becoming fully operational. So on that project the interest which is right now being capitalized will be charged to the P&L and also amortization on that project would come in. So you can factor that in your working but otherwise the balance half as far as other projects are concerned and the constructing is concerned is bound to be more robust then what it has been in the first-half.

Amit Sinha: Sorry for the confusion sir, I was actually asking on the traffic growth outlook.

Virendra Mhaiskar: Traffic growth outlook remains robust. Traffic growth even now as we speak, we are seeing good volume growth continuing so we are not much perturbed with the volume growth. It should remain strong for the balance two quarters also.

Amit Sinha: Okay. And in this quarter we saw 6% to 7% portfolio traffic growth after almost double-digit traffic growth in the last three quarters to four quarters. So now the base effect is coming into play and I think 6% to 7% would be more sustainable numbers.

Virendra Mhaiskar: Yeah, we believe 7 odd percent can comfortably be done with is what we believe because some of the projects have also delivered 8 odd percent. So average I think 7% would be a good number to work on.

Amit Sinha: Sure, sir. Sir and in the case of Talegaon - Amravati last quarter you highlighted the traffic shifting to other government project so, status core inning right I mean there is no solution for that?

Virendra Mhaiskar: At the moment, no.

Amit Sinha: Okay. And finally on Thane – Ghodbunder Road has a final compensation structure by government being decided or still we are yet to have some...

Virendra Mhaiskar: No, I think the dialogue on all the three projects that is Nagar – Karmala – Tembhurni, Mohol – Mandrup – Kamtee as well Thane – Ghodbunder there is an active dialogue going on so, numbers are more or less getting crystallized and we expect resolution before the end of the financial year.

Moderator: Thank you. We have no further questions. Would you like to make closing comments?

Management: That is right, I think I would like to thank all of you for being here on the call and look forward to see you all on the next call during the 3rd quarter of results as well.

Moderator: Thank you. Ladies and gentlemen this concludes this conference for today. Thank you for using Research Bytes Conference Call. Thank you for joining us and you may now disconnect your lines.