



“Ashoka Buildcon 3QFY13 Results Conference Call”
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- Moderator:** Ladies and gentlemen good day and welcome to the Ashoka Buildcon 3QFY13 Results Conference Call hosted by Ambit Capital Private Limited. As a reminder for the duration of the conference, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal for an operator by pressing '*' and then '0' on your touchtone telephone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Bhasin of Ambit Capital, thank you and over to you sir.
- Nitin Bhasin:** Good afternoon, everybody. We welcome you all to the 3QFY13 post results call of Ashoka Buildcon. We have with us Mr. Parakh and Mr. Mehta. I will hand over to Mr. Mehta to give an overview of the performance and then we will open the call for the Q&A. Mr. Mehta, sir to you.
- Satish Parakh:** I welcome you all for the discussion on our audited quarterly financial results for 3QFY13. Along with me I have Mr. Mehta, CFO and SGA, our investor relation advisor. I would like to take you through some of the key developments of the company in 3QFY13. We have declared a maiden dividend of Rs. 2 per equity share. The company is quite well positioned to grow with a strong order book of Rs. 4072 crores and the equity requirement of under-construction projects is fully arranged for. In January 2013, Ashoka Constructions Limited, a subsidiary of Ashoka Buildcon Limited, has achieved a private equity transaction closure. The first tranche of investment of Rs. 240 crores has been received, which will be utilised for equity investment into various under-construction projects. In last quarter from 2nd October we have commenced partial tolling of Pimpalgaon–Nasik–Gonde Road project, which is executed by PNG Tollway Private Limited where we hold 26% shareholding and L&T holds the balance. Approximately, 88% of the construction has been completed. We have commenced partial toll collection. The toll rates will be revised upwards post the completion of balance project mainly after completion of the elevated highway. We have received the extension of Nashirabad toll project by 7 years. Now the toll period will be up to November 2017. On EPC front, I would like to highlight in our Dhankuni Kharagpur project, we have completed all major critical activities for construction of bridge across Roopnarayan River. We expect to complete the structures in March 2013 ahead of scheduled completion date. Once those structures are constructed, the toll rates will be revised upwards. On our Belgaum-Dharwad project, we have completed 60% of the project completion. The project is expected to be complete by 3QFY14, which is as per scheduled timelines. Sambalpur-Bargarh project has achieved 37% project completion; however, the project execution is expected to pick up at a faster pace in the coming quarters. During the quarter, the toll collection of one of our projects Nagar-Karmala has been stopped due to withdrawal of toll collection rights by PWD, Maharashtra. A writ petition was filed by the company before the honourable High Court, Mumbai, which has directed the company and the PWD to mutually resolve the issue before February 13. Our current order book position stands at Rs. 4072 crores, which is distributed in two segments – road project 91% and

remaining 9% of the order book T&D EPC contracts. I would now request Mr. Paresh Mehta to present the results of 3QFY13.

Paresh Mehta:

I believe you must have had an opportunity to see the analysts' presentation which is circulated and uploaded on our website. I would now present the results of 3QFY13. Our consolidated total income for the quarter has grown by 19.1% to Rs. 434 crores from Rs. 364 crores in 3QFY12. Other total consolidated revenue, construction revenue for the quarter is Rs. 363.7 crores compared to Rs. 300.4 crores as of 3QFY12 and the toll revenues for the quarter are Rs. 70.3 crores compared to Rs. 64.0 crores in 3QFY12. Our EBITDA excluding one-time equity raising expenses for the quarter is Rs. 96.5 crores compared to Rs. 80.6 crores in 3QFY12, growth of 19.7 crores year on year. A one-time equity raising expense of Rs. 11.8 crores pertains to the private equity transactions with SBI Macquarie. Interest cost for the quarter was Rs. 33.9 crores with an average cost of debt at Rs. 12.25%. Depreciation for the quarter was Rs. 27.4 crores. Profit before tax is Rs. 23.4 crores and profit after tax is Rs. 7.2 crores in 3QFY13. Net profit after minority interest and share of associates for the quarter is Rs. 12.6 crores compared to Rs. 19.5 crores 3QFY12 lower by 35.4% year on year mainly due to the one-off item of the equity raising expenses and tax. In the last quarter, the tax expenses has increased due to a payment of Rs. 7 crores to the tax settlement commission to avoid acrimonious and long drawn litigation in relation to the search under section 132 of Income Tax in the month of April 2010. Our other incomes at the standalone level have increased due to booking of Rs. 25 crores profit on the sale of shares of various projects of SPVs pursuant to the SBI Macquarie group transaction thereby achieving the closure of SBI Macquarie transaction. As of 31 December 2012, the standalone debt is Rs. 263 crores comprising Rs. 186 crores from working capital, Rs. 49 crores towards equipment loan and Rs. 28 crores for projects that are at ABL level. The consolidated debt is Rs. 2085 crores and net worth is Rs. 1093 crores. With this we open the forum for question and answers.

Moderator:

Participants will begin the question and answer session. Our first question from the line of Naveen Jain from JM Financials, please go ahead.

Naveen Jain:

I have two questions, one on the tax side, the additional tax provisioning that we did in this quarter of Rs. 7 crores, is it the final one or is there any possibilities of more in the coming quarters?

Paresh Mehta:

On the income tax settlement commission for the search under 132, we have paid Rs. 7 crores in the 3Q quarter and in the 4Q quarter, we have paid Rs. 3.8 crores, so total Rs. 10.8 crores is the total liability against the settlement commission. The settlement application was filed in January 2013.

Naveen Jain:

So Rs. 3.8 crores would be the final -

Paresh Mehta:

Yes.

- Naveen Jain:** Second question pertains to the Nagar-Karmala project. What is the debt outstanding for this particular project and is there any other liability that is associated with this project at this moment?
- Paresh Mehta:** No, there is no debt on this project and no other liability otherwise is there on this project, so it was totally a debt-free project.
- Naveen Jain:** And from an accounting perspective, is there any asset left to be depreciated as far as this asset is concerned?
- Paresh Mehta:** Yes, there is a book value of Rs31 crores left in the books to be amortised and we will await the final decision of the court to take a decision on the same.
- Moderator:** Our next question from the line of Bharat Seth from Quest Investments, please go ahead.
- Bharat Seth:** Just can you throw some light on what are the things happening on roads. I mean that the government had made a lot of announcements, but no new orders are coming. So how is the pipeline and where is the thing stuck up, so new tenders are not coming?
- Satish Parakh:** Yes, new tenders are coming, but very few of them are coming. Lot of qualifications are in place, but RFP is like, Request for Proposals, is not yet being floated. The main issue being whatever projects have been awarded say in the last one year to one and a half year, were not seeing any environment clearances and therefore environment clearances are not achieved for the projects which are already awarded and that is the concern with the government and therefore they are presently delaying new RFPs, Request for Proposals.
- Bharat Seth:** This you are talking mainly BOT side?
- Satish Parakh:** Yes, even on EPC they are not able to bid out much of the projects.
- Bharat Seth:** So where do you see it going ahead?
- Satish Parakh:** All this will stack up for the next year.
- Bharat Seth:** So this year we do not expect much or anything -
- Satish Parakh:** Not much, we will see a few projects, Rs. 5000 to Rs. 10000 crores, but not more than that.
- Bharat Seth:** Now on this BOT project like where our toll collection has been stopped, now there are two components, one is there will be some assets lying in the book of that SPV plus our company's equity in investment in net. So how much we will be getting so how otherwise this equity treatment will happen?

- Paresh Mehta:** This project is typically an Ashoka Buildcon balance sheet, so overall equity of Ashoka balance sheet includes that which is put in this project. Now this project from way back of the 2000-2001 period, so definitely the project has earned a good revenue, but this early completion will reduce the revenue, so if you are expecting something like a 25-28% of return this should earn 20-22% that could be a possibility. But as far as asset value is concerned which is in the books of ABL, definitely that will have to be amortised either immediately or over the period of balance concession period or over the composition which we will receive from the government.
- Bharat Seth:** And that is one part of asset like in typically I am not asking for this kind project, but any BOT project like where there is a 20% kind of equity investment is done by the company, correct?
- Paresh Mehta:** Right.
- Bharat Seth:** Either directly or through SPV or in debt SPV, so end of the contract how much normally, when the concession full period even if it is allowed, so in that case we can depreciate the asset value, but whatever equity component is left out in the books. So how we write it off or what will be the accounting treatment for that equity contribution?
- Paresh Mehta:** From fundamental treatment of accounting is basically as soon as the project gets over, whatever cash is lying in the SPV, will be given back to the equity holders in the form of dividend payout and also by refund of equity. So the company will be liquidated and whatever balance is there in the SPV will be given over to the shareholder of that SPV.
- Bharat Seth:** So how much is currently lying cash balance in that SPV which we have created?
- Paresh Metha:** This project is because it is part of Ashoka Buildcon. All the money which had been generated by this project has been totally utilised, so there is no cash balance. It is already lying in the equity created through these cash flows. The total network of this Ashoka Buildcon is approximately Rs. 150 crores, and this includes part of the profits earned from this project.
- Bharat Seth:** And typically where SPV debt shows that much cash balance has to be left out and SPV will be liquidated?
- Paresh Mehta:** Correct and then the whole money will be received by the shareholder.
- Moderator:** Our next question from the line of Nilesh Mohnat from IDFC, please go ahead.
- Nilesh Mohnat:** Just one question, can you just let me know what will be your equity requirement for FY14 and FY15. What are your equity requirements for this?
- Paresh Mehta:** FY14 would be approximately Rs. 350 crores and another Rs. 400 crores in FY15. This is leaving Cuttack-Angul so there will be another requirement of approximately Rs. 150 crores for each year.

- Moderator:** Our next question from the line of Mr. Shrinivas Rao from Deutsche Bank, please go ahead.
- Shrinivas Rao:** I have questions on your toll collection data which you have provided helpfully in your presentation. For the Belgaum project and there are one or two projects where it seems the toll collection is kind of stagnant if I may say over the last 2 to 3 quarters. Would you like to throw some light as to what has happened, is that because of the local economy or mining projects or something like that?
- Paresh Mehta:** Basically two major reasons for depletion of the toll collection is basically economic slowdown which is seen in most of the projects and in certain belts like the impact of mining which has been banned by the courts also. So that impact as soon as these bans are removed which are being ruining slow and steadily in various regions, those would come back in.
- Shrinivas Rao:** Any particular toll roads you want to talk about or any particular region where you are seeing some better movement over the last quarter in terms of your toll collections?
- Paresh Mehta:** See, almost every project is flattish, but we are doing reasonably better vis-à-vis our expectation on an overall basis, either couple of projects may be slightly less than what we expected, but otherwise it is fine like we are floating.
- Moderator:** Our next question from the line of Mr. Viral Shah from Angel Broking, please go ahead.
- Viral Shah:** Just a couple of questions, one is any project which has a taken a toll rate rise during the quarter?
- Paresh Mehta:** During the quarter, there is none. It was in September there were three to four projects which took our toll rate rise—that is Bhandara on 1st September, Durg on 1st September, Wainganga on 1st September then Katni Bypass in September, these are the projects. During the quarter, there were no toll rate rise.
- Viral Shah:** Any which is expected in the coming quarters as well. Any of the projects which are expected?
- Paresh Mehta:** No this quarter there is no expectation, all toll hikes would be by 1st of April, quite a very few projects.
- Viral Shah:** Could you throw some light on the project picture L1 basically the two projects which we bagged in our JV. Could you throw some light on the project because I understand that current order book does not include this project, right?
- Satish Parakh:** Yes, current order does not include this and the status is L1 we have not yet received LOA.
- Viral Shah:** What do we expect the EPC order to be approximately from these 2 projects put together?
- Satish Parakh:** These two put together should be around 1000 crores.

- Viral Shah:** I believe these are annuity projects, right?
- Satish Parakh:** Yes, both are annuity projects.
- Viral Shah:** Can you tell us what is the semi-annual annuity for both the projects if possible?
- Satish Parakh:** I think we can disclose this only on declaration of getting LOA.
- Viral Shah:** In Bhandara what we see there is a decline in revenue on year on year basis, a decline of 2%. Any particular reason to it?
- Paresh Mehta:** Basically what we believe is more on the economic area, because if you observe Bhandara is coming in between the industrial zone of the Western side and the resources zone on the Eastern side and with the resources zone on Eastern side having a difficulty of mining and other issues this effect, we believe, is there. I believe as soon as this is removed, this traffic should marginally increase on that account and economic growth definitely will spread.
- Moderator:** Our next question from the line of Shashikiran Rao from Standard Chartered Securities, please go ahead.
- Shashikiran Rao:** My question is regarding the payments on Ashoka Concessions, if you have received the first payment so can you elaborate on what are the structures of payment pending in the next few quarters?
- Paresh Mehta:** Out of the total equity of Rs. 700 crores which Macquarie will be putting in and balance of around Rs. 125 to Rs. 150 crores, Macquarie has already brought in Rs. 240 crores of Rs. 700 crores and the balance will be brought over a period of the coming five quarters up to September, June 2014, as and when the three projects which are under construction will be required.
- Shashikiran Rao:** These 700 crores are all inclusive so far for all the projects that are there which also includes your new project line?
- Paresh Mehta:** No.
- Shashikiran Rao:** The annuity project Chennai Outer Ring Road?
- Paresh Mehta:** No, they are yet to come in, so there as and when LOA is received, the Chennai ORR will be brought in and at that time the decision for additional equity will be finalised, that would be over and above the Rs. 700 crores.
- Shashikiran Rao:** 780 crores?
- Paresh Mehta:** 700 plus 100 crores for exigencies, so that is 800 crores.

- Moderator:** Our next question from the line Mr. Rahul Metkar from MSFL, please go ahead.
- Rahul Metkar:** From the previous caller I did not quite get your explanation, if you could please elaborate more?
- Paresh Mehta:** Regarding the equity infusion?
- Rahul Metkar:** Yes, the equity infusion for the two annuity projects that you have recently won?
- Paresh Mehta:** These two projects because the LOA has not been received how it will be structured into ACL and ABL will be decided as soon as the LOAs are received.
- Rahul Metkar:** So these projects were not bid by ACL, but by ABL?
- Paresh Mehta:** Yes, all the bids are as of date being bid by ABL or on behalf of ACL by ABL.
- Rahul Metkar:** So these projects are not necessarily going to come under ACL now?
- Paresh Mehta:** It will be decided as soon as the LOA is received. So we are not taking a decision till the LOA is received.
- Rahul Metkar:** But when this PE deal has happened was there a decision between you and the PE guys whether the future bidding will be done only by ACL or there were no such decisions?
- Paresh Mehta:** Definitely there is an arrangement where all will be bid by ACL only, all road projects except for projects which are lower than Rs. 200 crores. So the project like the Karnataka project would typically fall into ABL's fold and projects like Chennai ORR would fall in the portfolio of ACL. This is a general understanding as soon as LOA comes, the final structure would be put in.
- Rahul Metkar:** For any other future bid that you may do, would this process be considered or it will, like you mentioned, any project above Rs. 200 crores would necessarily go to ACL or again there would be a discussion?
- Paresh Mehta:** That is how it will happen. What you have understood is right; all the projects above Rs. 200 crores will be under ACL.
- Rahul Metkar:** Okay then why the differentiation for the Chennai project then?
- Paresh Mehta:** See the LOA has not yet come in that. The moment the LOA comes in, we will take the decision. Definitely it will be part of ACL.
- Rahul Metkar:** On the toll projects, recently the PWD terminated the concession for Karmala and again we have seen that for the IRB Kolhapur project, the PWD or MSRDC, the Maharashtra state

government, is sitting on the file for any recommendation, then are you seeing any trend because of some political backlash that has happened over the past year in Maharashtra over the tolls that the state government is not keen on giving any toll notifications or coming out with termination letters. Is this a trend you are seeing because next year probably there will be an election again in Maharashtra?

Satish Parakh: No, this does not have any political background to this. There is an interpretation issue on some of the clauses in the concession and they have interpreted unilaterally and therefore we had approached court and now court has asked us to mutually come to a conclusion of how the effect of some clauses to be given.

Rahul Metkar: Okay this particular case may be an interpretation of the concession?

Satish Parakh: These are all about old contracts of PWD may be up in 2013.

Rahul Metkar: In general, are you sensing something from the Ministry of Road, the state government that the political will is lacking for going for toll road in Maharashtra or something like that?

Satish Parakh: Yes, they are not coming out with new toll roads, that is there.

Rahul Metkar: The Sadbhav–Maharashtra Border Check Post Project is also facing a similar issue where in the toll notification is yet to come and there has been a delay for about more than 3 months. Just wanted to check whether there is some political thing going around in the background.

Satish Parakh: They are not coming up with new BOT projects, one thing could be there are not much viable projects left for states. They do not have even, to make any viability gap funding also, and they are not willing to go ahead with these projects. Either they will go for EPC or they will - neither EPC is coming nor is BOT nor annuity is coming up in Maharashtra at present.

Rahul Metkar: Regarding your construction, on the standalone entity, have you booked these 11.8 crores of exceptional item or it is on the consolidated book that it has come?

Paresh Mehta: Besides the standalone as well as the consolidated.

Rahul Metkar: So it has been booked under the standalone entity itself. Is that the reason why, as in the EBIT margin for the construction division on a year-on-year basis has gone down by about 50 basis points, from 11.2 to about 10.7, on the standalone entity itself the construction and contract segment results the margin has declined about 50 basis points.

Paresh Mehta: This basically on a year-on-year basis, it has declined majorly because EBITDA included income from the interest in the previous year which is not there. What we have given this EBITDA margins, they are after excluding the equity raising expenses, you referring to slide #11 of my presentation.

- Rahul Metkar:** No, what I am referring to is the segment results on the standalone books.
- Paresh Mehta:** Standalone books, it will have because unallocations are not directly allocated. That impact will be there, so part of the impact is due to the Rs. 11.8 crores of expenditure booked.
- Rahul Metkar:** Going forward, what sort of margins we can look at in the construction segment?
- Paresh Mehta:** In the construction segment, we continue to look at margins between 12% to 12.5% on pure construction activities and in case there is any interest income earned, it will increase marginally on that.
- Rahul Metkar:** Can you update us on is there is any progress on Cuttack – Angul, it has been more than a year that you signed the concession agreement?
- Satish Parakh:** It will take some more time for environment clearance.
- Rahul Metkar:** But you are not going the GVK or GMR way?
- Satish Parakh:** Presently we are hoping that we will get environmental clearance.
- Moderator:** Our next question from the line of Viral Shah from Angel Broking, please go ahead.
- Viral Shah:** Just a clarification, the numbers which you gave equity requirement for FY14 and FY15 that does not include the two annuity projects, right?
- Paresh Mehta:** No, not even the two annuity projects; not even Cuttack-Angul.
- Viral Shah:** What will be the cash balance as on quarter, consolidated?
- Paresh Mehta:** Approximately we generally have a cash balance of around Rs. 35 to Rs. 50 crores. These are on Rs. 38 crores, around Rs. 35 to Rs. 40 crores.
- Viral Shah:** Could you repeat your equity requirement for FY14 and FY15 once again?
- Paresh Mehta:** Approximately Rs. 350 crores.
- Viral Shah:** For both the years? Including Cuttack-Angul, it will be Rs. 500 crores?
- Paresh Mehta:** Yes, Rs. 500 crores.
- Moderator:** Our next question from the line of Parakshit Kandpal from Karvy Stock Broking, please go ahead.

- Parakshit Kandpal:** Just a question on your equity raising expense, why did you expend, you could have amortised it as well?
- Paresh Mehta:** We thought it better even from a tax perspective because it is basically to improve the business of Ashoka Buildcon to get into a joint venture so that Ashoka Buildcon business goes substantially. That is the reason we preferred to keep it at Ashoka Buildcon's level on a write-off basis. So this year, we will get a tax break on it.
- Parakshit Kandpal:** Which line item have you shown this in standalone and in consolidated?
- Paresh Mehta:** It will be other expenses.
- Parakshit Kandpal:** Okay that is why the other expenditure has gone up. Second question was regards to the other income in the standalone is around Rs. 30 crores, so this largely pertains to transfer of these investments to ACL?
- Paresh Mehta:** Largely pertains to that, we had two projects Bhandara and Durg projects, we had transferred it to higher value and couple of more internal shares transferred at higher value.
- Parakshit Kandpal:** Okay, above the par value, so the premium to the par you have transferred that is why it has gone up.
- Paresh Mehta:** Yes.
- Parakshit Kandpal:** This equity raising expense of Rs. 11-12 crores looks pretty high. Is it linked to the percentage of the total deal value which happened?
- Paresh Mehta:** Generally, what would you give a cost to raising equity, when we do an IPO cost is around 5 to 6%. This is hardly between the range of 1 to 1.2%, so I believe it is quite reasonable, This is a fee plus service tax, We have to discount it another by 16% so it includes service tax also.
- Parakshit Kandpal:** Any of the projects which are currently in execution, are you facing any issues where the work has stopped because execution looks great. I mean this quarter if you see execution looks great, but I think these one-off equity raising expenses and the tax has actually pulled down the track on your profitability. Have the projects been on track?
- Paresh Mehta:** Yes, all projects are on track so we are quite comfortable in executing projects in time, we do not really see many challenges. We have two projects which are 4 to 6 laning which will not have any issues.
- Satish Parakh:** In fact our Dhankuni project is ahead of schedule, we are completing the Roopnarayan Bridge instead of 30 months we are doing it in 12 months. So we will have 18 months enhancement in advance. With execution we are very well placed.

- Parakshit Kandpal:** When we look at the competitive intensity now at this GMR, GVK and other players now mostly out of the race, how do you see the competitive intensity panning out over the next 3-4 quarters?
- Satish Parakh:** No, competition I think still will be there for good projects. I do not think 2 or 3 players going out will really ease the entire sector, but there may not be very aggressive bidding but definitely competitiveness would be there. There are 35-40 players in the race.
- Moderator:** Our next question from the line of Divyata Dalal from East India Securities, please go ahead.
- Divyata Dalal:** With regards to the PNG project, I wanted to know when will the construction of the elevated highway be complete?
- Satish Parakh:** By 31 March 2013.
- Divyata Dalal:** What would be the estimated toll collection on completion?
- Paresh Mehta:** On completion of the elevated column and 100% of the project, we expect the total toll collection to be in the range of 45 lakhs per day.
- Divyata Dalal:** Currently it is at what level?
- Paresh Mehta:** Around 11 lakhs per day, but this is for 35% of the work without the elevated structures.
- Divyata Dalal:** With regards to your Sambalpur project, can you give me some clarity on what is exactly the total cost for the project?
- Paresh Mehta:** Sambalpur project is approximately Rs. 1100 odd crores including IDC and other expenses with an EPC of Rs. 1008 crores and it is fully debt tight with Axis Bank and its co-bankers and we have almost completed 30% of the job, more than 35% of the job.
- Divyata Dalal:** What would be the cost of that?
- Paresh Mehta:** Cost of it will be around 12.25, and it will now go down, presuming the base rates come down for Axis Bank too.
- Divyata Dalal:** On a consolidated basis, how much do you see your interest cost coming down because of the reduction in repo rate?
- Paresh Mehta:** I have a debt of approximately Rs. 1900 crores, and so reduction of say 25 basis points on the total debt would be on a yearly basis approximately Rs. 4 crores.
- Nitin Bhasin:** While we wait for some other questions from the participants, I will take the liberty to ask some questions here. In terms of where we see, what NHAI started off earlier in the year, you

are talking about on a high that we will announce about 8000, 9000 km during the course of the year, a lot has changed and it appears that we are heading for a very miniscule ordering activity. So since your business is dependent mainly on this segment, how do you see now the next fiscal year, do you think is the NHAI working towards sorting a lot of issues that next year your bidding for NHAI could be much better and you and the industry could be getting more roads? And what are those changes if we could get to know from you possibly which will change the opportunity land scale?

Satish Parakh: The activity definitely this year has been very slow and NHBFI which is a National Highway Federation for Highway Builders and NHAI together are having series of meetings to address the issues with industries we see. So issues like environmental clearance, land acquisition they are trying to advance. To some extent they are also trying to sort out issues with environmental ministries for expediting clearances regarding forest and other issues. Railways also have so many hurdles in execution, so those are also being addressed. Other than this there are minor issues of utility shifting and other issues, they are also being heard. Positive approach is there in sorting out problems. So definitely once now when new projects are awarded we will see at least execution and other things in place.

Nitin Bhasin: So do you think that next year could be much better than this year?

Satish Parakh: Yes, next year could be much better, on BOT front also and EPC front also.

Nitin Bhasin: Would you be looking actively at pure EPC also for the jobs, if they announce or you would be mostly trying to allocate resources and capital towards mainly developmental jobs?

Satish Parakh: Yes, we will be bidding for both EPC and BOT.

Nitin Bhasin: In terms of state, because the last two jobs if I am mistaken were from state, is the state road development type of projects progressing well? Any more regions where you expect in the next 12 months there could be positive news flow from your company?

Satish Parakh: No, states we may bid for further new projects. States like Rajasthan is coming out with projects, there are projects in Madhya Pradesh and of course Tamil Nadu, Karnataka also we expect a lot of activity to go on.

Nitin Bhasin: So that means alongside the NHAI you would be next year possibly announcing if you get those, but you would be bidding for the states Rajasthan and Madhya Pradesh?

Satish Parakh: Madhya Pradesh, Rajasthan, Tamil Nadu, Karnataka, Andhra Pradesh; four to five states, we expect some highway activity to go on.

Nitin Bhasin: There have been talks about the interest rate softening possibly. Are you seeing any kind of changes with the banks because banks are reeling under kind of concerns about this large power project, getting starts delayed, credit concerns in that. How are the banks treating the

dispersals to your roads for new projects, financial projects like the one recently that you have got mostly talking to banks? Will the financial closure of the recent won projects see much favourable interest cost?

Paresh Mehta:

As far as banks, our relationship with bankers and their experience with us, we are having not a single issue or problem with raising finance from the bankers; in fact they are approaching us for the new projects. We have still not received the LOA. They are still asking us whether they will be given an opportunity. That is one part, because our track record has been definitely on targets, so they are not concerned. As far as the cost of finance is concerned definitely because our track record has been good, they will give us the best in the market. We do not have any reservations in the market. Okay, if the market is slightly high, we may get the best whatever is there stick to that base rate. So if the base rate is moving lower, I think so we can get better rate. Of course there are opportunities of credit announcement schemes available which will also go for and maybe there are opportunities for ECB happening there where if the periods are shorter, we could get a better rate. These options are also open.

Nitin Bhasin:

Can we expect it in the next quarter or so, if the interest rates come down? Can your projects see some kind of adjustment in terms of the interest cost that you have presently on most of the operation projects? Will there be some more saving?

Paresh Mehta:

Definitely, because most of the interest rates are pegged to the base rates and if these bases are moving, so once we move down, definitely they will move down as well as the cost also, it will move, so whatever resets are there, resets are only for the spreads. Basic movement in the interest cost will continue to happen.

Nitin Bhasin:

In terms of construction cost of the projects right now, because you are carrying projects from the past as well and today, how is the input cost behaving for the road construction projects, your bids today versus past, what are you considering from the market higher or it has some sort of stabilised at this level?

Satish Parakh:

Escalation definitely is going a little beyond our estimation, basically as bulk diesel prices have gone up, bitumen prices are very dynamic, though we do provide for all these escalations, but diesel has been a little out of our estimated cost.

Nitin Bhasin:

And possibly over the next 6 to 8 months it is going to continue like this, diesel is going to be like become expensive. So given the EBITDA margin that somebody is asking and Mr. Mehta also answered that, we look at a margin of 12% to 12.5% grade, but how does it impact the relationship between what ACLs roads versus ABL execution? Any imperative?

Satish Parakh:

ACL is a fixed-price contract; ABL, we have an effect of around 0.5 basis point to 1 basis point.

Nitin Bhasin:

So it is that much?

- Satish Parakh:** It may affect.
- Nitin Bhasin:** Nothing much more.
- Satish Parakh:** If it goes up like this for a year.
- Nitin Bhasin:** I know that T&D is a very small segment for you, but what are we looking at that segment right now, where do you see that segment over the next one year, should we as analysts and investors think that you are not going to put in lot of focus there or do you think there is going to be at sometime -
- Satish Parakh:** No, it is a different independent division and we are pursuing jobs in other states also for T&D EPC, because distribution upgradation is taken up by almost all states now. We expect jobs in Tamil Nadu, in Bihar. We have also bid for the projects but first phase of bidding we have seen quite aggressive in these states, we will keep bidding on these fronts.
- Nitin Bhasin:** Two projects that you spoke about a while back in terms of the jobs in Karnataka and the jobs in South. So just wanted to get a sense from you, if once the LOAs are awarded, what could be the total broad equity requirement in those two projects put together for you?
- Satish Parakh:** Broad equity requirement in both our projects put together is around 400.
- Nitin Bhasin:** That will be for the entire joint venture, but what about your share?
- Satish Parakh:** Our share will be around 400.
- Nitin Bhasin:** 400 crores?
- Satish Parakh:** Yes.
- Nitin Bhasin:** And if it goes to ACL, then it gets split the way it has been discussed?
- Satish Parakh:** Yes.
- Nitin Bhasin:** Moderator, I think since there are no more questions, we would like to close the call. I really appreciate your time, Mr. Mehta and Mr. Parakh for taking out time for the call today and giving all of us the colour on the performance and what do you expect of the near term and I would like to handover to Mr. Parakh for some closing comments.
- Paresh Mehta:** Thank you everyone for participating in this 3QFY13 earnings call. As spoken we have already uploaded the analyst presentation of our company on our website. In case you have any further queries, you may get in touch with me or our strategic growth advisors, our investor relations advisor. Thank you very much again for the participation.

Moderator: Thank you sir. On behalf of Ambit Capital Private Limited that concludes this conference.
Thank you for joining us, you may now disconnect your lines. Thank you.