

ASHOKA BUILDCON LTD

Management Representatives:

Mr. Satish Parakh - Managing Director

Mr. Paresh Mehta - CFO

Ashoka Buildcon Ltd. Concall held on 11 May, 2011

Moderator:

Ladies and gentlemen good day and welcome to the Q4 FY11 Ashoka Buildcon Limited conference call hosted by Pinc Research. As a reminder all participants' line 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. If you should need any assistance during this conference please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vinod Nair. Thank you and over to you sir.

Vinod Nair

We have with us today Mr. Satish Parakh, the Managing Director and Mr. Paresh Mehta, the Company CFO. Now I would like to hand the floor to Mr. Paresh Mehta to open the conference which will be then followed by the Q&A session. Thank you and over to sir.

Paresh Mehta

Thank you Vinod. I would like to welcome everybody, good afternoon, I welcome you once again for the discussion on the annual results of FY11. Along with me, I have Mr. Satish Parakh, Managing Director and SG, our Investor Relation Advisor. Before we present the results I would request Mr. Satish Parakh to give an overview on the development during the year.

Satish Parakh

Good afternoon all the participants I am pleased to report on some of the momentums happenings at Ashoka Buildcon in the last year. As you know, we got listed on stock exchanges on 14th October 2010, we had received a very good response to our IPO apart from that we also entered the big league of road developers by bagging some of the prestigious project from NHAI. Some of the key achievements of the company in the last year, we were awarded 4-6 lane project on Dankuni to Kharagpur 111 km stretch on NH6 in West Bengal the project is just 17 km from Calcutta. This would be our 9th project on NH6 making our presence in four states out of six connected to NH6. The project is on DBFOT basis under NHDP Phase V with a concession period of 25 years. The intimated total project cost approximately is 2200 crores. We achieved financial closure on two of our major projects, Belgaum-Dharwad in Karnataka and Sambalpur in Orissa. The Sambalpur-Baragarh Project is 1100 crores with a concession period of 30 years. The debt tied up for the same is 810 crores. The Belgaum-Dharwad Project we achieved financial closure and have already started collecting toll since May 4th. Belgaum-Dharwad is 694 crores project with a concession period of 30 years. The debt for this project is 479 crores. Another development is we have substantially completed construction of two of our projects Durg and Jaora Nayagaon in this quarter. We expect to start toll collection on Durg in the first quarter of the next year. The Jaora Nayagaon Project is sectional toll project with three sections out of which two sections have already started toll and the third section would go for tolling in Q2 FY12.

We also bagged a turnkey power distribution projects with 166 crores from MSEDCL, Maharashtra. Our current order book backlog stands at 4672 crores of which road projects are 4279 crores, balance 393 crores is power T&D EPC contracts. On the bidding front, our company on the standalone basis would get qualified for around 2000 crores plus NHAI projects and of course in JV, we will be qualifying member up to 5000 crores plus projects. I would now request Paresh Mehta to present the results of Ashoka Buildcon for the March year end.

Paresh Mehta

Good afternoon again friends, I believe you must have had an opportunity to see the analyst presentation which is already put on our site. Before we start presenting the results for the year, I would like to highlight that we have changed accounting policy from this year onwards to provide more appropriate representation of the financial statements of the company. The new policy would also bring us in line with the industrial practice and also align ourselves to the IFRS regime which will come in future. The changes in the accounting policies mainly are method of amortization of intangible asset change from straight line method to proportion of traffic volume asset. The second change in accounting policy is the revenue generated from intra-group transaction that is the EPC done for the BOT projects would be taken as realize and our profits also would be taken as realize and they would not be eliminated.

These changes have resulted in increase in the contract revenue by 286 crores for the year and an increase in profits of 17 crores on account of non-elimination and reduction in amortization of 16 crores.

We now present the result for the financial year 2011. The full year consolidated income for the year is 1336 crores and the net profit of 208 crores after minority interest. Out of the total consolidated income construction revenue for the year is 1134 crores, the toll revenues for the year have grown by 15 crores to 190 crores. In this we have started toll collection for Bhandara Project from Q3 2010. In fact we also saw decrease in toll revenues for two of our projects, the Nagar-Karmala Project within the months of December and January and the Pune-Shirur Project in the months between December and February. It was temporary suspension of toll collections both these tolls have resumed collecting toll. The EBITDA for the financial year 2011 stands at 286 crores. The interest cost is 71 crores and the depreciation is 69 crores. This increase is mainly attributed to the Bhandara Project which was capitalized in the last year wherein depreciation was around 18 crores and the interest was 18 crores and depreciation of 7 crores. The profit before tax is 253 crores and the profit after tax is 210 crores both minority interest the profit after tax would be 208 crores. As on 31st March 2011, the net worth of the group is 893 crores and the gross debt on books is 1283 crores giving debt equity of around 1.44 times. We can now take the questions. Thank you.

Moderator

Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Nimisha Agrawal from CRISIL, please go ahead.

Nimisha Agrawal

Sir I wanted to know about the land acquisition status of Dankuni-Kharagpur Project and Sambalpur-Baragarh Project?

Satish Parakh

Yeah Dankuni-Kharagpur is a 4-6 lane project so 97% of the land is already available on this stretch.

Nimisha Agrawal

And sir for the Sambalpur-Baragarh Project?

Satish Parakh

Sambalpur is 2-4 lane projects where land acquisition is very much in advance stage, around 70% has already crossed the 3G space where payments have been made, and balance is already done with 3D. One can start on all these processes but there is one stretch going through a forest area which the acquisition is still under process.

Nimisha Agrawal Alright, sir when do we expect it to be completed by?

Satish Parakh We expect entire thing to be done by September.

Nimisha Agrawal And sir what is the interest rate as with debt was tied up for this project?

Paresh Mehta The interest rate for the Sambalpur Project was tied up at an interest rate of 11.25.

Nimisha Agrawal Alright, that is it. Thank you so much.

Moderator The next question is from the line of Romil Jain from Quantum Advisors, please go ahead.

Romil Jain Sir just wanted to know regarding the turnkey project which your company has received worth Rs.166 crores from the Maharashtra Government so can you just throw some light on the details of the project.

Satish Parakh These are basically Power T&D Projects which we had earlier bagged six projects. So this is similar kind project where power distribution networks are to be done on EPC basis.

Romil Jain The EPC arm will be your, company only, right?

Satish Parakh Right company. The ABL carries out the entire EPC these are basically EPC contracts they are turnkey basis because payment is made only completion of portion of sections commissioned.

Romil Jain So what is time line of this project?

Satish Parakh This is a one-year project.

Romil Jain Okay and sir the last time the kind of margins in the power T&D contracts?

Satish Parakh Power T&D last year we did around 6-7% of PAT margins and 11-12% of EBITDA margins.

Romil Jain And sir is there any other in pipeline for this power T&D?

Satish Parakh Power T&D lot of projects are coming of Maharashtra Government and Madhya Pradesh Government and we will be continuing doing EPC for these service.

Romil Jain Okay thank you so much sir that is it from my side.

Moderator The next question is from the line Ashish Koparde from Individual Investor, please go ahead.

Ashish Koparde Sir, actually based on the current market value of the company what is the price to book value now?

Paresh Mehta The price to book as per today is net worth would be around 1.5.

Ashish Koparde And sir is there any guidance for the next year?

Paresh Mehta We believe we will probably have EPC growth of around 35-40% and we would have a toll growth of around 70-80% toll revenue growth.

Ashish Koparde Toll revenue growth is about 75-80%?

Paresh Mehta Yes.

Ashish Koparde Oh that is very nice sir. Thank you very much.

Moderator Thank you. The next question is from the line of Salil Desai from IDFC, please go ahead.

Salil Desai Sir for our Jaora Nayagaon Project the two sections where we have started tolling, have we partly capitalized this and are we recognizing revenues also?

Paresh Mehta Yeah we have to, I mean the first section was capitalized in August 2009, the second section will be capitalized as of May 2011. So it will be, the sections will be capitalized and the revenue will be recognized as in the regular P&L form.

Salil Desai So this quarter results or the year FY11 does not have the section 2 tolling.

Paresh Mehta No these will not have.

Salil Desai Alright sir Thank you very much. I will come back later if there any questions.

Moderator The next question is from the line of Kenin Jain from Voyager.

Kenin Jain Sir, I am referring to your slide #6 on the investor presentation. There is an exceptional item in EPC and BOT and in console for FY11 which 70 crores, 37 crores and totaling to 107 crores what is that?

Paresh Mehta See if one of the accounting policy changes which I referred to it before is till March 2010, we were eliminating profit wherever in relation to contract executed between ABL and its subsidiaries. So now in effort of bringing the accounting policy as per the industrial practice. So to align it with the IFRS norms which are going to adopted by 2013-14, we have made these adjustments to the accounts and recognized the profits and treated them as realize.

Kenin Jain So if I understand rightly this is the profit which we have missed from accounting in 2009 and 10 because of the elimination, you have tried to restore it back.

Paresh Mehta Correct.

Kenin Jain Am I right? When you say this 207 crores profit for the full year, 107 is just like in adjustment entry.

Paresh Mehta There are two aspects to it in fact, there is 70 crores pertaining to adjustment of this elimination of profit because as EPC player, I should normally recognize this profit, so that is what we are trying to follow from 2010-11.

Kenin Jain Sir my next question is say for the BOT project as a whole in 2012 what kind of revenue and EBITDA are you guiding for 2011 without these adjustments because I think this a one-time adjustment and for FY12 you will not have such kind of adjustments?

Paresh Mehta Correct, will not have. So we will not be eliminating any of the profit so we will be recognizing this profit in 2011-12, there will not be an adjustment account.

Kenin Jain Right, for FY12 if you say that what would your BOT revenue and BOT PAT tentatively?

Paresh Mehta See on the EPC side by the BOT projects as we said we would be doing a turnover around 35-40% over last year.

Paresh Mehta This is as far as revenue is concern. On the PAT side as I said the EPC PAT is generally around 6.5-7% EPC turnover.

Kenin Jain So basically you are saying 1500 crores sales and 6% net margin basically, so give and take it is like 90-95 crores profit on the EPC side right?

Paresh Mehta

Right.

Kenin Jain

On the BOT side what kind of a profit can one see on the BOT side, I am more keen to understand there because from this year 54 crores if you knock off this exceptional item of 34 crores, you know you are left with some 20 crores. So is my presumption right that for FY12 on a recurring basis the profit from BOT would be like 20-25 crores?

Paresh Mehta

See, I can give you some guidance on the toll revenue what would amortize over the year 2011-12 which would be approximately say around 70-80% which around 350 odd crores in the year but when you go to the PAT level all the projects are at various stages of collection of toll.

Kenin Jain

Exactly.

Paresh Mehta

So some projects are under initial phases where there depreciation item is higher and in certain cases the depreciation items are lower. So what we could typically address is at EBITDA level which would be around say 85% and above.

Kenin Jain

Exactly you are saying and your guiding 350 crores for toll revenue right?

Paresh Mehta

Yeah that should.

Kenin Jain

And 80-85% of basically EBITDA margin you are saying.

Paresh Mehta

Right.

Kenin Jain

And so why is your current EBITDA margin is 64%?

Paresh Mehta

The basic reason of EBITDA margin in 2011 is lower, the reasons being one is major maintenance which was incurred in last year, it is a periodic maintenance which we do once in five years was done in last year for the previous five years.

Kenin Jain

For 58 crores?

Paresh Mehta

Yeah 58 crores also another event was for couple of months two of our projects we had returns of toll revenue, suspension of the toll revenue which resulted in lower toll collection by 13 crores.

Kenin Jain

So you are saying there was lower toll collection and a higher expenses of 58 crores which would not be there for FY12 at least this 58 cores will not be there.

Paresh Mehta

No it will not be there.

Kenin Jain

So to that extent your adjusted EBITDA would be like 200 crores.

Paresh Mehta

Right.

Kenin Jain

Right so sir for what kind of a business environment are you seeing from year on for your company like now you are sitting on some 4500 crores of order book, so you know 1500 crores EPC you are guiding it for FY12 so what kind of a sale can one foresee in FY13 and then how is your bidding strategy towards balance part of the year and you know what kind of strategy you are having internally?

Satish Parakh

We are in this toll experience over the 15 years. And there is very good opportunity coming up around 100 projects have been bid out by NHAI in coming 1-1.5 years. So we will be very selective of picking of projects. We have a good order book in hand and we experience of working in six states. So we will be selective in these states and definitely we have entire in-house control on the entire value chain from concept to official maintenance. So here we will be looking for a mix of bigger projects may be to the tune of 1500-2000 crores each that would be another 16-18% we don't bid the low rates this is the minimum we look at.

Kenin Jain

Sir, you participated in these last two bids you know of NHAI which were the large corridors. The first one was like the Ahmedabad one and the second one went to Larsen. So you participated in both these bids?

Satish Parakh

No we haven't participated in both the bids.

Kenin Jain

Sir how this rising interest rate environment impacts your existing portfolio, you know which you have already one secured are running, in the case where you have financially closed it. Because for the newer bidding I think you will factor in the higher interest rates and your bid can get adjusted and which will be common to most of the player but for the existing folio how it impacts?

Satish Parakh

See basically these are all large tenure projects, 30 year concession projects and rising interest rates what we are seeing in our experience. We are seeing cycles from 8% to 13% normally this growth is linked to the inflation and inflation is linked to our revenues. All our rates are inflation linked. I see very minor impacts of the interest rates these are very temporaries ones and they normally are set out by the growth in toll revenues.

Kenin Jain

Right. Fine sir, I will come back if I have more questions. Thanks.

Moderator

The next question is from the line of Devang Patel from Avendus Capital, please go ahead.

Devang Patel

Sir in the opening comments you mentioned the profit of the accounting policy changes on the profit. Could you please repeat those numbers again, the impact on FY11 profit.

Paresh Mehta

See there is one item of exceptional items in the results which we have declared which is 107 crores. So out of this 107 crores, we have 69 crores adjustment entry on account of recognizing profits from subsidiaries for previous years up to March 10th that includes change in amortization methodology where we are adding that 38 crores. So total 107 crores has been added back for previous years in the year 2010-2011. The knockoff portion which has been already addressed in the financials of this is 17 crores, we have already recognized them and the depreciation impact is around 16 crores. So overall from a previous year's comparison if you see the change in accounting policy has got a total impact of 107cr for previous year and 32 cores for this year.

Devang Patel

Sir in one of the slides you mentioned, toll disruption in two projects for few months, what was this disruption about?

Satish Parakh

This was a basically temporary suspension in around 40 projects in Maharashtra, two of our projects were affected in this where overlay was demanded by the NGOs on time basis. It is basically on the roughness index basis but since it was a demand from NGOs and government also insisted that we should carry out this overlay before schedule time. So 2-2.5 month disruption was there on these projects.

Devang Patel

So this happened across all state government projects?

Satish Parakh Some of the state government projects, some of the state owned projects, some of the private projects owned by the state government.

Devang Patel And how has the matter been resolved now?

Satish Parakh Now overlay was carried out and toll was started.

Devang Patel Have you agreed to carry out overlay ahead of time?

Satish Parakh We have agreed to carry out a head of time but we will be claiming the compensation from the government.

Devang Patel Has the government agreed to give compensation?

Satish Parakh No that case goes on that is not so easily agreed. No government agrees on clearance so easily.

Devang Patel Sir on average how much ahead of time are we having to do this overlay?

Satish Parakh At least a year ahead.

Devang Patel Sir you mentioned last year some periodic maintenance was done and that has some impact this year. Could you just give some color on how you are accounting for it, I assume you are not capitalizing it and the cost is spread over some years?

Paresh Mehta Yeah as far as the major maintenance is concern up to 2011 as we have accounting this on cash basis that is as when we incurred so that is the major hit. For four of our project we have incurred major maintenance and in future I got to adopt a proper policy for it.

Devang Patel Sir what was this cost, so 58 crores is some portion of that cost?

Paresh Mehta 45 crores was major maintenance and 13 crores were on account to toll disruption so 58 crores is split that way.

Devang Patel Sir what you are saying is this 45 crores. Was expenditure done in the current year?

Paresh Mehta Yeah it was done in the last two quarters like Q3 and Q4.

Devang Patel Okay so is there any other major maintenance schedule for next year?

Paresh Mehta No, now there is no major maintenance scheduled.

Devang Patel And you would then evolve eventually a policy on how to spread this evenly across the years.

Paresh Mehta Yeah.

Devang Patel Also this toll disruption may lead to some overlay expenses that you will have to incur?

Paresh Mehta No.

Devang Patel As you know, we were just discussing earlier that you would be doing it one year ahead of schedule. So is there anything scheduled in FY12 any major expenses because of this disruption?

Paresh Mehta No once this major maintenance has been carried out then minimum time period like five years is the periodical maintenance we have in mind. So five years we will not have any major maintenance, once we have carried out this major maintenance.

- Devang Patel** This 45 crores what you spent in the last two quarters was more like a one-time expense.
- Paresh Mehta** One-time in five years, yeah.
- Devang Patel** So, generally as a thumb rule how much is major maintenance cost per kilometer that you have to bear?
- Satish Parakh** It depends from project-to-project some are two-lane, some four-lane, some are six-lane so.
- Devang Patel** Or may be if you can give per lane km then?
- Satish Parakh** Per lane would be around 75 lakhs, then 5 years later you should add escalation to it.
- Devang Patel** 75 lakhs for a four-lane road?
- Satish Parakh** Two-lane road.
- Devang Patel** Sir and for the projects which now you got what is the total equity commitment which is pending to be invested?
- Paresh Mehta** See at present we have approximately 850-900 crores to be invested as equity in the next 2.5-3 years. And major of the portion would be finance through internal accruals and raising debts on our existing toll projects which are already earning toll revenues. May be there would be a small partial gap which probably who would do a funding at equity raising at SPV level.
- Devang Patel** Okay after the IPO have you done any further refinancing?
- Paresh Mehta** No not yet. We have not done any refinancing.
- Devang Patel** What is the average cost of debt across all projects?
- Paresh Mehta** Average cost as of date would be approximately 11%.
- Devang Patel** And all these would have reset clauses.
- Paresh Mehta** They have reset clauses.
- Devang Patel** That is all for now sir, thank you so much.
- Moderator** The next question is from the line of Sagar Parekh from Enam Holdings, please go ahead.
- Sagar Parekh** Sir I was just wanted to clarify on one of your slides I think your BOT revenue is mentioned as 200 crores.
- Paresh Mehta** Correct.
- Sagar Parekh** In side #6 and in slide #9 where you have given the break up of toll revenue, it is about 210.
- Paresh Mehta** Basically, what here, see 201 is the revenue in BOT projects which is inclusive of other incomes. So my toll revenue for the projects which I consolidate is 190 crores. This is one clarification and if you go through the other side which you are referring to these are toll projects which we have interest. So there are two projects that is the Wainganga Bridge and then there is Jaora-Nayagaon Project these two projects we do not consolidate because we have less than 50% equity. So it will not come in my consol numbers as revenues but then we do have some kind of share in those revenues flow.

Sagar Parekh So basically out of that 201 crores, 10 crores is other income is it?

Paresh Mehta Right.

Sagar Parekh So 190 is the toll revenue.

Paresh Mehta Correct.

Sagar Parekh And how much do you own in Wainganga and Jaora-Nayagaon.

Paresh Mehta In Wainganga we own 50% and in the Jaora Nayagaon we have around the interest of 37%.

Sagar Parekh How much equity have you invested as of now in all the projects?

Paresh Mehta In all the projects we invested approximately 800 crores.

Sagar Parekh And this balance 800-900 crores that you have to invest, out of the internal accruals, I think in the next 2-3 years

Paresh Mehta In the three years, we would be approximately around 350 crores.

Sagar Parekh 350 from internal accruals.

Paresh Mehta Right 350-400 crores and on my current projects we could raise around 250 crores.

Sagar Parekh 250 crores you are going to raise?

Paresh Mehta Raise on my current projects which are already

Sagar Parekh Toll revenue from other projects?

Paresh Mehta Where I could kind of do a typical securitization deal.

Sagar Parekh And the rest you are planning to raise by diluting at the SPV level?

Paresh Mehta Yeah. That is the last resort. We probably look at say, one year down the line and see whether it is really required.

Sagar Parekh What is your cash on books as of now?

Paresh Mehta Cash of books would be around 70 crores.

Sagar Parekh 70 crores consolidated?

Paresh Mehta Yeah.

Sagar Parekh And your total debt is about 1283 crores?

Paresh Mehta Yeah. Out of 1283 crores approximately 70 to 80 crores is cash of my own associates that is as good as mezanine equity, if I own debt from my SPV.

Sagar Parekh That is all from my side, thank you.

Moderator Thank you. The next question is from the line of Sneha Poddar from ShareKhan. Please go ahead.

- Sneha Poddar** What is your strategy going ahead for bidding of the projects and you will be going for the larger projects or you would also stick to the smaller projects which you were earlier bidding for?
- Satish Parakh** Going ahead our strategy is to get equity IRRs between say minimum 16%. So anything that fetches more than 16%, whether it is a 500 crore project or a 1500 or a 5000, it really does not make a difference for us.
- Sneha Poddar** Sir given your balance sheet size, how much worth of projects can be supported by it?
- Satish Parakh** We can go ahead and bid projects and consortium we can do, stand alone projects we can raise equity at SPVs. Any projects one can invest up to 51% and 49% partner can be broadened. I don't think another 4000-5000 crores projects should be any problem.
- Sneha Poddar** What kind of project intake we are targeting for this year?
- Satish Parakh** We do not have any target but we will be selectively bidding. We already have more than three times the book. We are selectively bidding and if something very good comes across we will be taking it.
- Sneha Poddar** How much have we bid as of now? Any bids in the pipeline?
- Satish Parakh** No bid in the pipeline, we have been qualified for roughly around 15-20 projects which are 20,000-30,000 crores.
- Sneha Poddar** Thanks a lot sir.
- Moderator** Thank you. The next question is from the line of Salil Desai from IDFC. Please go ahead.
- Salil Desai** One clarification on this major maintenance. If I understand right 45 crores is what you have actually spent. 13 crores is what is the loss of revenues if toll had not been disrupted?
- Paresh Mehta** Correct.
- Salil Desai** 45 crores is in which projects? Do you have a split?
- Paresh Mehta** In 45 crores we have 27 crores in the Pune Shirur project, around 9 crores in the Nagar-Karmala project and 7.5 crores in the Indore – Edalabad project, say around 2 crores in Nasirabad project and 1 crores in Dhule project, approximately that is the split.
- Salil Desai** All of this is complete now, maintenance?
- Paresh Mehta** It is complete for those stretches
- Salil Desai** This overlay because of this NGO demand that is yet to be spent, right?
- Paresh Mehta** That is what the major part is.
- Salil Desai** So this 45 crores is including schedule maintenance as well as whatever would have been because of the due demand?
- Paresh Mehta** Exactly.
- Salil Desai** Second is, in Bhandara how has been the traffic experience and what growth have seen since August?

- Paresh Mehta** Really we cannot identify because hardly we have run 5 months in the project, so really cannot indicate the gross because various seasonal factors had effect, I think seeing a whole cycle would really define what kind of traffic pattern is.
- Salil Desai** What I meant was vis-à-vis what you would have expected how has been traffic growth?
- Paresh Mehta** If you go by expectations....
- Salil Desai** I do not want numbers but if you just give a feel of it?
- Paresh Mehta** Approximately we are 10% lower than the expected traffic.
- Salil Desai** Any particular reasons here?
- Paresh Mehta** It could be a combination of last two years of growth which we have not really seen few years back because of whatever the financial crash market . So we have seen that slow growth in the whole country vis-à-vis what we expected.
- Moderator** The next question is from the line of Navin Jain from India Bulls Securities. Please go ahead.
- Navin Jain** A small clarification actually, what was the quantum of Bitumen sales and RMC sales in this year and where it is classified in your slide no. 6 where you are dividing your revenue between EPC and BOT?
- Paresh Mehta** It is in the EPC because it is typically in the nature of EPC. The quantum is of around 86 crores of revenue on the RMC business.
- Navin Jain** I guess a good part of this will get eliminated while consolidating?
- Paresh Mehta** These are all third party sales, they are not in-house transferring.
- Navin Jain** In that case, if I look at your standalone number, your standalone topline was about 1194 crores and your construction revenue as per this breakup that you have given is about 1134 crores. So the difference is only about 60 odd crores, as compared to that your RMC is about 85 crores. So kind of not matching the numbers basically. And then I guess you also have some toll income of BOT in this standalone?
- Paresh Mehta** Basically my EPC turnover on my standalone is 1058 crores and if you compare this if you see the segment wise revenue you will find 1058 is my construction revenue on a standalone basis which is approximately 1025 crores in my consolidated. This reduction is basically because it was major maintenance carried out. There it is an inter-company transition. It is not creation of an asset. There the profits have been knocked off, the revenue have been knocked off and then the balance is 86 crores on account of RMC sales so that is almost similarly getting transferred to the CFS. And the BOT 49 crores gets increased to 190 crores on account of other SPVs.
- Navin Jain** So if you have to look at the standalone numbers basically 1058 crores is the construction revenue, 86 crores in the revenue from your RMC division and the balance will be your toll revenues from the standalone BOT projects?
- Paresh Mehta** Correct.
- Moderator** The next question is a follow-up question from the line of Kenin Jain from Voyager. Please go ahead.

Kenin Jain

Why you changed the accounting policy?

Paresh Mehta

I'll reiterate the fact which I stated in the beginning. We had two aspects to it. One is, adoption of IFRS in 2013-2014. So we believe that IFRIC 12 supports this treatment of accounting then let us follow it, one. Second is also the industry practice, generally we have seen that people are recognizing these revenues and profits. On these two accounts we adopted this policy so that give a fairer chance to the investors to understand us with our peers.

Kenin Jain

Secondly if you look at your depreciation in the BOT side, it has lowered versus 2010 because in BOT it was 58 crores then it has become 49 crores. So why the depreciation has come down compared to 2010?

Paresh Mehta

As I said we have had two changes in accounting policy. One was on account of recognition of profit for limited party transition. Second definitely is on account of change in amortization. Basically intangible asset that is toll collection rights, was being amortized on a straight line method till 2010. Now we have shifted that from straight line to usage method, i.e., unit of production method what we may call on standard terms. So there it is more of, on the basis of estimated usage we are depreciating the asset.

Kenin Jain

Another thing I want to understand is that if you exclude this 58 crores of one-time expenditure from the 2011 BOT, is it right to presume that the actual PAT and also if you knock off these exceptional item of 38, the actual recurring PAT should have been Rs. 80 crores broadly, the BOT side?

Paresh Mehta

From the BOT side yes.

Kenin Jain

And this expenses of 58 crores which you have incurred as maintenance, this will again incur in next 2-3 years, such kind of large quantum of expenses?

Paresh Mehta

Whatever major maintenance we have to carry we will carry on 1 to 5 years.

Kenin Jain

So you are saying indirectly for the next 2-3 years such kind of expenses will not be there.

Paresh Mehta

No.

Kenin Jain

How much will be the gross block in your company to do this EPC execution like?

Paresh Mehta

We have an asset base of Rs. 195 crores of equipments which could help us execute all the EPC contracts.

Kenin Jain

So around Rs. 200 crores of assets. You mentioned that just at the cost of repetition, the equity invested till date in all the projects is like, Rs. 800 crores?

Paresh Mehta

Yeah, around.

Kenin Jain

This is net to you or it is gross, right?

Paresh Mehta

Gross.

Kenin Jain

How much will be net?

Paresh Mehta

Approximately my equity will be around Rs. 450 crores.

Kenin Jain

So you are saying equity 800 is total and 450 will be yours. And when you say 850 yet to be invested, that is your 850?

Paresh Mehta

Presently totally mine. Unless I do some kind of a SPV level dilution.

Kenin Jain

How are you planning to meet this Rs. 850 crores, because your internal accrual for the next two years would be Rs. 100 crores each from EPC broadly, which is Rs. 200 crores. And your toll side would be going to service by debts and all these things, so this Rs. 850 crores, how will you try to meet it sir?

Paresh Mehta

Basically as I said, we have three years available for investment. And our cash accruals would be around 125 to 150 per year. So we have around Rs. 400 crores already available for taking care of this Rs. 850 crores of equity, left is Rs. 450 crores of which we can easily raise Rs. 250 crores on our existing toll projects which are earning revenues. So this will typically leave only Rs. 200 crores to be arranged for so maybe 1.5 to 2 years down the line we could always take a SPV investment.

Kenin Jain

Sir, another theoretical question, whatever projects you have till date in your hand when all these projects will be fully operational, which year broadly?

Paresh Mehta

2014.

Kenin Jain

2014 all the projects will be fully operational so when these projects get operationalized what kind of a profit you presume that you will be doing based on the existing portfolio of projects, broad number, like, once these projects runs for one full financial year and you also levy a appropriate depreciation and interest, so what kind of...?

Paresh Mehta

The question as I said is complex to arrive at because projects are at various stages. Existing projects would be earning profits, the new projects would be at various stages of completion. One project will come, say like the Bhandara project has already been capitalized in 2011, then Durg projects will be capitalized in 2012, then we will have in 2013 the Sambalpur project, so each project will have a different level of profitability in certain cases negative profitability because of depreciation. So I really cannot estimate at that stage 2014 what kind of profitability as of date I would not be in a position to give that figure. Toll revenues would be around Rs. 900 crores.

Moderator

The next question is from the line of Kunal Bhakta from Lastaki Advisors. Please go ahead.

Kunal Bhakta

Any of the investments that we have made in the road projects would you be looking to hold them throughout the concession period or would you exit some of them and flip them for new projects?

Paresh Mehta

The concession agreement also requires us to retain certain investments in the project, so we have retained them. We have already experienced a dilution at two SPVs so we will not be able to diluting at SPV level. And at the existing project these are already fully equity invested. If a proper opportunity comes at a good pricing and valuation we can look at partly giving the stake out there.

Kunal Bhakta

Just a corollary to that, on the flipside are you looking at anyone else who is looking to exit investments which you might take up or will that not be a part of your strategy at all?

Paresh Mehta

Generally not.

Moderator

The next question is from the line of Sandeep Bansal from UBS. Please go ahead.

Sandeep Bansal

The EPC margins that you have had for FY11 is around 14% at the EBIDTA level, do you expect to maintain these margins next year?

- Paresh Mehta** It will be varying between 12 and 14.
- Sandeep Bansal** What is the impact of rise in bitumen prices, is there any impact which you can share with us?
- Satish Parakh** Normally these contingencies are estimated while bidding, so there would not be much impact on the projects we have in hand.
- Sandeep Bansal** So let us say what kind of a buffer typically you would be maintaining for the rise in commodity prices?
- Satish Parakh** Normally be put around 9 to 10% for the escalation and another 2-3% for the contingencies.
- Sandeep Bansal** One more question on NHAI. In the last month we have seen some pickup in the awarding activity. But in general over the last few months are you seeing a change in NHAI in terms of either awards or let us say bidding activities or land acquisition, provision of clearances and things like that?
- Satish Parakh** Well, there is no significant improvement on land acquisition or other problems. But definitely award activities likely to increase because they have a plan of around 100 projects in the pipeline, worth Rs. 70,000-80,000 crores and our RFQ already done would be another Rs. 40,000 crores. So we should see in another one and half years around more than 1 lakh crores of projects bid out.
- Sandeep Bansal** But this kind of activity we had also seen for the last one and half to two years but we had expected NHAI to award a lot of projects but that did not actually materialize. So this thing around what drives the confidence that this could actually happen?
- Satish Parakh** Already around 6 projects have been awarded up to January and they have now improved the qualification criteria. Qualification is now done on yearly basis. So this would also help to expedite the entire activity.
- Sandeep Bansal** Is there any improvement or any hurdles that you have been seen or heard in terms of environmental clearances and things like that for road projects over the last few months?
- Satish Parakh** Environmental clearance is being done before the projects are bid out now. So that is a significant improvement in bidding process. Earlier the projects were bid out and environment clearance was given at a later date, now this is a prerequisite for bidding out.
- Sandeep Bansal** When did this change happen?
- Satish Parakh** This is a very recent meeting which the NHBA had with the minister and he has said he would not like to bid out projects without environmental clearance.
- Sandeep Bansal** Just one last question from my side, what on an average has been the traffic growth across your projects in FY11 on a YOY basis?
- Paresh Mehta** Around 11%.
- Sandeep Bansal** 11% is the traffic growth?
- Paresh Mehta** The traffic growth would be around 5% to 6%.
- Sandeep Bansal** Fine sir that is it from my side, thanks a lot.
- Moderator** The next question is from the line of Ketan Shah from Sunman Investments. Please go ahead.

- Ketan Shah** One query, you had said that your toll income will increase to Rs. 350 crores for this fiscal, so this will be because of the new projects which you will be adding which is Belgaum-Dharwad project?
- Paresh Mehta** Yeah, the Belgaum-Dharwad and Dankuni-Kharagpur project which will have partial years of collection and also Durg project which will be completed in this quarter or maybe very close by.
- Ketan Shah** Overall how much time will it take to complete all these projects?
- Paresh Mehta** Projects in hand by 2014 we will have all the projects done.
- Moderator** The next question is from the line of V K Karthikeyan from Suyash Advisors. Please go ahead.
- V K Karthikeyan** I just wanted one clarification, would you be able to share with me spending schedule on these projects for the next three years on an annual basis, on the projects which are under construction?
- Paresh Mehta** I would not have this immediately, maybe we can speak separately.
- V K Karthikeyan** The other question is there any construction done in any of the other entities other than the hold co?
- Paresh Mehta** Only in the hold co.
- Moderator** The next question is a follow-up question from the line of Sneha Poddar from ShareKhan. Please go ahead.
- Sneha Poddar** Once all your projects become operational say in 2014 what kind of core income you are looking at?
- Paresh Mehta** I believe it should be around 900-1000 crores, between that range.
- Sneha Poddar** For our assumption what would be safe to assume like the traffic growth of 5 to 6% across all your projects?
- Paresh Mehta** It should not be an issue.
- Sneha Poddar** The toll rate hike roughly around 5 to 6%?
- Paresh Mehta** Easily.
- Sneha Poddar** But then all your toll rates are WPI linked or some are say once in a three years or so?
- Paresh Mehta** Most of them from the constitutes are WPI linked.
- Moderator** That was the last question would you like to add any final remarks?
- Paresh Mehta** I thank everybody for joining this conference and in case there are any further queries you can get in touch with either the strategy growth advisors or can be free to contact me. Otherwise presentations are on our company website and you are welcome to visit them.
- Moderator** Thank you members of the management. On behalf of Pinc Research that concludes this conference call. Thank you for joining us

