"Ashoka Buildcon Limited Q4 FY13 Earnings Conference Call"

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MODERATORS: **MR. VIRAL SHAH –ANALYST, ANGEL BROKING**

Moderator Ladies and gentlemen, good day and welcome to Ashoka Buildcon Limited's Q4 FY13 Earnings Conference Call hosted by Angel Broking Limited. As a reminder all participant 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. If you should need assistance during this conference call please signal an operator by pressing * followed by 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. Viral Shah from Angel Broking Limited. Thank you and over to you sir.

Viral Shah Thank you. Good evening everyone. I welcome all the participants for the 4Q FY13 result conference call of Ashoka Buildcon Limited. We have with us Mr. Satish Parakh – Managing Director of the company and Mr. Paresh Mehta – CFO of the company. We would commence the call with the opening remarks from Mr. Satish Parakh to give an overview of the company performance. I would now request Mr. Satish Parakh to give the opening remarks. Over to you sir.

Satish Parakh Good afternoon friends. I welcome you all for the discussion on audited financial results of FY13. Along with me I have Mr. Paresh Mehta – our CFO and SGA, our Investor Relations Advisor. I would like to take you through some of the key developments of the company in FY13. Let me begin by giving an update on the recent corporate actions. I am very happy to share that board has recommended bonus and stock split. The objective of this corporate action is mainly to reward the existing shareholders and also to improve liquidity in the stock. The bonus shares will be issued in the ratio of 1:2 for every 2 equity shares held by the shareholders. One bonus equity share will be issued. In stock split each equity share with face value of Rs. 10 will be split into two equity shares with a face value of Rs. 5 each. Board has also recommended final dividend of Rs. 2 per share i.e. 20% of the face value. With this the total dividend for the financial year would be Rs. 4 per share i.e. 40% of the face value.

Let me take you through major developments in last few months. In our largest Dhankuni Kharagpur project, which is largest for the company we have completed two vital bridges on River Rupnarayan, NH6 near Kolkata. This has created new landmark in infrastructure development in India. These two parallel bridges 1.1 km each have been completed 18 months earlier than scheduled completion date. Completion of these bridges resulted in increase of existing toll rates with effect from 1st April, 2013 along with yearly toll rate of revision. With this early completion, project SPV. We have additional toll collection of over Rs. 80 crores during the construction period than its estimate toll collection. We have completed 30% of the EPC work for the total project as on March 31st, 2013. In our PNG project, i.e. Pimpalgaon-Nashik-Gonde we have commenced partial toll collection on 2nd October, 2012. The project has achieved approximately 94% completion. The toll rate would be revises upwards post the completion of pending EPC work. As you are aware that during the last financial year private equity firm SBI Macquarie has agreed to invest Rs. 800 crores in Ashoka Concessions Limited, a subsidiary of Ashoka Buildcon Limited. A first tranche of Rs. 240 crores have been received in the last quarter, which is being utilized for equity investment into various projects under construction. As you are aware Cuttack-Angul project was awarded to us in November 2011 and we have signed a concession agreement in March 2012. We have tied up Rs. 801 crores of debt for the project. However we are yet to receive an appointed date for the project. It has been more than an year since then and we are not able to make any progress due to certain pending clearances. Recently we have sent notice to terminate this project to NHAI and are currently in discussion with them for future course of action. On our EPC order book, our current order book position stands at Rs. 3568 crores. 93% of the total order book is road projects and remaining 7% is Power T&D. Ashoka Buildcon now is qualified for a single project up to Rs. 3182 crores. With this I would request now Paresh Mehta to present the results for Q4 FY13.

Paresh Mehta I believe you must have had an opportunity to look at the analyst presentation that has already been circulated and uploaded on our website. I would now present the results of the quarter and year ended March 31, 2013.

Our consolidated total income for the year has grown by 23% to Rs. 1874 crores from Rs. 1526 crores in the last year. Out of the total consolidated revenue, construction revenue for the year is Rs. 1585 crores compared to Rs. 1265 crores in FY12. In Q4 we have achieved construction revenue of Rs. 585 crores highest ever in the history of the company. Toll Revenue for the year are Rs. 289 crores compared to Rs. 261 crores in FY12. Our EBITDA excluding exceptional items for the year is Rs. 404 crores compared to Rs. 351 crores in FY12, growth of around 15% year on year. Interest cost for the year was Rs. 139 crores with average cost of debt at 12% to 12.5%. Depreciation and amortization for the year was Rs. 132 crores. Profit after tax post minority interest and share of associate's profits is Rs. 84 crores compared to Rs. 124 crores lower by 33% over last year. This drop is mainly on account of earlier years in income tax Rs. 10.8 crores, increase in depreciation due to change in traffic estimates by Rs. 14.3 crores. Provision made for Nagar-Karmala project to the tune of Rs. 15.7 crores and equity raising expenses up to 10.5 crores.

On update to our Nagar-Karmala project the company has challenged orders of the PWD for terminating the project earlier and the matter is under arbitration. We are confident that the arbitration order will be in the favor of the company, however on a prudent basis the company has impaired 50% of the written down value of Rs. 34.1 crores as an exceptional item in Quarter 4 P&L accounts.

On the balance sheet front as of March 31st, 2013 the gross debt at standalone basis is Rs. 272 crores which comprises of Rs. 49 crores of equipment loans, Rs. 198 crores of working capital loans and Rs. 26 crores of project loans. The consolidated gross debt is Rs. 2451 crores is network is Rs. 1036 crores. With this we now open the floor for the question & answers.

Moderator Thank you very much sir. Participants we will now begin the question and answer session. We have the first question from the line of Sundar Subramaniam from Almonds Global. Please go ahead.

Sundar Subramaniam What was the order intake during Q4?

Satish Parakh There is no new order intake in Q4.

Sundar Subramaniam Assuming that Cuttack-Angul project is cancelled then what would be your guidance for construction business revenue for current year?

Satish Parakh Yes see we are L1 in two of the project, i.e. Chennai ORR, and one project of KSHIP in Karnataka.

Sundar Subramaniam What is the value of these two projects?

Satish Parakh These two projects would add, there is a joint venture with other partner. Our share would add to around Rs. 800-850 crores.

Sundar Subramaniam By when we will start execution on these two projects?

Satish Parakh We are expecting LOI of Chennai ORR very soon and Karnataka will take of course this government has to come and place and then it may take little time for the Karnataka order which is a small order.

Sundar Subramaniam Okay. Sir so what would be our guidance for the full year construction revenue?

Satish Parakh Construction will definitely keep growing as we had been growing every year last almost three years after listing you have seen we have grown by more than 25% every year.

Sundar Subramaniam Because on the current order book without Cuttack-Angul visibility less anyone on these two projects you said it will take time before they translate into revenue.

Satish Parakh Yes but there are other 22 projects where RFQ has been done, we are qualified. Qualification has also gone up by Rs. 3182 crores is what company can bid standalone. So we expect some action in the next six months.

Sundar Subramaniam Okay, so there would not be a big degrowth in the construction?

Satish Parakh I do not think because the country needs a lot of infrastructure and whether it is on BOT or annuity or EPC, something has to come up. I think a lot of lull period we have seen. Now we expect a lot of orders to come in from states like Tamil Nadu, Karnataka, Andhra Pradesh, Rajasthan and also from NHAI.

Sundar Subramaniam And sir this Tax of Rs. 10.8 crores, this full Rs. 10.4 crores comes at tax in Q4?

Paresh Mehta No, Rs. 7 crores was accounted for in December quarter and Rs. 3.8 crores was accounted in January so the final settlement application was made in January that is when the final amount was paid.

Moderator We have the question from the line of Ajit Motwani from Emkay Global. Please go ahead.

Ajit Motwani Sir my query is on the revenues for Dhankuni this year it is about Rs. 155 odd crores. So you are saying without the traffic growth this number should be about Rs. 235 crores next year?

Paresh Mehta We can safely presume around Rs. 61-62 lakhs per day collection, so accordingly it will stack up.

Ajit Motwani So you are saying after the toll hike, current revenues are about Rs. 61 lakhs.

Paresh Mehta Rs. 62-63 lakhs would I think, today we are having a running rate of around Rs. 61 lakhs per day and after seeing the traffic growth there would be some traffic growth which would increase by atleast Rs. 1-2 lakhs by summer**.**

Ajit Motwani Okay. So out of that 155 how much was our EBITDA for the Dhankuni project for the year that had gone by?

Paresh Mehta EBITDA in this project would be almost to the tune of 85-87%.

Ajit Motwani Okay. And the royalty that you are paying that project would not have an issue. That is no submitted to NHAI for pretty considerations?

Paresh Mehta No.

Ajit Motwani How much is the money that you have invested in Angul-Cuttack till date?

Paresh Mehta Angul-Cuttack is almost hardly Rs. 1.25 crores.

Ajit Motwani So this is inclusive of everything that you have, no mobilization you are seeing is being done for the project?

Paresh Mehta No, since the project did not have any environment clearance, no forest clearance, so we have not invested anything in the project.

Ajit Motwani So in the event that NHAI did accept your application for termination of project, so the write-off would be about a crore?

Paresh Mehta It should not be a write-off, of course we can always claim from NHAI. Provision should be made. It will be around 1-1.25 crore.

Ajit Motwani And the resubmission to NHAI is on account of you are saying delayed environmental clearances.

Paresh Mehta Because these are all condition precedent in the concessions agreement signed with NHAI where before appointed date NHAI is supposed to give us whether in 180 days environment clearance, forest clearance and 80% of the land. So none of the conditions have been fulfilled by NHAI even after more than lapse of 400 days.

Ajit Motwani Okay, but even there is that 90-day cooling period that NHAI has typically asked for.

Paresh Mehta NHAI cooling period starts only after appointment date is given.

Ajit Motwani So appointment date also has not been given?

Paresh Mehta No appointed date because no CPs were cleared.

Ajit Motwani So what would be the course of action which is let us say different from the project which GMR and GVK and others are asking for. In this project you do not even -

Paresh Mehta In their case appointed date was already there in place and our case appointed date is not in place. That is the only difference. So we have asked for termination with a different clause, 24.2.

Ajit Motwani Okay. So have you received any communication from NHAI, what is their stance or something?

Paresh Mehta We have received communication from them and we have given our final replay as the term. Earlier we gave intention to terminate but recently we have given them final verdict of willingness to terminate. Post termination we are willing to discuss any negotiations which NHAI would like to do.

Ajit Motwani So post termination, if they do want to -

Paresh Mehta A revised proposal like GMR, GVK and if they are suitable for the company then we can definitely reconsider the whole issue, but as of now contractually we were bound to issue this termination notice.

Ajit Motwani For two of your projects Durg and Bhandara, I think the yearly losses are now close to about what Rs. 100 crores, right?

Satish Parakh Around 70-75 crores. Because the minority interest I think negative minority interest for the year is about 45-odd crores or something. So 75 crores out of which you are saying in a sense of 90 crores would have been the total losses. 75 crores of which are related to the two projects.

Ajit Motwani And the balance is?

Paresh Mehta See this is not 75. It is like in Bhandara and Durg, 49% is of minority and in 51% of Ashoka Buildcon 34% is minority of Macquarie. So all put together the amount stacks up to around 48 crores of minority interest.

Ajit Motwani Got it. So in a sense Rs. 75 crores of loss, how much of it is cash loss?

Paresh Mehta See typically, I will tell you later.

Ajit Motwani Eventually what I wanted to know is that the cash flow at least will be 40-50 crores on this, right?

Paresh Mehta No, not that much. Both the projects are taking care of their interest cost. It is only to the tune of depreciation the loss is there. There is no cash loss. Cash loss would be in the tune of, I will tell you, approximately Rs. 10 crores per project. In Bhandara 10 crores, in Durg approximately 3 odd crores.

Ajit Motwani Cash loss is only 10 odd crores.

Paresh Mehta See I will you another thing. You are also providing for MMR, Major maintenance reserve, which is actually provisioning for, so it is not cash expenditure as of date it’s a provision.

Ajit Motwani So in a sense funding these losses should not be a big issue going forward.

Paresh Mehta No, in fact we both, Macquarie as well as ABL are committed to fund this cash loss.

Ajit Motwani Okay, because in which case the depreciation number is far too higher for these projects.

Paresh Mehta See what happens is also because we have a depreciation of almost Rs. 17 crores in Durg and slightly higher amount in Bhandara which typically is also a result of amortization of the depreciation which has been higher in this quarter. Going ahead this will be equalized over the next year. It will not be pro rata to what is there in this quarter.

Ajit Motwani Okay, got it. And one last question is on the interest. I think sir most of our projects are paying 12-12.5% of interest, which has been sort of there over last 6-9 months. So what is the opportunity that is in front of low hanging fruits for you in terms of capitalizing of any opportunity of lowering the interest cost because some of our peers have seen net sales to application to IFCL or something, which has lowered their interest cost and typically projects like Bhandara and all do they first qualify and if at all what are the quantum?

Paresh Mehta Yes, we are looking ahead for the various projects, like Bhandara we are looking out for overall revolving of the interest the loans. We are looking at the Jaora Nayagaon for takeout finance with IFCL and IFCL opportunities also will be looked at in Durg. So these opportunities, there is main pipeline we should expect something to happen in 2-3 months time, where 35% of the loan could go down by almost 1.5% interest.

Ajit Motwani So in total, let us put it this way, whatever is your developer loan, how much of that, let us say would qualify for IFCL loans?

Paresh Mehta Approximately Rs. 300 crores. Project is completed – Bhandara-Durg and Jaora-Nayagaon.

Moderator We have the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal Sir in Dhankuni-Kharagpur you said the toll collection per day is Rs. 61 lakhs, so is there any other structure to be completed where one more jump can happen on this or this we should take as the base or --

Paresh Mehta This is the final run-rate.

Madan Gopal So from here we should assume normal growth rates.

Paresh Mehta Yes, normal toll rate and growth rate. Toll rate rise will be there as far as yearly it is concerned, yearly toll rate rise through WPI.

Madan Gopal Is there any other project where any such structure could be completed and sudden spurt in toll revision might happen?

Satish Parakh Not in this set of project, PNG is the only one.

Madan Gopal So when the spike is happening?

Satish Parakh By June end we should be able to achieve COD on PNG.

Madan Gopal So that will be what kind of toll collection for COD, expectation?

Paresh Mehta Approximately Rs. 35 odd lakhs per day, that is today's run-rate. If it improves we will be looking after that.

Madan Gopal That is what today's run-rate so post the June completion -

Paresh Mehta We should look at something like Rs. 35 lakhs to Rs. 38 lakhs per day.

Madan Gopal This has been revised down because the last time when I met you gave me some number equal to Rs. 200 crore.

Paresh Mehta No, what will happen is we are expecting, it should be based on last year's revenue what we have earned. So there were leakages in the few months where local traffic was not paying, which is now paying since the last 2-3 months. We will have to actually see what actually happens due to toll receivables.

Madan Gopal Okay. So we will be looking at around Rs. 120 crores to Rs. 130 crores kind of thing.

Paresh Mehta More than Rs. 130 crores.

Madan Gopal Sir in the two projects the Bhandara and Durg which we were talking about, what is the kind of EBITDA margin would be there because you had a toll revenue collection of around Rs. 60 crores in this project in this year in Durg and what is the EBITDA you had?

Paresh Mehta The EBITDA would be to the tune of around 65-70% because we have major maintenance here and other costs are slightly higher and this will keep on, as time slab goes by the EBITDA margin will keep on rising.

Madan Gopal So this year you will have only 65% EBITDA margin in this?

Paresh Mehta 65-70%, that is true.

Madan Gopal So very high OPEX were in these projects.

Paresh Mehta Not high OPEX. As I said this so includes provision for Major Maintenance of almost -

Madan Gopal Instead of providing on particular year you are providing a provision here on -

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

Amit Sinha Just wanted to get some traffic growth number of some of your operational projects as in the Nayagaon project, I mean what is the traffic growth there in this particular quarter, YoY?

Paresh Mehta Generally you would like project wise?

Amit Sinha Yes sir, that would be very helpful.

Paresh Mehta Actually my presentation already has the toll collections how they have grown.

Amit Sinha Not the toll collections, I just wanted the volume traffic growth sir.

Paresh Mehta If you see at Belgaum-Dharwad we have a QoQ of almost 2% negative and YoY is 4.4% positive. So this is the number as including toll rate rise.

Amit Sinha Okay sir I understand, I mean YoY basically the overall toll collection I understood. I was there in the presentation. I just wanted the volume growth number if you have or I can take it from your later on.

Paresh Mehta I will give it to you offline.

Amit Sinha Alright sir. My second question is on the equity requirements for the next two years.

Paresh Mehta Based on the current set of projects we have an equity deployment of approximately Rs. 550 crores of which most of it will come from Macquarie, Rs. 150 will come from our side and Rs. 450 will come from Macquarie side.

Amit Sinha Okay. And these will be the major projects which will be consuming the equity?

Paresh Mehta Yes, majorly these three projects – Sambalpur, Belgaum and Dhankuni.

Moderator The next question is from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi Sir firstly wanted clarity on how much is the exact PCUs that are there at Dhankuni, Kharagpur currently.

Paresh Mehta I do not have the data just now, may be we can share it.

Devam Modi Sir in terms of you mentioned that the states are also coming out with a lot of bids, even NHAI there is a work plan which is there for FY14, but there is not much action which is evident, so what kind of road project could we expect in the coming three to four months and would we be bidding aggressively to, sort of would we be looking to bid and get a new project in our kitty now that we are sort of we also sent Cuttack-Angul back. So what is our outlook on new project wins from NHAI as well as from the state?

Satish Parakh See there are around 22 projects in pipeline where qualifications have been done. So we expect bidding for these projects. And as far as Cuttack-Angul is concerned there is a 400-days delays since the LOI was issued. So there is a cost escalation which has gone up, unless NHAI really agrees to pay this cost escalation there is no point for any company to go ahead and take all the risk of escalation in the market. So bidding for new projects is a different strategy and strategy for projects which are delayed by limit by NHAI is a different ballgame altogether. Nothing to do with the new business.

Devam Modi Sir on the 22 projects in pipeline, if you could just give some color on which particular stretches these are or which one would you be looking very eagerly at sort of bidding?

Satish Parakh See Ashoka has been in business since 1996 and our strategy has been to select projects by studying them at least for 2-3 years. So there are certain identified projects by the company and we definitely would be bidding for those projects.

Moderator The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah Sir first question is in Cuttack-Angul, what is the bank guarantee that would be outstanding and whether there is any risk of that bank guarantee been en-cashed by NHAI?

Paresh Mehta See there is a performance guarantee submitted to the NHAI of Rs. 56 crores. So this performance guarantee is en-cashable only after appointed date. So as per concession agreement there is absolutely no risk of this. But the company has taken ample precaution by taking stay from the High Court, Delhi. So we have stay in our favor.

Ashish Shah Okay, so we already have a stay so there is no risk of -

Paresh Mehta Absolutely no risk.

Ashish Shah Sir secondly in respect to your EPC business now, now that we will be probably knocking off Rs. 1000 crores from Cuttack-Angul so we will have an order book of close to Rs. 2500 crores. So you think from a base of around Rs .1500 crores you can still grow 25% on this base, because we would not have enough…

Satish Parakh We have two orders where we are L1, so we are expecting LOA for Chennai or may be very within 15-20 days' time and another order of Karnataka may take around two months. So that would pile up around Rs. 800- Rs. 850 crores of our EPC order book and definitely we will be bidding for new projects.

Ashish Shah To begin with Paresh has said that there is an item of Rs. 14.3 crores, which is kind of an extra or non-recurring item. So I missed on what was on that account?

Paresh Mehta **Rs.** 14.3 crores is on account of depreciation, additional depreciation to toll growth, revision of the amortization due to the toll estimates.

Ashish Shah This is on consolidated basis?

Paresh Mehta Yes, all put together.

Moderator The next question is from the line of Vinay Rohit from ICICI Prudential. Please go ahead.

Vinay Rohit Could you just give me the standalone debt number?

Paresh Mehta Standalone number as we have already acceded is approximately Rs. 273 crores of which Rs. 198 is working capital and balance are equipment and project loan of Rs. 26 crores.

Vinay Rohit So just wanted to know which are the projects where we had toll hike in this quarter?

Paresh Mehta In this quarter we did not have hike between 1st January and 31st March, there were no toll rate hikes.

Vinay Rohit And just wanted to check NHAI also, coming up with EPC projects, so are we bidding for them?

Satish Parakh Yes, definitely we will be participating in EPC Projects.

Vinay Rohit And sir last question, when do we expect to finish Belgaum-Dharwad project?

Satish Parakh We are very much in timelines. We should be able to finish by COD date of November.

Moderator The next question is from the line of Achint Bhagat from Ambit Capital. Please go ahead.

Achint Bhagat Sir I have a question on your depreciation. I understand that you say that there has been revision in the accounting practices but still, so you say that you have revised the traffic growth assumption which is why the depreciation is a little bit on the higher side, right? So the traffic growth assumption, the traffic could have actually been a little lower in this year than envisaged earlier, so actually the depreciation should have been lower because the enumerator is reduced.

Paresh Mehta Yes, I will just clarify. See we have not changed any depreciation policy. Our depreciation policy continues to remain as per Scheduled-14 of Companies Act. The only I think, see what happens is the depreciation is a function of future toll revenues, with the revenues earned in this year. So if you have X revenue for this year then I would put a growth rate and a toll rate rise rate and come to the total toll be earned over the period of next 15 year sales, 15 years of the concession that is left of. Now, if X is reduced by A, so X-A, then what happens typically is the denominator for the future here substantially go down. So if we want to have all the toll revenues for the future years, constitutes my denominator, which will go down. So impact is to absorb the future drop in revenues, which we absorbed based on this year’s toll collections.

Achint Bhagat So basically now this will be the normalized rate of depreciation going ahead because now we would have already revised your estimates downward?

Paresh Mehta Yes, we have revised. Now there are two things which could happen. If there is a good growth rate, what will happen is the future revenues will increase. The amortization will slightly go down. So it is all a function of current toll collected vis-à-vis future. So run-rate is better in this year then the future revenues will be better. If the run rate is poor then the future revenues will be poor. So it will either be lower or upper based on the current rate of toll collection.

Achint Bhagat Another question was on the tax expense in this quarter, even if I adjust the Rs. 3.8 crores that you have paid to the settlement commission under appeal, your tax rate still appears to be a little higher at somewhere around Rs. 23 crores given your PBT so any light on that?

Paresh Mehta See we had a better revenue in this quarter.

Achint Bhagat Yes, but if you can see the percentage of your PBT, I mean if I adjust your PBT for all the exceptional items my number comes to somewhere around Rs. 33 crores and on that a tax of Rs. 23 crores in this quarter appears to be a little high. So is there any some deferred tax element that has been booked or something of that sort?

Paresh Mehta The tax provision is based on reveals. Rs. 23 crores does not, even if you adjust the Rs. 3 crores….

Paresh Mehta Mainly it is on account of tax that is on EPC turnover. So in the last quarter, EPC turnover is more so comparative tax rates on EPC are more and secondly tax adjustments are to be added in totality with each company's tax effect losses then you do not get a set of in consolidation. So each debt line item if we compare on PBT would not give a clear picture but you have to see individually all companies.

Moderator We have the next follow up question from the line of Ajit Motwani from Emkay Global. Please go ahead.

Ajit Motwani Sir I had two queries the Durg and Bhandara projects, what are the debts on the books?

Paresh Mehta On the Bhandara project it is approximately Rs. 350 crores, and on the Durg project it is almost Rs. 370 crores.

Ajit Motwani **Rs.** 370 you are saying as of 31st March?

Paresh Mehta Yes.

Ajit Motwani Was it about Rs. 528 last year?

Paresh Mehta No. Total debt sanctioned is Rs. 410 crores, so it is not Rs. 500 crores.

Ajit Motwani So you are saying Rs. 380 crores on Durg and Rs. 350 crores on Bhandara. Also to get back to that standalone revenue number, looking at the balance work that you have on most of these projects that are under construction, so if I look at Rs. 400-odd crores was the contribution of Dhankuni project. So even if you get about Rs. 750 crores from there, Rs. 350 crores from Sambalpur, Rs. 1100 crores and all the balance work on Belgaum, Dharwad, you will let base do about Rs. 1300-odd crore revenues. And your share of the two new annuity project is only about Rs. 650 crores, on which the LOAs to be issued, the financial closure is to be done.

Satish Parakh **Rs.** 600 crores would be Chennai order. Our share would be --

Ajit Motwani Your share in construction would be higher there?

Satish Parakh No, it will be 50-50.

Ajit Motwani But Chennai order is Rs. 990 crore project, right?

Satish Parakh Our project cost is around Rs. 1200 crores.

Ajit Motwani Okay, so Rs. 850 crores, let us say Rs. 850 crores at best about Rs. 150 crores from there. So you will still be lower than this year's number. So any project which you sort of win now till you get the LOI and the financial closure nothing meaningful can come. So the guidance of a 25% growth on standalone revenues if it does not stack up.

Paresh Mehta See new projects is one thing and on the Dhankuni you had said Rs. 750 crores I think it will be higher. It will not be Rs. 750 crores because you have a balance work to be done of Rs. 1500 crores on Dhankuni. So it will not be 50% it will be higher.

Ajit Motwani So when is the COD of the project?

Paresh Mehta September '14.

Ajit Motwani So entirely now you are saying Rs. 800 crores -

Paresh Mehta I think with you we will at least do Rs. 900-950 crores in Dhankuni. Sambalpur, we will do almost Rs. 450 crores. There will be some small portion left out in the last quarter. Almost Rs. 1550 crores we will stack up from these four projects itself and around Rs. 200-250 crores from new projects and a bit from T&D also. I mean T&D would contribute approximately not less than Rs. 200 crores.

Moderator The next question is from the line of Saurabh Arya from Bajaj Alliance. Please go ahead.

Saurabh Arya Sir just couple of bookkeeping questions – one is what is the total debt of ABL owned projects at the end of FY13?

Paresh Mehta Of ABL projects it is only Rs. 26 crores. You are talking of ABL to the projects or…

Saurabh Arya I am talking of projects which are owned by ABL completely and some of them come on standalone, some of them come on consolidated, right.

Paresh Mehta Correct, on the standalone on projects we have a loan of only Rs. 26 crores.

Saurabh Arya But what about which are coming on the consolidated?

Paresh Mehta It would be around Rs. 2100 crores, total.

Saurabh Arya Sir, like for example I am talking of projects where we are the main shareholder, like we have around 100% stake.

Paresh Mehta 100% or 51%where we are consolidating.

Saurabh Arya Yes, right, so those 11-12 projects I am talking of. So combined there what is the debt number? I think the toll collection is nearly Rs. 200 crores, right? So what is the number there?

Paresh Mehta **Rs.** 2100 crores. Toll collection would be higher. Toll collection is almost Rs. 600 crores.

Saurabh Arya No sir, that is what I am saying. I am separating it between ABL and ACL. I am talking about only ABL projects.

Paresh Mehta ABL has got a total debt of Rs. 26 crores of one project. Then there are projects under ACL and of course you are talking also of the other 100% where it is not part of ACL. So that would be approximately Rs. 110 crores.

Saurabh Arya One is this and second now we have included NPV of two of the projects in consol book. NPV of premium payable to NHAI.

Paresh Mehta That is not the NPV, that is the gross amount payable to NHAI over the period of concession.

Saurabh Arya It is just an addition of all the sums. There is no discounted method used there.

Paresh Mehta Our accounting standard do not allow for discounting of cash flows which are payable in future but which are certain. It only says you have to account for. You cannot do an NPV. So your point is right, it could be an NPV number which would be more reasonable.

Saurabh Arya So that seems an inflated number.

Moderator The next question is from the line of KC Suri from Span Capital. Please go ahead.

K C Suri What is the toll collection per day right now across all active projects right now for us?

Paresh Mehta Approximately Rs. 1.9 crores.

K C Suri So this is including the ABL and ACL projects, right?

Paresh Mehta Yes.

K C Suri And once all the under construction projects also come online what would be our toll collection on a daily basis?

Paresh Mehta See we have only one project to come online that is Sambalpur project, which could be to the tune of around Rs. 17 lakhs per day as of today and PNG project where toll is yet to ramp up due to construction of structures. So this should typically go by around Rs. 35 lakhs per day. So it could be around Rs. 2.25 crores per day all projects put together.

K C Suri And now just for my understanding, how would this be split in the terms of ABL and ACL? How does the accounting happen in your books?

Paresh Mehta In ACL when we do a consolidation all the numbers are stacked together, so ACL for 2014 would have a toll collection of almost Rs. 544 crores overall total toll collection of Rs. 924 crores in FY14. That could be the number which we would compare, against a Rs. 925 crores of total gross collection for all the sets of projects. Rs. 544 will be the ACL toll collection.

K C Suri And the remainder about, early Rs. 400 crores be yours ABL. And you said equity yet to be funded, now for all this is about Rs. 550 crores of which Rs. 450 crores will come down as Macquarie and Rs. 150 crores from your…

Paresh Mehta Correct.

K C Suri And what is the kind of internal benchmark for a RoE when you look at financing projects?

Paresh Mehta See on a standalone project basis we look at return on equity of around 17-18%. This does not anyway account for the EPC margins if it is unannounced because we do our EPC announced. May be on a standalone project 17-18% of return.

K C Suri Sorry, what did you mean by when you do not do EPC margins announce, can you just throw some light?

Paresh Mehta So the EPC margins are another margins over and above the 17-18% benchmark hurdle rate.

Moderator The next question is from the line of Divyata Dalal from East India Securities. Please go ahead.

Divyata Dalal Sir in the press release we have mentioned that there is a profit on sale of investments of around Rs. 142 million which is transferred to ACL, so where is this accounted for in our financial column?

Paresh Mehta This will come in the standalone but will not come in the consolidated numbers. So in the standalone in other incomes you will have this number but it will be knocked off in the consolidated, it will not appear in the consolidated.

Divyata Dalal And secondly coming to our quarterly consolidated numbers, the EBITDA for BOT segment is down considerably as compared to last year from 66% to around 54%. So I understand that this might be contributed by the Durg project, but in addition to that are we seeing any kind of slowdown in our existing ABL projects?

Paresh Mehta No, on the BOT segment the major impact is due to creation of major maintenance reserve of almost Rs. 12 crores and higher depreciation due to a division of traffic numbers of almost Rs. 14 crores. So, these two are the other effects over and above Durg which has pulled the quarter number for March quarter.

Divyata Dalal In terms of depreciation we can assume a similar kind of run-rate going forward?

Paresh Mehta What we will have to typically do is you can take the yearly number and use it as a run-rate, not the quarterly numbers because the depreciation due to traffic revision is accounted only in the quarter 4, so what you could do is add up all the quarters and then divide by 4 or you could take the annual number of depreciation for the run-rate.

Divyata Dalal And coming to our projects in ABL, for example project in Indore-Edlabad we have seen that year on year growth in revenues like last year was around 12%, but this year it is just at around 5.4%. So any particular reason for that or are we seeing any delay in terms of traffic growth here?

Paresh Mehta No we attribute it to only to the economic slowdown. There is no other reason. In last year typically the traffics have almost -

Divyata Dalal What is your outlook for the current year?

Paresh Mehta Having seen the stagnant growth in the last year, we believe this year based on last year's numbers should be slightly healthiest 5-6%, but we will keep our fingers crossed because we do not have any control.

Divyata Dalal Right, so any projects where we are seeing an uptick in profit growth like in Q4 or it is just the slowdown is continuing or any signs of uptick anywhere?

Paresh Mehta We had seen the slowdown no doubt, but we have a couple of projects like Dhankuni we have seen the traffic almost as per our expectations. So I believe the growth is there. We will have to because you do not have a comparative note for the previous years we will have to see in this quarter how the number pan out.

Divyata Dalal And sir my last question is on the inventory on a consolidated basis we have seen the inventory amount double up from Rs. 277 crores to around Rs. 540 crores in March.

Paresh Mehta Basically because all these three projects are under full swing, so definitely work is happening and the inventory will happen and the billing will happen in the next quarter.

Moderator We have the next follow-up question from the line of Vinay Rohit from ICICI Prudential. Please go ahead.

Vinay Rohit Sir just wanted to know what is the average interest rate we are paying on our debt?

Paresh Mehta See it would be in the range of 12-12.5%.

Vinay Rohit And sir what is the debt on ACL balance sheet and what it would likely to end up at the end of FY14?

Paresh Mehta See the debt on the ACL balance sheet would be to the tune of almost Rs. 2000 crores and balance approximately Rs. 110 crores on ABL. So all put together around Rs. 2100 crores.

Vinay Rohit But what is the number which is expected to be in FY14 end?

Paresh Mehta FY14 end ACL debt would go up by almost Rs. 1200 crores.

Vinay Rohit And sir we are seeing traffic declining and the growth not being as far as – is there any detail you would like to share in terms of where are the pockets you see more decline or you see some kind of traffic and your revenue being stable and let us say commercial being declining more and passenger being stable. This kind of trend you see in your traffic data of all the projects.

Paresh Mehta See as far as most of our projects are concerned they are not really passenger-oriented traffic, so they are majorly commercial oriented. And they are typically in sync with the economic activity of the country. So there are no specific pocket or rate used in for the traffic to invariably move different other than any economic activity, may be local may be national level.

Moderator The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj Sir can I get the equity infusion in three of our projects i.e. Belgaum, Dhankuni and Sambalpur separately? What has been done till date and what is the equity infusion by us in the next 1-1.5 years till the projects are completed?

Paresh Mehta We can take it up separately because I can give you the number.

Rohit Nagraj And if you can just give me a consolidated how much separate project wise data you can give me later on.

Paresh Mehta For the three projects it is around Rs. 500 crores we have infused till date.

Rohit Nagraj And incrementally about Rs. 120 crores we will be infusing.

Paresh Mehta And Rs. 400 crores will come from Macquarie.

Moderator We have the next question from the line of Rahul Metkar from Marwadi Shares and Financial Limited. Please go ahead.

Rahul Metkar Sir with respect to the profitability of the BOT, you just mentioned that there is some major maintenance reserve that has been created or provisioning of Rs. 12 crores. So in which project is this created?

Paresh Mehta In all Bhandara, Durg, Nagar-Aurangabad, all these facts are there in the ABL and in ACL which are operational where COD has been declared, there the provisioning is there.

Rahul Metkar Okay. So even if we adjust for this and the incremental depreciation due to division in the toll expectation, the profitability on a QoQ basis is also lower and you also mentioned that there is some profitability issues at Durg. So if you could elaborate on this?

Paresh Mehta No Durg for this quarter we had three months operation in this quarter vis-à-vis FY12 it was only 1 month and 15 days approximately. Because there is an initial loss in this project, there was a higher contribution of loss by Durg.

Rahul Metkar This loss is at the EBITDA level?

Paresh Mehta No, no this is at the P&L level, so that is depreciation and interest.

Rahul Metkar At the EBIT level?

Paresh Mehta Yes.

Rahul Metkar But on a QoQ basis also there is quite a bit of differential. Even if we adjust for these Rs. 12 crores and Rs. 14 crores of the depreciation.

Paresh Mehta May be you can look at that later on.

Rahul Metkar Sir what is the revision in the toll expectation that you have done as in with respect to the depreciation amount that you have provided for in this quarter?

Paresh Mehta See basically what we have done is only we have changed the current year's revenue vis-à-vis what we had presumed at the start of the year, like on 1st April, 2012, whatever we have assumed for this year's toll collection. The adjustment which has been made is only revision of the toll collected for 2012-13 vis-à-vis toll assumed for 2012-13. Post that the toll rate rise and the traffic rate rise, post 1st April, 2013, the rates have been considered the same, only they have been applied to the actual toll collected in 2012-13 vis-à-vis estimated toll collected in 2012-13. That is the reason there is a higher charge.

Rahul Metkar Okay, sir is there any toll rate revision that has happened in FY14 Q1?

Paresh Mehta FY14 yes, in Dhankuni project, the Belgaum project.

Rahul Metkar And if you could quantify the amount as well sir.

Paresh Mehta In the Dhankuni project it is approximately 8%, in Belgaum project it is 8% and this is a toll rate rise due to year due to yearly rate rise. In Dhankuni we also have the rate rise due to structures, so overall impact is approximately 13%.

Paresh Mehta We will have a rate rise for Indore Edlabad also in Q1-FY14 of 7%. Just to add up, this is also in Jaora.

Moderator That was the last question from the participants. I would now like to hand the floor back to Mr. Viral Shah for closing comments. Over to you sir.

Viral Shah Thank you everyone for participating in the call. I specially thank the management of Ashoka Buildcon Mr. Satish Parakh and Mr. Paresh Mehta for giving us this opportunity to host the call. Thank you everyone.

Paresh Mehta Thank you everyone.

Moderator Thank you. Ladies & gentlemen on behalf of Angel Broking Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.