

“Ashoka Buildcon Limited Q2FY12 Results
Conference Call”

November 15, 2011



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Moderator: Ladies and gentlemen, good day and welcome to the Q2FY12 Results Conference Call of Ashoka Buildcon Limited hosted by Fortune Equity Broker India Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note, that this conference is being recorded.

I would now like to hand the conference over to Mr. Vikash Verma. Thank you, and over to you, sir.

Vikash Verma: Hello, I welcome you all to Ashoka Buildcon Q2FY12 conference call. We have with us today Mr. Satish Parakh, Managing Director of Ashoka Buildcon and Mr. Paresh Mehta, Chief Financial Officer of Ashoka Buildcon. Initially I will request Mr. Mehta for a brief remark on the results, which will be then followed by Q&A session. Over to you sir.

Paresh Mehta: Thank you Vikash, this is Paresh Mehta from Ashoka Buildcon. I welcome you all for the discussion on the audited quarterly results of quarter two FY12. Along with I have Mr. Satish Parakh and SGA our Investor Relations Advisor. Before presenting the results, I would request Mr. Satish Parakh to give an overview on some of the developments during the quarter. Mr. Satish over to you.

Satish Parakh: Yeah, good afternoon friends. It is my pleasure to welcome you all for the discussion on audited quarterly results for the second quarter of FY12. I would like to you to some of the key developments of company in the second quarter. First I will take you through our Dhankuni-Kharagpur project. This is a four to six lane project that is already tied up, we expect financial closure by December end and revenue would start by first January. As far as Durg and Jaora-Nayagaon are concerned, construction work is completed and we would achieve COD by December end. So revenues would start on Durg and Jaora-Nayagaon third section revenues will also start by first January.

Our current order book stands at 4,155 crores distributed basically in two segments; 95% of the roads and highways and 5% is for power distribution contracts. Our Sambalpur project also would be achieving at its appointed date by November end and the PNG project which we are doing with L&T would achieve COD by June end. As far as our qualification norms are concerned we are qualified standalone on 2,000 crores based on our March 11 figures. We are eligible today to quote around 40,000 crores of jobs, which are being announced by NHAI. The overall key developments I have given you for the company. Now I will request our CFO Paresh Mehta to present the results for Q2FY12. Thank you.

Paresh Mehta: Thank you sir. Good afternoon again friends. I believe you had an opportunity to look at the analyst presentation, which has been forwarded to you and probably uploaded on the website too. I would now present the results of the quarter against the quarter of FY11. The consolidated revenue for the quarter is Rs.291.7 crores and net profit of Rs.16.9 crores. Out of the total consolidated income, construction revenue for the quarter is around Rs.225.3 crores,

toll revenues for the quarter are around Rs.51.3 crores mainly attributed to start up toll collection at Bhandara project in Q3FY11. EBITDA for the quarter two FY12 is around Rs. 72 crores. Interest cost during the quarter is Rs.24.6 crores and depreciation cost is Rs.28 crores for this quarter. The increase is mainly attributed to Bhandara project, which was capitalizing October 10th.

Profit before tax is 19.5 crores and after tax is 15 crores and post minus the interest profit after tax would be approximately 16.9 crores. As of September 2011, the net worth of the company is 936 crores and the gross that is 1,462 crores giving debt equity of around 1.56 times. This is a synopsis of the financial third quarter two. We would now request any questions on the financials. Thank you.

Moderator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press “*” and “1” on your touchtone telephone. Participants are requested to use only handsets while asking a question. Anyone who has the question may press “*” and “1” at this time. First question comes from the line of Shashikiran Rao from Standard Chartered Securities. Please go ahead.

Shashikiran Rao: Thank you sir for taking my question. Well my first question is on the two new projects that you have completed, when do you expect Durg and Jaora-Nayagaon, when do expect the total completion – toll collection to begin on these projects?

Satish Parakh: We expect to begin by January. By December end, we would be completing all the formalities for COD and by January, we starting toll on Durg and the third section of Jaora-Nayagaon. Two sections of Jaora-Nayagaon were all ready -- toll is already operational.

Shashikiran Rao: So how – just to get into the accounting some of this has you started booking interest and depreciation on Jaora-Nayagaon completely?

Paresh Mehta: No. On Jaora-Nayagaon, we have been on a pro-rata basis capitalize of the interest for the section which has not been completed and for the section which are already completed, the interest is being charged to the revenue account.

Shashikiran Rao: Right, so on Durg?

Paresh Mehta: On the Durg, it is still being capitalized because the target not yet been achieved.

Shashikiran Rao: Okay. And what it is this weakness in such a strong business in construction revenues in a second quarter because it is typically of course I’m aware that it is into – these are early quarters for construction companies.

Paresh Mehta: Yes, sir.

Shashikiran Rao: But I guess this seasonality in this -- your case is a little more pronounced as compared to the sector on this season?

Paresh Mehta: We have experienced this. There is two reasons; one is, cause of the seasonality as it is turnovers are down and because we are started a initial phases of projects they are picking up, so typically it's a combination of seasonality as well as the initial start up low -- higher physical progress, but low financial progress.

Shashikiran Rao: Okay. So currently which are the projects on which you are booking construction revenues, if I may ask?

Paresh Mehta: On construction revenue, this year, all the projects in fact all the Dhankuni project, the Sambalpur project, the Durg project, the PNG project and as well as the Belgaum projects. These are the main as well as the Jaora-Nayagaon project.

Shashikiran Rao: Okay.

Paresh Mehta: All the six projects, which are under construction booking revenue.

Shashikiran Rao: And do you eliminate inter company transaction on any of this?

Paresh Mehta: No, we are not eliminating any inter company transaction on this.

Shashikiran Rao: Okay, okay sir. And when do you expect toll to commence?

Paresh Mehta: It kicks somewhere around April 14, we expect tolls to start.

Shashikiran Rao: Okay. Sir thanks a lot.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: Good evening sir.

Paresh Mehta: Good evening.

Vinay Rohit: So for -- what is the interest rate for Dhankuni project?

Paresh Mehta: Interest rate for Dhankuni project is closer to at 12.25%.

Vinay Rohit: Okay. And another question, toll revenue for Pune-Shirur has been low for two consecutive quarters, so what is happening on this road?

Paresh Mehta: Basically Pune-Shirur was one of the projects which had toll disturbance in Q3 of last year.

Vinay Rohit: Okay.

Paresh Mehta: Because that cause you after resolution issue with the PWD Maharashtra government, there were two toll plazas on this project.

Vinay Rohit: Okay,

Paresh Mehta: And toll plaza collection of revenue on one toll plaza has been discontinued because of proximity two very city dense areas. So, we – there the toll is discontinued, okay, what we discontinued loss due to discontinue is there would be compensated to us by way of either extension of time in the project construction period.

Vinay Rohit: Okay, okay. And so the collections for Katni Bypass have been going up 30% and 27% so have you taken any price hike?

Paresh Mehta: There is a price hike.

Vinay Rohit: Okay. There was a price hike?

Paresh Mehta: Yeah, yeah.

Vinay Rohit: Okay thank you. That's all.

Moderator: Thank you. The next question is from the line of Hardik Shah from Raligare Capital Market. Please go ahead.

Hardik Shah: Thanks for taking my question. Sir, my question is with regard to the current scenario of industry, so far NHS has awarded around 3,200 odd kilo meters versus full year target of somewhere around 7,300 kilo meters. Sir, since the last couple of months the activities seems to be slowed down. So sir what could be the reason behind this, I mean, dealing land acquisitions or problems in achieving financial source or lender are asking for higher equity component?

Satish Parakh: Well basically the award process had started well, but then suddenly award process is stopped because of change in policy. Now, the committee monitoring this approval of projects is insisting on forest clearance and land acquisition of 80% to be done before even RFP is done.

Hardik Shah: Correct. Sir...

Satish Parakh: Earlier it was at the stage of one quarter which was been decided.

Hardik Shah: Correct. Sir, this policy has been changed since last I think more than one year.

- Satish Parakh:** But the implementation has been started now, even the RFPs which have been in they have not been opened only because of this policy.
- Hardik Shah:** Okay. So, I mean do you see further delay in land acquisitions, I mean mainly relating to the...
- Satish Parakh:** Yeah, they may not be able to achieve 7,000 kilo meters of award, but they still substantially close to 6,000 are very much possible.
- Hardik Shah:** Okay. And I mean going ahead, do you see a further delay in land acquisition mainly because of the new land acquisition's bill. So, probably the farmers who are right now in discussion with NHAI may willing to stay hold, I mean to get this new land bill passed to get a higher compensation for their land?
- Satish Parakh:** On the projects where we are working, we haven't seen any such kind of resistance.
- Hardik Shah:** But in general, I mean do you see this kind of things to happen near future?
- Satish Parakh:** This can happen only after the bill is passed, I don't see...
- Hardik Shah:** Correct, but right now I mean as a farmer of probably I will be able to wait for the land bill to get it passed, to get a higher compensation for my land.
- Satish Parakh:** See, even today they are getting award NHAI is on a -- what government is intending is to give the market price, so market price even in today's scenario all the farmers are getting.
- Hardik Shah:** Okay. And sir some more question with regard to the competitive scenario, sir, what's your view I mean in the current competitive scenario versus as compared to the start of the current fiscal, I mean, during last couple of quarter we have seen 200 to 225 which rate hike. So do you see this is -- I mean, competitive scenario is little cooling down?
- Satish Parakh:** Yeah, it is cooling down, there are always phases of little aggression and then cooling down. This is all part of the business.
- Hardik Shah:** Sir, just wanted to your view, I mean, see all the leading developers are saying that there was a steep competition as far the project bidding over a last six months and sir, so what could be the rationale behind of bidding so aggressively, either you wanted to put your idle machineries to get your -- to cover your fixed overheads or one more view on this is that you are bidding on the where the interest rate cycle is picking out. So any cut in rate in future maybe less than one year 100 to 200 with cutting rate, which might on the viability of your project to positive?
- Satish Parakh:** Yeah, this could be a philosophy for bidding for some of those but we as such are very selective and we have not been aggressive in our entire process.
- Hardik Shah:** Okay, okay. So what is our outstanding equity commitment?

Paresh Mehta: Outstanding equity is around 900 crores, we made 850 to 900 crores overall.

Hardik Shah: Sir, how you are going to fund this?

Paresh Mehta: As we already discussed in the last quarter, it is to be funded through internal resources for present 650 crores that is EPC margins as well as toll receivables in the next two and half years.

Hardik Shah: Okay.

Paresh Mehta: So the balance approximate 200 crores of money which we probably will be raising at the SEB level. As we have already declared we have -- we are in the process of raising private equity and entrusted somebody to do that already.

Hardik Shah: Okay. Sir, one more question with regard to our EPC margin, since we are -- correct me if I am wrong, we are awarding project to our EPC on a fixed price basis right?

Paresh Mehta: Correct.

Hardik Shah: So, maybe going ahead since the commodity prices are at higher level. So, could we see the dip in further dip in EPC margin?

Paresh Mehta: What our observation has been over the period of time is, whatever escalations we are building into the EPC pricing, take care of all these fluctuations of inflation and whatever margins we are taking in the EPC price approximately around 11.5% to 12% EBITDA margins. I think those will continue and they will take care of whatever inflation is there. In case there is anything, typically the SEB will not have any branch it will be probably go to the EPC.

Hardik Shah: EPC okay, okay. And sir, my last question. What is our outlook as far as the project bidding and project bagging over a period of next let's say 12 months to 16 months?

Satish Parakh: We have already have 4,100 crores of balance order book.

Hardik Shah: Yeah, but in terms of BOT road project.

Satish Parakh: Yeah, BOT road project we are bidding as and when we find selective projects attractive, we have been bidding. And of historically we have been bagging around 1,500 crores of order every year.

Hardik Shah: Okay, okay. Thanks a lot, that's it from my end. Thank you.

Paresh Mehta: Thank you.

Moderator: Thank you. The next question is a follow up question from the line of Shashikiran Rao from the Standard Chartered Securities. Please go ahead.

Shashikiran Rao: Just one question on your balance sheet. You have negative current assets in this quarter. Can you explain why that is?

Paresh Mehta: The net current assets, you are talking about net current is negative right?

Shashikiran Rao: Yeah.

Paresh Mehta: See, basically there is an accounting policy which has been adopted for projects where there is a negative grants that's of projects where premium is to be paid. So, we have in the Belgaum, Dharwad project where we have already achieved appointed date, we are collecting toll, whatever amount is payable to NHAI over the period of 30 years, being a confirmed liability has been accounted for the books at a to the tune of 2,249 crores which has been shown as liability to NHAI and accounted into Capital WIP. So this is a long-term liability, so it's not a current liability, it's a liability which is payable over a period of 30 years. So because our scheduled fixed period are not still addressed, the device addresses, but the normal format does not address classification of non-current liabilities, certain long-term liabilities is dubbed here.

Shashikiran Rao: Okay.

Paresh Mehta: If you exclude that, the accessories are around 255 crores, net current accessories positive for 55 crores.

Shashikiran Rao: Okay. So, what is the cash on your books as of now?

Paresh Mehta: Cash on our books – I'll just come back – could be approximately of – mostly 46 crores.

Shashikiran Rao: Okay. Okay, sir, thanks a lot.

Moderator: Thank you. The next question is from the line of Vinod Nair from Pinc Research. Please go ahead.

Vinod Nair: Hi, Sir. Sir, is it possible to get the project wise interest rate for us, say for the operational projects at least?

Paresh Mehta: We will try to discuss this on...

Vinod Nair: Sir, in that case at least is it possible to say from financial – from the end of financial '11, I know – we must have got any reset and ease that is true then what is the extent of this research say 50 bids or 100 bids, what is it?

Paresh Mehta: Research has happened, one project has happened a month back, all the projects will happen by first week of December, it will be in a range of 12.25 as reset date.

Vinod Nair: So, for most of this project, can we conclude this about 12.5.

Paresh Mehta: Yeah, 12 to 12.5.

Vinod Nair: 12 to 12.5?

Paresh Mehta: The older projects should have a slightly lower rate in the range of around 11 to 12%.

Vinod Nair: 11% to 12.5%.

Paresh Mehta: Bank would be approximately 11% to 12.5%.

Vinod Nair: Yes, I got it. And Sir, this Chhattisgarh project was likely to get this tolling in Q2, now we have postponed it to Q4, what is the reason sir?

Satish Parakh: See that Durg project typically has a flyover where land acquisition problems were there.

Vinod Nair: Okay.

Satish Parakh: So, one leg of flyover was already completed and second leg we could not get land acquisition completed. So, that was particularly delayed in the entire COD.

Vinod Nair: Okay. So, Sir what is the – as on date what is the status of this...?

Satish Parakh: If the flyover is completed, we will be achieving COD by this December end.

Vinod Nair: Fine. And sir this Bhandara project we are tolling it 100% now?

Satish Parakh: No, we are tolling still for 72 kilometer, 8 kilometers which is the habit for us and it is still not cleared.

Vinod Nair: Sir, if that is clear, will that increase our toll rates?

Satish Parakh: Yes, it will increase but proportionately for 8 kilometers, we are tolling by 72 kilometers.

Vinod Nair: Sir, likely can you let us know the likely impact on toll rates, say, 5%, 6%?

Paresh Mehta: The toll rate is the pro-rata, so it is around 10% up there what is existing now 10%.

Satish Parakh: Yes.

Vinod Nair: And Sir, in between there was some media reports of some pay bill happening, so would you like to clarify more on that because that media report also said – gave some timeframe in terms of it happen in, say December and all, so would you like to clarify more on that sir?

Paresh Mehta: See, we have mandated an agency for raising private equity at a – some kind of a level.

Vinod Nair: Okay.

- Paresh Mehta:** And the timeframe typically is not very certain, okay we'll try to – we are targeting that we have something by March, before March end, but then it will take its own time and as I'm seeing when things progress we'll keep the investors updated.
- Vinod Nair:** Fair enough, sir. Sir, on the BOT revenue side, you know, on a Q-O-Q basis revenue is looking flat in spite we having toll rate at high cut Bhandara and Wainganga and also Bhandara the numbers are up, so just wanted to understand what has impacted, is there some decline in traffic for any project or something like that?
- Paresh Mehta:** First, any significant decline in any traffic, basically it's only the Pune Shirur project, where one toll is not generating revenue. So, that is typically trying to show that – that message there.
- Vinod Nair:** Okay. So only Pune Shirur and why?
- Paresh Mehta:** all the project, you are trying to on a.....
- Vinod Nair:** On a Q-O-Q basis because Q-O-Q, Pune was already factored last quarter also.
- Paresh Mehta:** No, but I know, last quarter it was expected, on a Q-O-Q basis definitely there is a decline, Q1 to Q2 always there is a decline.
- Vinod Nair:** Okay. Any major impact on the traffic for any project?
- Paresh Mehta:** There is no significant change in pattern of traffic as said. So, it will be just a puzzle chain which is, if you see in every Q2 you will see a drop, so Q1 and Q2 goes downer than Q3, Q4 ramp up.
- Vinod Nair:** Okay, okay. And Sir, these margin are also down on a Q-O-Q basis, 74% odd it was for the BOT segment, have you taken anything one time there?
- Paresh Mehta:** No, no, this is just movement of the top-line going a bit down, so that business is down, okay. So that expenses which comes in a quarter, so on a yearly basis, we'll be able to maintain – what you call, EBITDA margins of around 27% to 28%. And at the BOT project we'll try to maintain – we would be able to maintain around 83% to 85%.
- Vinod Nair:** Okay, 83% to 85%.
- Paresh Mehta:** Easily on EBITDA margin.
- Vinod Nair:** Okay. And Sir, how much was the, you know, the tolling collection contract which we have, how much that is there in BOT revenue?
- Paresh Mehta:** For the quarter it would be approximately – around 6.5 to 7 crores.
- Vinod Nair:** 6.5 to 7 crores for the quarter or for the half year, this is?

Paresh Mehta: This is for the quarter.

Vinod Nair: Okay. And sir lastly, can you give us the other income breakup for us for BOT and EPC?

Paresh Mehta: We'll come back to you on this.

Vinod Nair: Yeah, sir, thank you so much, that is from my side.

Moderator: Thank you. The next question is from the line of Chhavi Agarwal from Ambit Capital. Please go ahead.

Chhavi Agarwal: Sir, my question is on the demand scenario. Sir, you've mentioned about the LEGI, can you give us some ideas out, what is happening at the state level, is that your present level.....?

Paresh Mehta: We are unable to hear you Ma'am.

Moderator: Excuse me Ms. Agarwal, requested to use the handset.

Chhavi Agarwal: Yeah, I am using the handset only, can you hear me now?

Paresh Mehta: Yes we can hear you.

Chhavi Agarwal: Yes sir, I wanted to know about the demand scenario and the outlook on these pay projects. So, are you seeing any activity happening there or even there you think that there is a slight slowdown, can you throw some light on that please.

Satish Parakh: See, basically we are working in Maharashtra and Madhya Pradesh.

Chhavi Agarwal: Okay.

Satish Parakh: And these two states, Maharashtra, we haven't seen any significant activity on BOT project. But, this business is coming out with lot of project, but they all are small size.

Chhavi Agarwal: So, what could be the size?

Satish Parakh: The size of Madhya Pradesh range from around 50 crores to 700, 800 crores.

Chhavi Agarwal: Okay. So, my next question is, what is the IRR that you are looking when you are bidding for BOT projects currently?

Satish Parakh: Currently we have been between, you know, in between 16% to 20%.

Chhavi Agarwal: And Sir, if you look at Europe, now my next question is on your balance sheet, your inventories have significantly increased and your cash has reduced, if you look at your

consolidated balance sheet, are you – is there some working capital pressures that are there in the industry and the fail you are facing especially in the construction business?

Paresh Mehta: See, working capital has increased basically due to Coimbatore and the Dankuni project we have started work, and the – what you call, the term loans had not yet been drawn, like that has yet to be picked up on an Dankuni Project. In Sambalpur as soon as the FC appointed it will pickup there. On that reason the inventory are high but comparatively our cash flows are subsidizing to take care off this kind of inventory for sometime.

Chhavi Agarwal: And sir, is the increase in debt mainly for the working capital or for the BOT project?

Paresh Mehta: It is on both sides. The working capital increase is approximately 50 crores to 70 crores. And, on the tumbler side approximately 200 crores.

Chhavi Agarwal: Okay. Sir, in the next five or six quarter where do you see working capital going? I know that you would put all the actions to reduce the working capital but, how does the scenario looking like, are we expecting working capital to further increase from year on for the construction companies given that client settling payments and there is a slowdown happening? Is that a pressure of working capital?

Paresh Mehta: ...impact of increase in the working capital requirement, what happened is, as soon as it is drawn on this two project along with other three project which we are doing P&G as well Belgaum, Dharwad. Substantially easement of the working capital pressure would happen maybe by.

Chhavi Agarwal: Hello.

Paresh Mehta: So working capital pressure would ease by March 12.

Chhavi Agarwal: Okay. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line Naveen Jain from JM Financials. Please go ahead.

Naveen Jain: Yeah. Sir, this is Naveen here. Sir, my question was actually on your, the fund raising exercise that we are planning to undertake, I just wanted to understand how the structure is going to be, because as I understand Ashoka Buildcon foresee the holding company Mitchell. So, when you say you will raise money at a holding company level, does that mean that there will be a sub-holding company which would be holding certain number of assets and you know, there will be other assets which will be outside scope of that holding company, how will that work basically, we just wanted to understand that?

Paresh Mehta: Basically Ashoka Buildcon is asset holding company but it also has EBITDA business. What we typically are trying to place is Alco which is the only old asset which are assets you know, of substantial value like 500 crores and plus. This is how the Alco will look like a few assets

will be looking there and future biddings also would happen through those development of asset would happened to that Alco.

Naveen Jain: Okay. So that will be pure road holding company?

Paresh Mehta: Pardon?

Naveen Jain: So that will be a pure road holding company that will be created?

Paresh Mehta: Yeah.

Naveen Jain: And large assets, basically all, most all your assets except some old ones will be good in there?

Paresh Mehta: Right, correct.

Naveen Jain: Okay. Okay sir thanks.

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

Rakesh Vyas: Yeah, hi good afternoon sir.

Paresh Mehta: Good afternoon.

Rakesh Vyas: Sir, have you started recognizing construction revenue at Dankuni?

Paresh Mehta: Yeah, we have.

Rakesh Vyas: How much have we completed so far sir?

Paresh Mehta : Approximately 60 odd crores.

Rakesh Vyas: So we don't really follow the threshold level of revenue recognition as such?

Paresh Mehta: We have an interim guidelines for recognizing the threshold level, according to their foreign board.

Rakesh Vyas: Okay. And all this is equity investment so far?

Paresh Mehta: Yeah.

Rakesh Vyas: Okay. And sir I missed out on this part about the construction margin in this quarter, why was this significantly lower?

Paresh Mehta: See basically what happens is margin in this quarter when the revenues are lower, big overheads continue to be the same. On a lower revenue that has to be exhaust. So from that point of view this margins typically take a dip in the Q2.

Rakesh Vyas: Okay. But there is no significant raw material pressure as such?

Paresh Mehta: Not yet, not yet.

Rakesh Vyas: Okay, okay. And sir, also why lower tax on the PC business?

Paresh Mehta: Lower tax on the PC business just is more a mix of some BOT Projects in the Ashoka Buildcon Division. This is an advantage of you know, not getting the carry forward losses on those, adjusted against the EPC profits, small variation is there. We have small projects of the TVC.

Rakesh Vyas: Okay, okay. But this is done every second quarter or in each quarter?

Paresh Mehta: What we have done?

Rakesh Vyas: This adjustment on the tax.

Paresh Mehta: It's the continuous process. So our...

Rakesh Vyas: Its every quarter that you are taking. Okay. And sir lastly any update on the transmission project bids which you were planning to put up or have they come up for bidding at all?

Paresh Mehta: We had bid for certain projects and they are, certain bids have also been out and we probably had L1 but we are waiting for the final LOI to come in.

Rakesh Vyas: Okay. So these are in which states in MP or...?

Paresh Mehta: No, these are in Maharashtra, we have also bid for project in Chhattisgarh, we are waiting for their outcomes.

Rakesh Vyas: Okay. And the existing order book of the transmission is likely to exhaust this year itself, is it?

Paresh Mehta: Yeah, by June, I mean, this year also the Q2 – Q1 of next year.

Rakesh Vyas: Okay, got it. Great sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Devang Modi from Equirius Capital. Please go ahead.

Devang Modi: Hello.

Moderator: Hello Mr. Modi please go ahead your line has been un-muted.

Devang Modi: Yes, hello sir. Basically just wanted to get some flavor on what is the kind of environment for getting more cash contract per se from developers have already won BOT projects?

Satish Parakh: Basically our philosophy is to give priority to our own project, and once we are filling up that then we go ahead and bid for other developers. Historically we have been working for IP&L and other government agencies, but presently we are focusing on our own project with an order book of 400,000 crores orders already balanced.

Devang Modi: Sure sir. So this particular order book will be sustained for probably the next 2, 2.5 years in terms of execution?

Satish Parakh: Yes, almost two years.

Devang Modi: Two years. So, post that basically unless if the transit building activity continues in terms of the bidding revenue that should be aggressive?

Satish Parakh: Yeah we have capability of doing third party contract. We had been dealing, we had been – our performance has been quite satisfactory on that.

Devang Modi: Sure sir. And apart from this there is also very small sale of goods in terms of the RMC business. So currently I understand a lot of is being used for captive purposes. So what would be the, I mean, what would be the volume we can look at over there in terms of, what would be the annual revenue that would come apart from this as captive part?

Paresh Mehta: See, whatever has been detected in the one pages which has already been look up by FDIC, we are recognizing only the commercial space, captive consumption is not recognized in this set of account. And, from an outlook lifecycle it would be around 70 crores of business on RMC front.

Devang Modi: Okay, sure sir. That's it from my side.

Moderator: Thank you. The next question is from the line Jitesh Bhanot from Emkay Global. Please go ahead.

Jitesh Bhanot: Good evening sir. Thanks for taking my question. Sir just wanted to understand as Mr. Parakh pointed out in his opening remarks that the appointed it was, some expected November. So just I want to understand the LAM acquisition part of it, are we already through and how much is pending in terms of land acquisition on that?

Satish Parakh: 90% of the KD has been done on some of this section. Around 10% LAM acquisition is really to be done.

Jitesh Bhanot: Okay.

Satish Parakh: The process of taking position is still on, but in major part of 3D clearances already done, 3D is under process.

Jitesh Bhanot: Okay, it took I think from November to and sustain are we confident that we wanted to get 30%

Satish Parakh: 3D of more than 80% has done, so you know appointed 18 staffs.

Jitesh Bhanot: Okay, okay. And sir can you throw some light on the appointed bids of the under construction projects and we are rightly to start, like Durg and Dharwad?

Satish Parakh: Durg COD have already started by December and we are achieving COD.

Jitesh Bhanot: That's why I just wanted your point so that I think get the execution in tact.

Satish Parakh: And you want when we started this project right?

Jitesh Bhanot: Yes, yes.

Satish Parakh: Paresh if could have...

Paresh Mehta: Yeah, this was in September 2008.

Jitesh Bhanot: Okay.

Paresh Mehta: When we got the appointed date for this project.

Jitesh Bhanot: Okay. And sir can you throw some light on the other projects also which are under construction, your appointed time?

Paresh Mehta: 2010 was the Durg project. In June 2010 was the PNG project. And I think so that is two projects.

Jitesh Bhanot: And for Jaora-Nayagaon?

Paresh Mehta: Jaora -- August 2008 was the date, which is August 2008 and...

Jitesh Bhanot: And for Belgaum, sir.

Satish Parakh: That was May.

Paresh Mehta: It was not May, it's 4th, and 4th of May 2011 and Sambalpur as I've already said and Dankuni probably by 1st of December.

Jitesh Bhanot: Okay. So then that's all from my side and thanks so much.

- Paresh Mehta:** Thank you.
- Moderator:** Thank you. Participants who have a question may press “*” and “1” now. The next question is from the line of Hardik Shah from Religare Capital Market, please go ahead.
- Hardik Shah:** Thanks for taking my question again. So just want to understand the TND opportunities we are in which states are offering those kind of projects right now? And sir what are the general kinds of margin profile which we are assuming from our portfolio and what is execution timelines and how – what could be the significant of this opportunity in terms our order book composition going ahead? Thanks.
- Satish Parakh:** Yeah distribution I think the last like of the entire power sector, commission, transmission and distribution. Distribution is now taken off seriously by all the states, in particular Maharashtra was the lead one to start in this, Madhya Pradesh has already started a lot of focus changing of their distribution network, Chhattisgarh of late put in lot of bids for distribution network. Tamil Nadu is seriously thinking on this. So we have been tracking all this states for business.
- Hardik Shah:** Okay, sir what are the I mean normal kind of ticket size of this project or if you could...
- Satish Parakh:** The earlier set of projects came around 200 crore to 300 crores and then the second phase of projects just came in Maharashtra are between 100 crore to 200 crores. If you see Chhattisgarh it is – it was very small projects of 10, 15, 20 crores. And Madhya Pradesh has bids as of between 50 to 100 crores, so each state is looking at it very differently.
- Hardik Shah:** Sir, if you can quantify the size of opportunities over a period of next, let’s say, couple of years?
- Satish Parakh:** See every state would be spending at least around 25,000 crores to 30,000 crores on spending on distribution each year, depending upon their financial ties with REC and PFC.
- Hardik Shah:** Okay, okay.
- Satish Parakh:** They are getting help from REC and PFC for their entire financing.
- Hardik Shah:** Financing, correct. Sir so what is our strategy going ahead to make this component a sizable in terms of our order book?
- Satish Parakh:** Yeah, it won’t be sizable, but it would vary always between 10% to 15% of our order book. And depending upon – we have a separate division built up for carrying out EPC in this distribution sector.
- Hardik Shah:** Okay. Sir what kind of general margin profile for this kind of projects?
- Paresh Mehta:** May be around on the EBITDA side we have around 11 to 11.5%. And on tax side approximately around 6%.

Hardik Shah: Okay. And sir what kind of competitor scenario usually you see this kind of projects?

Satish Parakh: Of late there has been competition in Maharashtra, Chhattisgarh and Madhya Pradesh we still have to test the waters.

Hardik Shah: Okay, okay. And sir if you can just throw some light what kind of – as far as your machineries is concerned so TND is all together a different type of in the construction works for those kind of projects you will need to incur additional CapEx if you get the sizable chunk of projects in this segment or you can use the similar kind of machineries which are idle or which currently you are using for your road beauty projects, which you can use – put to use over this kind of projects?

Satish Parakh: You know I think the road business are very much capital and so lot of machineries are required but in TND particularly we will not require much of machineries. It is high different between the EBITDA and net profit is more or less because of the interest burden which were there, the payment terms are slightly – the cycle, payment cycle is around 3 months.

Hardik Shah: Okay. Sir, but in terms of machineries if you can...

Satish Parakh: Machineries there is hardly any machineries required for distribution projects.

Hardik Shah: Okay, okay. Thanks a lot. That's it from mine.

Moderator: Thank you. Participants who wish to ask a question may press "*" and "1" now. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund, please go ahead.

Rakesh Vyas: Yeah, hello sir. Sir can you just highlight what is the accounting policy for this four to six laning, I understood the toll collection part that will be capitalized or adjusted in CWIP, but can you highlight about this grant, is it the pure submission of the total grant table or any NPV or things like that?

Paresh Mehta: In four to six laning typically there are – before construction, you have revenue is pouring in, against that you have commitment payments to NHAI plus some oil expenses. So whatever is net left out is being credited to the Capital WIP which is being created due to the construction. So from that point of view the accounting practice is to subsidize the capital cost by revenue before the PUD day that is the asset put to use date.

Rakesh Vyas: But this is after accounting for the grant to be paid for that year, is that correct? So toll collection minus O&M expense, minus grant.

Paresh Mehta: Right, right.

Rakesh Vyas: Okay and also you were highlighting that there has been adjustment in the balance sheet for Belgaum project to the tune of 2050 crore. So can you highlight what that is?

Paresh Mehta: That is the recognition of the amount table to NHAI over 30 years because this liability is free set of the on signing of the concession agreement, that makes as a payment, it's a long –term payment and which has been capitalized to Capital WIP account, if that is put use it will be amortized accordingly.

Rakesh Vyas: Sir, this is just a submission of all years grant to be paid, there is no NPV of...

Satish Parakh: No, no. Those standards are not allowed for an NPV, so it's of an amount table.

Rakesh Vyas: Okay, and is there any tax benefit available on this part, sir?

Satish Parakh: We will pursue the -- whatever profit is earned during the construction period that is borne by the SPV on the same. Though this is being one of the first projects while – I mean, only few projects have just started off one premium line, so they have to yet to see the day of the light on tax proceedings.

Rakesh Vyas: Okay. Got your point sir. Thank you so much.

Satish Parakh: Right.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: So – I still maintain our revenue items of 1,200 crores for Africa?

Satish Parakh: How much?

Vinay Rohit: 200 crore?

Satish Parakh: Yeah, you can definitely presume that.

Vinay Rohit: Okay, thank you. That's all.

Satish Parakh: construction revenue?

Vinay Rohit: Yeah.

Satish Parakh: Right.

Moderator: Sir, do you have any further questions?

Vinay Rohit: No, no.

Moderator: Thank you. The next question is from the line of Siddharth Das from Axis Bank. Please go ahead.

Siddharth Das: Yeah sir. Sir, this is about the transmission project. I've been here about the scarier condition of SEBs with regard to payments and so on and so forth. So what is the basic you really assess on payment security for these transmission projects that you are taking us now? Going forward, then the time comes and you need to realize your revenue, what is the risk at your SEBs?

Satish Parakh: As far as payments are concerned, we are comfortable in getting all our payments. We've almost completed – from the first phase of projects, they are almost coming to end now. So we haven't faced any payment problems from SEBs.

Siddharth Das: But going forward, that's pressing because there is so much of shock nowadays, isn't it? I mean about the SEB's precarious financial conditions and so on and so forth.

Satish Parakh: Basically, these payments have been funded by REC and PFC.

Siddharth Das: But the payment...

Satish Parakh: Payment is directly made by **(Indiscernible) (0:47:33)** only certified the SEBs and payments were directly made by PFC and REC through the concession.

Siddharth Das: But you don't have any contracts on the state trans-com – I mean, the...

Satish Parakh: No, we have contracts from the state. They have a managing body as far as contracts are concerned. But as far as payments are concerned, they have just certifying of this. So the entire payment is made from REC and PFC for particular set of projects we are doing.

Siddharth Das: No, what my understanding was that PFC in such cases is just a coordinating agency. They do not take the credit risk – do they take the credit risk – I mean?

Satish Parakh: No, the entire payment comes directly from PFC to us.

Siddharth Das: But you said testing of whether PFC is able to recover from the state trans-com or not?

Satish Parakh: This is all loans given to the states by PFC and the payment systems is that the device so that no time is lost in paying to the contractor. So we just paid directly from PFC to us.

Siddharth Das: All of a sudden, it will become a loan in PFC's books to the confidential...

Satish Parakh: To the SEB.

Siddharth Das: SEB. And now with this premium bidding for road projects in which, as you just were explaining and but you debited to see WIC, how do you really present the capital cost when you apply for a loan from banks, in the sense that earlier this grant amount – this negative grant amount was searing in the project cost and accordingly getting factored in to the means

of finance, but now that this payment is going to come over this period of time, how is the – how have your loan purposes really getting structured?

Satish Parakh: See, nowadays, typically these – the amount payable as premium, it is to be paid out of the revenues earned. So that – it does not flow apart of the project catering cost.

Siddharth Das: Okay, but then would it not disturb your projection significantly in the initial years at least?

Paresh Mehta: See what we are typically trying to do is fund the project based on the net costs, EPC cost plus other IDC and operating expenses. So whatever premium we are paying during the construction period, is already outside from the revenues earned. So typically it does not affect the project funding.

Siddharth Das: But my question was that does it not lead to a low – very low, DSER in the initial years because there are large chunk of money is – you know, going out, which would not have otherwise gone out had that negative grant being paid upfront and being included in debt or liquidity or whatever...

Paresh Mehta: Yeah, it does have an impact on the DSER. So, initially the repayment to the lender is very low during the first seven to eight years.

Siddharth Das: So – essentially the repayment to the lender, therefore becomes back-ended.

Paresh Mehta: Yeah, yeah. I would – that's right.

Siddharth Das: Okay, okay. Thank you, thank you. That's all.

Moderator: Thank you. We will take the last question from the line of Pranav Gokhle from Religare Asset Management. Please go ahead.

Pranav Gokhle: Good evening sir. Are you bidding for any new projects? And if so, what is the bidding price line being at?

Satish Parakh: Yeah, we have been bidding significantly in the last two quarters and presently, we have three bids, which we have already put, yet to be opened.

Pranav Gokhle: What could be the indicative range of this, I'm not asking the bid value and more than that range of the project size, which you have bid sir?

Satish Parakh: Position should be the engine from 1,000 crores to 1,500 crores.

Pranav Gokhle: So if you have to win one of these projects, then how do you expect to sort of have the financial closure for these kinds of projects? Considering that the current projects might require additional amount of liquidity from – for which you are announcing some structured deals and early SEBs and things.

Paresh Mehta: Actually...

Pranav Gokhle: Also private equities.

Paresh Mehta: When we have given our aspiration on the equity required for the dozen projects, we've already indicated what kind of cash flow is there for them.

Pranav Gokhle: Yeah, but...

Paresh Mehta: Yes, raising equity – expenditure did just now, we are raising additional liquidity, which can also take care of the additional projects is coming and another source of finance also could be these projects – a couple of projects, which will be put to use during this year-end and next, would be available for financial leverage, which could help us in funding the new set of projects.

Pranav Gokhle: If I understand correctly that 850, 900 crores are outstanding, it would take commitment requirement, which you have mentioned, includes certain projects, which you have bid or which you have still got or not being L1 for? Is it?

Paresh Mehta: No, it doesn't include now. It is the projects which you have already bid where the financial closure, part of – I mean, the debt time is already over, we are already exhibiting the project.

Pranav Gokhle: So that requirement is 850, 900 crores is where you foresee a shortfall of 200-odd crores.

Paresh Mehta: Exactly and now we are in the process of raising approximately 700 crores.

Pranav Gokhle: Okay that will include the amount of...

Paresh Mehta: **(Indiscernible) (0:52:52)** substantial pressure on parent company to exact substantial cash in both, to take care of any additional projects.

Pranav Gokhle: Okay and just broad sense on indication on terms of the bold tripartite, what is the part range of tripartite YoY, which you are seeing, because there must be some incremental WPL at benefits which you must have got. So across your major projects, what is the indicative traffic growth that you are seeing?

Paresh Mehta: What we see on a year to year, this is we expect that we could have achieved easily on average 6% growth from traffic.

Pranav Gokhle: Okay and Belgaum-Dharwad, is the initial collection in line with your estimates?

Paresh Mehta: Reasonably, so. We have to see – actually we have seen hardly four to five months. The major traffic – random traffic will come in this quarter three and quarter four. Then we can typically know if we are okay with in line, but actually, it appears to be in line.

Pranav Gokhle: Okay, but Q2, what the -- is some more of a sort of a lower quarter as you ended negatively?

Paresh Mehta: By -- I mean, would be approximately 14.5 lakhs per day, but it will ramp-up in the next two quarters.

Pranav Gokhle: Sir -- I'm sorry. I couldn't get your last line, can you please repeat it one more time?

Paresh Mehta: Approximately, average is 14.5 lakhs per day. It will ramp-up over the next two quarters.

Pranav Gokhle: Okay and this was in line with your expectations or do you just support?

Paresh Mehta: It's not we typically around 15 lakhs is what we expect of the quarter three -- quarter two end. It's typically slightly within the range.

Pranav Gokhle: Okay, thank you sir and all the best to you.

Moderator: Thank you. That was the last question. I would now like to hand the floor back to Mr. Vikash Verma for closing comments.

Vikash Verma: Thank you. I thank all of you for participating in Q2FY12 conference call of Ashoka Buildcon. We thank the management and SGA for taking time and participating in the conference call. Thank you everybody.

Paresh Mehta: Thank you Vikash.

Satish Parakh: Thank you. Thank you all of you.

Moderator: Thank you. On behalf of Fortune Equity Brokers India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.