



“Bharat Road Network Limited Q4 FY18 Earnings
Conference Call”

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**MANAGEMENT: MR. BAJRANG KUMAR CHOUDHARY – MANAGING
DIRECTOR, BHARAT ROAD NETWORK LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Bharat Road Network Limited Q4 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bajrang Kumar Choudhary - Managing Director. Thank you and over to you, sir.

Bajrang K Choudhary: Good afternoon, everyone. We are pleased to share our results for Q4 and for the year 2017-2018. If you look at our numbers, we are quite pleased with the sort of toll collections that we would have seen in our assets. But just to give you a sort of rundown on the numbers for Q4 if you look at the Holdco BRNL as such we have 24 crores of topline compare to 2.68 crores of last quarter, last year which is a growth of 8x. Similarly, if you see PAT has gone up from 1.7 crores to 9.6 crores and if you analyze it and if you see for the year our topline has gone to 64 crores from 16.72 crores and PAT has gone to 29 crores compared to 2.2 crores last year, which is 12X growth compared to what we had seen in financial year 2016-2017. In terms of toll collection if you see, in our 6 assets that we have as you might be aware we are tolling in 5 of the assets, 6th still under construction. The good news is that we have seen a healthy growth as far as the traffic is concerned.

If we look at the portfolio as such we have seen an annualized traffic growth of 8.2%, if we see it only for the quarter we have got weighted average coming to 11.3% and if we drilled down into each and every asset, one asset has seen a health traffic growth of around 24% which is Rohtak-Bawal in NCR region. And then we have another asset which is 17% followed by another asset in UP which is Ghaziabad-Aligarh at 11%. And in two assets we have seen some sort of subdued traffic growth of around close to 3% and 3.5%. But as a portfolio if we see, that the traffic growth has been 8.2% which is quite healthy and pleasing to see that the sector has seen this sort of a traffic growth and we are hopeful that we will continue to see this sort of trend going forward.

In terms of total toll collections if you see, we have collected close to around 600 crores in all our 5 SPVs which was last year close to around 450 odd crores. So, again a healthy growth across the assets because as we said that 8.2% is the weighted average traffic growth, so naturally there would be on the revenue side we have seen a healthy growth as well.

Average toll rate increase if you see weighted average is again around maybe come close to around 7%-8%. And in terms of the positives that we would have seen other than the sector which we will talk about, I mean if you just talk about our business the positives that we have seen one) as we have been saying that we will look at inorganic opportunities as our growth. We have been able to consolidate in one of our assets which is in South, which is Guruvayoor where we have sort of taken up 51%. I mean, we are still awaiting NOC from NHAI for

transfer of the 26% out of that 51%. We have also got some favorable arbitration in one of our asset in Bhubaneswar - Chandikhol which is around 150 odd crores and this was for the tolling which we were not able to do on Mahanadi. Third, we have been able to do a decent refinancing and re-pricing of our assets. So, we carry an overall debt of 4,000 crores in the SPV and we have been able to sort of a price down by 1.5% to 2%. So, thereby saving as close to around 60 crores to 70 crores a year and we have also been able to refinance one of our SPV to the extent of 1,100 crores so, which helped us sort of elongate our tenure of the loan as well.

Because if you see most of these assets today in the market especially into the segment that we are talking about, the biggest challenge remains is your asset liability mismatch if you are not sort of elongated the debt which was taken earlier in the beginning of the life cycle of the project. Because initially as you may be aware the debt that we used to get into the sector was 10-12 years debt. Of late, yes, we have been able to get that up to 85% of the concession life of these assets. So, the priority for us remains that to re-price and re-tenures our debts in all our assets. And as I was saying that we have seen a healthy traffic and a health revenue growth which has been very positive as far as the sector is concerned.

Now, coming back to the sector and where we do see ourselves going forward as we have been saying in the past that we will be looking at inorganic opportunities which we do believe are there in the market place today some attractive opportunities as well. And we do believe that BRNL as such has created a platform a listed platform where we would want to see a lot of consolidation play happening.

And in terms of organic opportunities, if you see the last year there has been a sort of, I will say bumper sort of bids which has come, I mean more than a lakh crores which has been done by NHAI. Though most of it we have seen under HAM model, but we do believe and one we have seen TOT which we believe again is nothing but BOT minus EPC you can say or you can say BOT is HAM plus TOT toll. So, we do see a lot of tolling opportunities coming there as well and for us we will sort of want to keep a sort of focus both on HAM and toll as well because that is where we do believe in toll you do sort of get an opportunity for a larger upside and a larger yield. Obviously with HAM if you focus you have a limited sort of yields that you can get out of those assets. So, going forward the target that the government has, the NHAI has we do believe there are lot of opportunities that we will look going forward.

One of the core focus areas where we have been able to where we are focusing and where we have been able to make a small difference I will say this year where we see a larger difference coming up in the coming year since use of technologies into our operations. We are focusing a lot there because we do believe if you really need to sort of debt efficiencies in your assets and if you really want to sort of bring down leakages you need to have a larger play of technology. So, that is where we are trying to sort of a work there. We are also working on couple of innovative models in terms of revenue models as to which we can sort of operate from our assets. We are looking at could be solar, could be something else which we are working on and

trying to be innovative to see us to how we can add on revenues into these assets. So, this is brief in terms of our numbers for the quarter and for the year and happy to take any calls if you have.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan: Sir, I just had this query on this Mahakaleshwar Tollways Private Limited, the accrual of premium, what is the status on that? And my second question is on this Orissa Steel Expressway where you strongly believe that the claims could be recovered from NHAI?

Bajrang K Choudhary: Yes, see on Mahakaleshwar that is the only concession document where in the waterfall mechanism, the premium **pay-ability** comes after servicing of debt and currently we are sort of the toll collections are good enough to take care of the debt. We have not yet sort of start reached the situation where we have to start sharing the premium with authority. So, that is where we are as far as that asset is concerned and in terms of Rimuli-Roxy which is OSEPL, on paper it is clearly sort of we can establish that it has been a default on part of the authority, they have not been able to give us the land. We have just started arbitration and then the first hearing has happened in the month of April and we are hopeful that 8 to 9 months we should see a results there.

Rohit Natarajan: Sir, on this Mahakaleshwar the total premium amounting is close to 8.6 crores if I am not mistaken in FY18 that is there in the books, right?

Management: It is based on actually revenue sharing method. So, right now the percentage is around 32, types, if the revenue would have been sufficient after debt servicing, the concession says 32%-33% of the revenue. But as Bajrang sir, told the priority of premium is after debt service. So, any left out cash flow can only be shared as per the concession document.

Rohit Natarajan: And final thing as on the interest rate reset that we have done in SJEPL as well as GAEPL, KEPL and GIPL other subsidiaries what is the further interest rate production possibility that can entail in savings?

Bajrang K Choudhary: See, today if you see an our average cost is close to around 10.1% and we are hopeful steel to sort of bring it down at least by 100 basis point.

Rohit Natarajan: And that would lead to a certain amount what amount it would be into the consolidated debt is that what you are saying that should be the right way to look into it?

- Bajrang K Choudhary:** That is right. On an average if you see our debt size would be close to around 3,800 crores to 4,000 crores. So, if you are able to say 100 odd basis point it gives a 35 crores or 40 odd crores savings per year.
- Moderator:** Thank you. The next question is from the line of Vivek Kumar, an individual investor. Please go ahead.
- Vivek Kumar** Any plan for next financial year or coming two financial years for reduction of your debt?
- Bajrang K Choudhary:** See, debt is getting reduced in the normal course because as I said that most of our SPVs now 5 out of 6 are already operational. So, they are servicing their interest as well as debt. So, it has a lifetime of rundown of around on an average 10.5 years. So, we will see the debt running down in the next 10 years or so.
- Vivek Kumar** Interest cost which has been occurring in FY18 can I get the breakup of the whole amount?
- Bajrang K Choudhary:** Which cost, Mr. Vivek?
- Vivek Kumar** I mean, this is the total entire interest cost which has been occurred in FY18. I mean, can you give the breakup?
- Bajrang K Choudhary:** You need interest breakup project wise or you are talking about ...
- Vivek Kumar** Yes, sir.
- Management:** So, in Gururvayoor the interest cost has been around 44 crores for FY18. In Mahakaleshwar, it was around 21 crores. In Kurukshetra, it was 83 crores. In Ghaziabad it is around 135 crores and SJEPL it was around 105 crores. (Interest on Senior Lenders)
- Moderator:** Thank you. The next question is from the line of Gaurang C, an individual investor. Please go ahead.
- Gaurang C:** We have a good portfolio of road assets. But I wanted to get some idea on given that these assets are may not be generating lot of free cash flow as of today. How do we wish to fund our growth strategies going forwards and what are the key growth areas which you are going to pursue in the next few years?
- Bajrang K Choudhary:** See, as I was saying a bit earlier most of these assets have started generating enough cash flows except out of 5 except 2, 3 are already positive. In fact, one of our asset we already have a reserve of around 130 odd crores there. In terms of growth strategy, I mean as I said that we are looking at inorganic market. In terms of funding that growth we do not see that as a problem. Obviously, our balance sheet today as of now is totally unlevered, I mean we do not have any debt as far as our holdco balance sheet is concern. And we are very conscious of the

fact that, yes to grow we need capital and we have multiple avenues which we can use, I mean one is our balance sheet we can use, we can look at fresh equity, we can look at the reserves of the cash flows that is lying with us in one of our assets and going forward we do see sort of all these assets throwing a free cash flows to the shareholders.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Bajrang Kumar Choudhary for closing comments.

Bajrang K Choudhary: Thank you all for participating and we and our team are there, you can reach out to us in case whenever you need any further details and information on the business. And once again thanks for joining on the call.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Bharat Road Network Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.