

"Ashoka Buildcon Limited Q1 FY14 Earning Conference Call"

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MR. PARESH MEHTA – CFO, ASHOKA BUILDCON LIMITED

MODERATORS: Mr. NITIN BHASIN - ANALYST, AMBIT CAPITAL





Moderator

Ladies and gentlemen, good day and welcome to the Q1 FY14 earnings conference call of Ashoka Buildcon hosted by Ambit Capital. As a reminder, all participants 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Bhasin of Ambit Capital. Thank you and over to you sir.

Nitin Bhasin

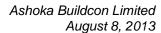
Thanks. Good morning folks and good morning Mr. Parakh and Mr. Mehta, given that you already lost about 5-6 minutes, we will straight away head into the opening remarks by the management and then we will open it for question and answers. Mr. Mehta and Mr. Parakh, over to you, sir.

Satish Parakh

Thank you Nitin. Good afternoon friends. I welcome you all to the discussion of our audited quarterly financial results of Q1 FY14. Along with me, I have Mr. Paresh Mehta - CFO and SGA our Investor Relations Advisor. I would like to take you through some of the key developments of the company in the quarter. Let me begin by giving you update on the investment by SBI on Macquarie Funds. During the quarter, Ashoka Concessions Limited, a subsidiary of Ashoka Buildcon Limited, has received second tranche of Rs. 140 crores. The first tranche of Rs. 240 crores has been received in January 2013. The amount is being utilized for equity investment into various projects. As of now, we have received total Rs. 380 crores; the balance amount will be received in installment as per equity requirement of projects under construction. During the quarter, Ashoka Buildcon consortium with GVR Infrastructure has been declared as selected bidder for Chennai Outer Ring Road. This is the project by TNRDC. This project is on annuity basis with a concession period of 20 years including 30 months of construction time. Over last few years, we have developed required skill set for transmission and distribution EPC projects. We continue our focus on EPC business in T&D segment. We have been declared L1 for Power T&D order worth Rs. 495 crores in the state of Maharashtra. As you are aware that we have already completed 2 vital bridges on the river Roopnarayan in Dhankuni - Kharagpur project on NH-6 near Calcutta. The EPC work is going on in full stream and we have completed 45% of EPC work by June 2013. The project is on schedule and will be completed by Q2 of FY2014. On PNG, we have achieved 97% completion and we are already collecting partial toll on the project. The other projects in the construction phase are Sambalpur-Baragarh and Belgaum-Dharwad which are also progressing on schedule. As on June 30, our EPC order book backlog stands at Rs. 3,206 crores excluding Chennai ORR and Power T&D contracts. I would now request Mr. Paresh Mehta to present the results for Q1 FY14.

Paresh Mehta

Afternoon Sir. Good afternoon friends. I believe you must have had an opportunity to see that analyst presentation that has already been circulated. I believe we must seen the presentation on our website which I believe it is uploaded. I would now present the results for the quarter ended June 30, 2013. Our consolidated total income for the quarter is Rs. 473 crores compared





to 475 crores in the corresponding quarter last, previous year. Out of the total consolidated revenue, construction revenue for the quarter is Rs. 400 crores compared to Rs. 395 crores in Q1 FY14 and the Toll revenues for the quarter is 73 crores compared to 80 crores in Q1 FY14. The drop in the Toll revenue is mainly on account of termination of the Nagar - Karmala project. Our EBITDA for the quarter stands at Rs. 98 crores. The interest cost for the quarter was at Rs. 31 crores with an average cost of debt of around 12.2%. The depreciation and the amortization for the quarter was Rs. 29 crores. Profit after Tax post Minority Interest and share of Associates Profits is Rs. 30.5 crores in the quarter. The total toll collection for the quarter is Rs. 187 crores, of which we have recognized Rs. 73 crores as toll revenue. Rs. 67.4 crores received on Dhankuni and Belgaum projects gets adjusted against Capital WIP and the balance Rs. 47 crores are from Associate companies. With this, we would like to throw open the floor for question – answers. Thank you.

Moderator

Thank you very much sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora

Sir, my first question pertains to the equity infusion left on our part for FY14 and FY15. It would be great if you can give me that project price as well?

Paresh Mehta

The total equity to be infused by Ashoka Buildcon Limited to the tune are approximately Rs. 150 crores which has to be infused in quarter 4 and quarter 1 of 2014 – 2015 and project-wise, there are 3 projects where the equity is being infused – the Belgaum project, the Dhankuni project and the Sambalpur project. So, this equity will be infused through the holding company, Ashoka Concessions Limited into this. So, typically there will be Rs. 300 crores coming from Macquarie, balance equity for the project base and Rs. 150 crores from our side and then we get funded in the projects.

Nitin Arora

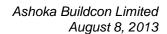
Got it, sir and second thing on the toll collection side, any of the mismatches coming in any of the toll assets in terms of your forecast, in terms of your estimates of the traffic growth? So, any of the toll projects you have seen some decline in terms of traffic numbers?

Paresh Mehta

In the toll numbers, if you see, most of the projects, other than Nagar-Aurangabad and Indore Edalabad, you see a typical traffic is lower than what we estimated. Previously we must have estimated approximately 5% growth in the last 2 years but then we have actually seen in most of the projects either flat or slightly up, a percent or 2 negative growth. So, the growth is not there in all the projects, except for a few.

Nitin Mehta

Sir, in Indore – Edalabad, if I look at the year-on-year growth, it is 19% and 18% sequentially. So, there has been a toll hike there or it is a normal...?





Paresh Mehta

Toll hike is just upto 7%, otherwise it has been the traffic improvement in the region. Being a state project, the logistics of state economies have a different ratio. So, those regional effects are there.

Nitin Arora

Okay. Last thing, there is an EBIT loss on a standalone basis on a BOT. Can you explain me why is that so?

Paresh Mehta

Basically, on the standalone basis, you have only 2 small projects. We are making provisions for all the projects we are making provision for major maintenance because technically we believe that the project will still,. We are into arbitration, we will get back. So, we are making provisions for all that and then accounted for EBITDA.

Nitin Arora

Sir, this last question. I have seen a little decline comes on in every quarter of your BOT margins on the EBITDA side. So, like for this quarter it has come at 66% year-on-year, there is a decline as well as... sir, any particular reason? Normally we do see a BOT project, road project garnering a margin of 75 - 80 percent. So, do you think this quarter is a one-off or the tranche should show?

Paresh Mehta

Majorly because it seems last quarter, quarter 4 FY13, we started making provisioning for major maintenance which we were not doing before that. So, that impact is the impact which you are seeing on a relative basis. So, if you do not have major maintenance as a cost, then typically what you tend to do is you have the EBITDA margins of more than 75%. So, that two impacts one is typically slightly lower traffic in the last 4 or 5 quarters, 4 quarters rather and expenses typically remaining same.

Moderator

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

Madan Gopal

First on some of the specific projects like Dhankuni – Kharagpur, we have clocked Rs. 52 crores kind of toll collection this year. Is it in line with our expectation?

Paresh Mehta

Almost in line with our expectation. Slightly lower but not really anything to worry about because historically the revenue starts rising more in the two quarters of the year. So, we will have to see the whole year around to see what actually the traffic has come to. We could have got a better number if the rains would have been slightly in the regular time. This time rains were in Dhankuni or in Calcutta, will come always in the last week of May. So, typically it hampers toll port traffic at Haldia as well as regional traffic.

Madan Gopal

Last time, when you spoke we were looking at numbers of Rs. 225 crores sort of full year collection in this project. We will achieve it by this run rate or you think it should be reduced?





Paresh Mehta We may achieve it because this is the first quarter only and there the rains have come earlier.

So, probably we have to wait and see how the 3rd quarter to really get a full hang on the 4th

quarter number.

Madan Gopal And with this year, the entire, all those step up in the toll collection and all should have

completed and from next year it should be only growing normally, right, in this project?

Paresh Mehta Yes. Basic step up has happened due to structures. There will be regular WPI based growth.

Madan Gopal And the Jaora – Nayagaon, Rs. 30 crores we have collected. So, this is meeting our targets?

Paresh Mehta Is almost, yeah, with a few, couple of percentage lower, I would say. It is still within the

parameters' ranges which we wanted.

Madan Gopal Sir, what is this debt outstanding you said, as of now?

Paresh Mehta Approximately Rs. 2,400 crores.

Madan Gopal Rs. 2,400 crores? And how much is in standalone? How much is in subsidiaries?

Paresh Mehta See Rs. 2,400 crores is based up for the BOT projects. On the standalone on, what you call,

working capital, we have approximately around Rs. 70 crores of, Rs. 66 crores of working capital debt outstanding. That is CC limits around Rs. 40 crores of equipment loan, this is what

is outstanding and in the term loan we are around Rs. 40 crores.

Madan Gopal So, consolidated is Rs. 2,560 crores, roughly?

Paresh Mehta Yeah.

Madan Gopal And what will be pending debt in the projects under construction, sir? This Rs. 2,400 crores,

what is the peak level debt it would go?

Paresh Mehta Around Rs. 3,600 crores.

Madan Gopal Sir, this Cuttack – Angul under 1000 crores order, any specific reason why we are not showing

the project's thing, it is still under FCE, is it?

Satish Parakh Cuttack – Angul, we have given a termination notice to NHAI. Now, we are under discussion

with NHAI to find out a amicable solution.

Madan Gopal Okay, there is some land acquisition issue is there, in this project?





Satish Parakh This is an environment issue, there is a land acquisition issue, and there is a forest issue.

Environment claim now they have got the environment clearance. This is after the 2 years of

bidding.

Madan Gopal So, we are re-initiating for the concession period to be increased or something like that?

Satish Parakh Correct.

Madan Gopal But are they agreeing, sir because lot many companies have gone for similar kind of re-

negotiation? What is the current status? We hear that GVK GMR, GVK likely that project will be taken over by someone else, at a re-bid and in case of GMR it would be probably renegotiated. What is the current status? Is a different approach being taken for different

projects?

Satish Parakh No, they will be taking similar approach for all the projects but no conclusive directions still in

from NHAI.

Madan Gopal Okay. So, what is the cost of borrowing as of now for the BOT projects - total effective cost,

interest cost?

Paresh Mehta Yeah, on a kind of a weighted average, it is around 12.2%.

Madan Gopal And what is the net repayment of the existing borrowings for the next say 2 years, if you can

tell me? What is the amount that you expect as repayment?

Paresh Mehta I will not be in a position to tell you immediately. Give me some time.

Madan Gopal Okay.

Paresh Mehta If it can be approved, we can connect one-to-one and then we can give that number.

Moderator Thank you. We have the next question from the line of Adhidev Chattopadhyay from HDFC.

Please go ahead.

Adhidev Chattopadhyay Sir, my first question is pertaining to the overall portfolio. For whatever toll growth we have

seen in the collections, could you break it up into broadly the volume growth and the tariff

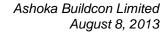
growth for the first quarter?

Paresh Mehta Some projects are under tariffs provision and some projects are not under tariffs. So, would

you like me to go over project by project?

Adhidev Chattopadhyay No Sir. I just want an overall understanding in terms of what will be the volume growth and

the traffic year-on-year that would be better. Tariffs you can...





Paresh Mehta Year-on-year, on a YoY basis, traffic growth is typically say either flat or maybe minus 1 or 2

percent, minus say 2 percent.

Adhidev Chattopadhyay Okay and what is the expectation from the rest of the year in terms of the volume growth for

the overall portfolio?

Paresh Mehta It will also depend on the economic activity. But we believe if things continue as they are, we

will probably do a traffic growth of not more than 2 - 3%. Otherwise, we expect by December it should improve. If it improves, then we will have better traffic and then we will achieve 5 -

6% growth.

Adhidev Chattopadhyay Okay fine. Second question, lately you have seen lot of steps and measures been taken by

NHAI and Finance ministry to revise the fortunes of the sector and all, various things are being talked about. What is the overall view on the measures being taken? Do you think they are

enough or some more concrete action will need to be taken?

Satish Parakh Well lot of concrete action needs to be taken. They are trying to sort out earlier problems of

whatever projects they have already awarded. In maybe November, they come out with new

concession agreement.

Adhidev Chattopadhyay Okay and so, till that time you are expecting overall order intake to be pretty tepid for the

year? I am sorry, new projects getting...?

Satish Parakh With NHAI, I do not expect any order by November – December and may be in states we will

bag 1 or 2 orders.

Adhidev Chattopadhyay Okay and last question, now you are a L1 bidder for this new order Power T&D order of

around Rs. 500 crores. What would be the indicative margins on this project?

Satish Parakh Historically, we have been making EBITDA of 11 – 12%. So, similar kind of margins we

would see.

Moderator Thank you. We have the next question from the line of Ashish Agarwal from Almondz Global.

Please go ahead.

Sundar This is Sundar here. Thanks for the opportunity. On a YoY basis, the fall in the EBITDA

margin's standalone, is it mainly because of the BOT provisions?

Paresh Mehta BOT provision and the revenue lost from Nagar – Karmala project.

Sundar Can you elaborate more on the BOT provisions that you have made?





Paresh Mehta Basically, we have made provisions for... we have 3 projects: Nagar – Aurangabad,

Nashirabad project and Nagar - Karmala project which are still under concession. We have

made provisions for them on a quarterly basis.

Sundar Provision for the maintenance?

Paresh Mehta Major maintenance. Yeah.

Sundar Okay. Since Nagar – Karmala is terminated; we need to make the provision?

Paresh Mehta We have made, on a conservative nature, we have made a provision.

Sundar Okay. What is it?

Paresh Mehta It is a small amount. Pardon?

Sundar What is the total amount of provisions you have made on BOT?

Paresh Mehta Approximately I think it is Rs. 2.5crores. I will need to come back.

Sundar Okay. What is the sustainable you expect for the rest of the year or we will continue to make

this provision?

Paresh Mehta Pardon?

Sundar What is the sustainable margins you expect for the rest of the year? At the EBITDA level

standalone?

projects because these projects will come in the next year or year after for actual maintenance

when we will actually spend these monies.

Sundar So, similar first Q1 kind of margins you will make for the rest of the year?

Paresh Mehta Yeah, it will change slightly based on the turnover which will keep on increasing for EPC

business.

Sundar Okay and the interest cost was sharply down on a YoY basis, what is the key reason?

Paresh Mehta Interest cost basically has gone down for 2 reasons. One is basically because the SBI

Macquarie tie up, the equity is now coming in at proper intervals. So, the load on the working capital is comparatively lowered. So, typically I was able to conserve the interest costs, one. Secondly we also do a bit of arbitrage on interest costs due to taking short term loans in the

working capital at interest rates like 10.5 and 10.2.





Sundar Have we actually repaid debt during this quarter? Can I have the debt number?

Paresh Mehta Debt on the BOT projects is Rs. 2,400 crores.

Sundar On the standalone books?

Paresh Mehta On the standalone books, the debt as of 30th June, working capital loan is approximately Rs. 66

crores and working capital is around Rs. 45 crores.

Sundar And sir, lastly what is the guidance for top-line growth for the full year on a standalone basis?

Paresh Mehta We are targeting to grow our previous year business by at least between 10 - 15%, EPC

business.

Sundar This quarter has been flat?

Paresh Mehta This quarter typically generally remains flat because the rains were earlier this quarter. We

generally have rains in the last week of June in most of the places where we work. This time it has been by almost 1st week of June. So, some turnover got postponed to the next quarter and as the rains come earlier, they recede also earlier. So, easily we will capture in the next 3

quarters. So, should not be a problem.

Moderator Thank you. We have the next question from the line of Vinay Rohit from ICICI Prudential.

Please go ahead.

Vinay Rohit Just wanted to know that you said that you have been able to save on working capital but why

both interest got on BOT declined on a YoY basis? So, last year, we had Rs. 293 million and this year, we have Rs. 243 million because I guess, your debt will be anyway higher, right, in

BOT projects?

Paresh Mehta Current BOT projects which are under construction, all the interest cost is capitalized and in

some of the existing BOT projects, we have repaid the debt for the current quarter and during the end of the subsequent previous year...So, basically the last quarter 1 on the BOT income, we had charged interest for delay in payment. So, the charge was put in Q1 '13 for the larger period. So, just to explain that it was done, there was a delay in disbursement for Dhankuni and Sambalpur, in Q1 '13. So, interest was charged by ABL to the SPV. That is the reason you find that the SPV interest cost is higher and then now it is regularized. 24.3 is the regularized

interest rate.

Vinay Rohit But that inter party, right? So, that should cancel out and consolidate it?

Paresh Mehta No, they do not get cancelled because these interests are capitalized in the BOT. So, its a

revenue item for ABL but capitalized item for the BOT. This is a one-time charge levied by

the SPV because there was substantial delay in debt drawn down, .





Vinay Rohit So, what was the amount?

Paresh Mehta Approximately, it was around say Rs. 11 crores.

Vinay Rohit Rs. 11 crores?

Paresh Mehta Yeah. Actually it was substitution of the debt cost which was charged by the SPV, by the EPC

division.

Vinay Rohit Okay, so you are saying the last year interest cost was only Rs. 18 crores which went to Rs. 24

crores this year?

Paresh Mehta Yeah.

Vinay Rohit And sir, if you could tell me which are the projects which saw a toll hike during this quarter?

Paresh Mehta Yeah. Belgaum - Dharwad saw a toll hike on from 1st april.

Vinay Rohit How much?

Paresh Mehta This was approximately 9%.

Vinay Rohit 9% okay.

Paresh Mehta Dhankuni - Kharagpur had a mix of toll hike because there was a rate revision due to structure

completion also and total WPI impact of around 7%.

Vinay Rohit So how much was this?

Paresh Mehta I will say around, WPI will be 7% otherwise overall impact will be approximately 25 – 30%

on a mix basis. Bhandara, there was no toll rate hike in this quarter. Durg, there was no toll rate hike in this quarter. Jaora, there was toll rate hike of 7%. Pimpalgaon, there was no toll rate hike. It will happen as soon as we achive final COD. Nagar – Aurangabad, we had no toll rate rise. Nagar – Karmala is not there. Indore – Edalabad, we had a 7% toll rate rise. Waiganga will come in this quarter. Nothing in Dewas, nothing in Katni, nothing in Pune –

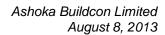
Shirur. Nothing in the Others similar projects.

Vinay Rohit And which will, which one will come in next quarter?

Paresh Mehta Waiganga should come in next quarter. Durg and Bhandara also should come in next quarter.

Vinay Rohit Waiganga, Durg and Bhandara?

Paresh Mehta Right. And Pimpalgaon also, sorry.





Vinay Rohit Pimpalgaon also. So, what do you expect your this revenue to be from Pimpalgaon once it has

started tolling?

Paresh Mehta I believe it should be approximately 3 times this revenue but we never see actual performance.

Vinay Rohit Okay sir, SP should be 33 crores, something like this per quarter?

Moderator Thank you. We have the next question from the line of Rakesh Vyas from HDFC Mutual

Fund. Please go ahead.

Rakesh Vyas Sir, few questions from my side. First one, I believe there was supposed to be toll rate

increases in 2 projects - Katni and Pune - Shirur. But that is not happening, is it?

Paresh Mehta No, that has not happened as yet. Pune – Shirur is expected in this quarter, it has not happened

yet. Not in last quarter. Katni also is not there. Katni also, no sir. Katni happens once in 3

years. It will happen...

Rakesh Vyas Achha once in 3 years?

Paresh Mehta Yeah.

Rakesh Vyas I thought once in 2 years. Sir, can you just highlight what is the details of this new project -

Chennai ORR? What kind of annuity are we expecting? What is the estimated project cost

now?

Satish Parakh The estimated project cost is around Rs. 1,450 crores and annuity is Rs. 119.97 crores semi-

annuity. So, every 6 months we will give this. 35 annuities is what we are expecting, 30

months is the construction period.

Rakesh Vyas And we will fund this project 70:30s?

Satish Parakh This project has a grant of Rs. 197 crores. And after the grant, we may require equity

approximately around Rs. 200 crores. This is a 50 - 50 joint venture between Ashoka and

GVR.

Rakesh Vyas And so our contribution will be Rs. 100 crores over next 2.5 years?

Satish Parakh It will be less than Rs. 100 crores.

Rakesh Vyas Sir, this Cuttack - Angul, it is not terminated yet, right? I mean are we waiting for this

premium restructuring proposal to get finalized or we are still keen with the kind of clearances,

etc., and the supposedly increase in the concession period for the project to go ahead?





Satish Parakh There are 2 aspects. We have given termination notice which has been disputed by NHAI.

Meanwhile, they are expediting getting all the clearances. So, we are trying to find out amicable solution either to get it completely terminated or to re-negotiate and get a viable offer for NHAI. It can be in terms of escalation in project cost. It can be in terms of revision in

premium or restructuring of entire premiums.

Rakesh Vyas But are we hearing any positives from NHAI or government?

Satish Parakh NHAI has been very positive. But they have to go through various other committees and

decision making bodies and that process is very tough and maybe another 2-3 months only can

show us exactly what can happen to all these projects.

Rakesh Vyas Sir, we were L1 in one another project in South. So, any update on that?

Satish Parakh Still it is in status quo and maybe because there was a change of government in between. New

government is yet to look at the offers.

Moderator Thank you. We have the next follow up question from the line of Madan Gopal from

Sundaram Mutual Fund. Please go ahead.

Madan Gopal Sir, first, you mentioned tariff increase is likely to happen in several projects in Q2. So, as of

now, on actual toll collection, we booked the revenues, right? There is no, provisionally you do

not create anything to factor in the likely increase in tariff for the year or something?

Paresh Mehta No, these are actual factual collections, actual money collected from the user.

Madan Gopal So, next quarter we should see a lot better growth rates in Durg and Bhandara, PNG,

everywhere?

Paresh Mehta Yeah, Bhandara, Durg but once you are having revenue. Bhandara comes from 1st of

September. Durg comes on 1st of September. Waiganga will come somewhere around 1st of September. So, the impact will be typically more in the Q3 because there will be only 1 month

out of the 3 months.

Madan Gopal Total revenue, total collection adjusted for our stake or if you can tell me what is the total toll

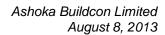
collection you expect once all the projects are commercially commissioned? First full year of

operation, say FY16 or '17, what is the rough number that you have in mind?

Paresh Mehta By FY16, if you believe a typical traffic growth rate of 5%, we expect around Rs. 1,200 crores

of revenue, by '15 – '16.

Madan Gopal And how much of that would be ABL and ACL?





Paresh Mehta Majority will be ACL. Projects in ABL would contribute a lesser amount and few projects

would have come to an end and only 1 set of approximately around Rs. 70 - 80 crores would

come from ABL projects.

Madan Gopal This amount of Rs. 1,200 crores which you have mentioned, is after adjusting for our stakes in

various projects and what we will actually be booking in our accounts?

Paresh Mehta This is Rs. 1,200 crores is the gross collection, adjusted in our books based on consolidation

policy would be approximately Rs. 800 crores.

Madan Gopal Rs. 800 crores?

Paresh Mehta Yeah.

Moderator Thank you. We have the next question from the line of Achint Bhagat from Ambit Capital.

Please go ahead.

Achint Bhagat Sir, I have one question in your standalone EPC business. So, you guide that you will be

achieving somewhere close to 15% growth and on top-line in this year. So, just trying to understand that one of the biggest projects of yours, that is Cuttack – Angul is out. So, how do

you plan to achieve that and by when do you plan to start construction on Chennai ORR?

Satish Parakh Chennai ORR maybe it will take 6 months' of time. We have a development period of 6

months. Cuttack - Angul, we do not see any targets yet. It is all between NHAI and our based

concessions that things have to be finalized.

Achint Bhagat So, then basically your 15% guidance has come down. That should be somewhere close to Rs.

1,800 crores on our base of Rs. 1,640 crores of FY13, will be coming from the current order

book?

Satish Parakh Correct.

Paresh Mehta Including new power projects also.

Achint Bhagat Sir, so if I remove Cuttack - Angul from what you have given in your presentation, I would

believe that majority of your existing order book from your BOT projects gets exhausted by the end of this year, as per your guidance. So, how should one build in for next year? I mean

then you are basically left with only Chennai ORR and Power T&D, right?

Satish Parakh Part of Dhankuni is there.

Achint Bhagat So, that would mean that there could be a sharp decline in FY15 construction revenues,

assuming that there are no further BOT assets because I would believe that a lot of your order

book gets exhausted?





Paresh Mehta What happens is only Dhankuni is the major contract which is left out. Dhankuni, then the

Chennai ORR project and our MSEDCL projects and then that would be as of today, what is

the order book.

Achint Bhagat And sir, one question on your current results. Sir, depreciation last quarter, I remember had

gone up and you had highlighted that it went up because you had reset the traffic growth estimate and since you calculate... So, this time it has come down. So, similar reason? Again

some revision in your traffic growth estimates?

Paresh Mehta No, basically last year, it was an impact of the previous year also. What happens is you take a

cut-off point of 31st March 2013 and arrive at the depreciation which you get of the previous years also. So, this quarter, there is no revision in the estimates. Estimates based on March '13 has been continued as it is and accordingly depreciation provided. So, typically there is no

change in the policies. It is only in FY13, the provision was more because there were

adjustments on the previous year also because we have just always taken hours at a particular

rate and it is adjusted for depreciation.

Achint Bhagat Sir, just one generic question on your traffic growth. So, which part of the country do you feel

that the traffic decline is the maximum or there is a maximum pressure or do you think there

are some better parts than the rest?

Satish Parakh It is very much seasonal country-wise. Even if monsoon is earlier than we see, we have seen

dip in West Bengal because of monsoon. We have seen dip in Belgaum- Dharwad.

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

ahead.

Amit Sinha Sir my first question is can you give me the equity requirement for the 3 under construction

projects in ACL? Project-wise?

Paresh Mehta As I said, this requirement would be around say Rs. 500 crores out of which Rs. 320 crores

will come from Macquarie side and Rs. 150 will come from ABL side.

Amit Sinha No, I got your point sir. I wanted project-wise requirement.

Paresh Mehta Project-wise, then we will have to connect offline. I will tell you. Majorly will be Sambalpur

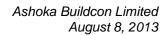
and Dhankuni. Most of the Belgaum project has already been funded for because it is coming

to an end. It will be Sambalpur and Dhankuni.

Amit Sinha Sir and how long will you continue to provide for the major maintenance activity and once you

stop providing for the major maintenance activity, will the EBITDA margin go back to the

previous level?





Paresh Mehta How it works is generally, if you do major maintenance accounting on cash basis, you have

substantiated it in the year when you do the major maintenance. Now what we are trying to do is we are trying to even it out over the period of the time. So, you do not have major dips when you are doing the major maintenance. You dip into the major maintenance reserve to do the major maintenance. So, you have a steady 67 - 68% of EBITDA throughout the period of the

project including major maintenance expenditure.

Amit Sinha And sir on the overall sector basis, there were few project which were not closed financially

and were supposed to come to the market for re-bidding. So, what is your take on that? I mean, do you hear any kind of these things happening and will you go, basically will you participate

in the rebidding which happens for those projects?

Satish Parakh If rebidding happens definitely we will be participating.

Amit Sinha But when is it happening? I mean any idea? Is it happening in near term or that is also...?

Satish Parakh Policy decision with government is stuck up at various levels.

Moderator Thank you. We have the next question from the line of Parikshit Khandpal from Karvy Stock

Broking. Please go ahead.

Parikshit Khandpal Just wanted to know in this scenario which we have here today where you are talking about

economics fallout. So, what kind of warning would you have building in for the new projects

which are coming up for the day?

Satish Parakh It all depends upon various factors because a LT project requires a different analysis and study.

So, it all depends upon which section of project we are bidding.

Parikshit Khandpal But going back in history, will we be more conservative now in volume growth numbers?

Satish Parakh Yeah, if we have current scenario, we feel we have to get little more conservative.

Parikshit Khandpal Sir, you were just referring to the Chennai ORR project. So, how many bidders were there in

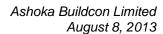
this project? What was the L2 quote on the grant?

Satish Parakh There were around 3 bidders. We were like 123, we renegotiated to 119.97. They had

negotiation with L1 also and L2 in this case was 131. L3 was around 134.

Parikshit Khandpal So these were close bids. Sir, any impact on the sand mining ban on any of our projects?

Satish Parakh Presently we are not affected by sand ban on any of our projects.





Parikshit Khandpal Just wanted to know, outside your road projects which you have on NHAI, other projects you

have, which you take. So, have you seen any deterioration in working capital cycle during this

quarter?

Paresh Mehta We have 2 sectors – one is the Road sector and one is the Power sector. Typically the working

capital cycle has remained as per estimates because Power sector has a power higher working capital requirement. But it has remained to our expectation. So, if you observe each quarter end tally sheets, we typically find our working capital to be in the tune of between 150 and 50. So, it is not substantial change in the working capital maybe because the projects had Power

which we have taken up are funded by MSEDCL, where payments are very comfortable.

Parikshit Khandpal Sir, some of the players in the sector have now declared an investment holiday. So, how

aggressive will you be in the next round of bidding because the number of players obviously has come down. So, can you give or touch upon the competitive intensity in the sector now

versus what it was there in the last couple of years and some color on how the competitive

intensity will pan out and how you will position yourself within that?

Satish Parakh I think the serious bidders will be left now and of course, the aggression which we had seen in

the last 2 years will definitely not be there in the coming bids.

Parikshit Khandpal How do you see the NHAI pipeline now, as what they have said. How do you think, how many

lane kilometers will be awarded this year?

Satish Parakh This year November onwards they are targeting by awarding projects which would happen to

the tune of 4000-5000 kilometers.

Parikshit Khandpal And how much would be your target within that?

Satish Parakh We will be very conservative in bidding. Even if we get 1 project in the last quarter we will be

happy.

Moderator Thank you. We have the next question from the line of Rajendra Mishra from IDFC. Please go

ahead.

Rajendra Mishra Wanted to know on the Power T&D order, can you just spell out what is the scope of this

project?

Satish Parakh Those are all similar projects which we have been doing earlier. Those are all distribution

projects. We have to lay lines, transformers, sub stations and we are in this business last more

than 3.5 years now.

Rajendra Mishra So, the scope does not change much and what will be the order book contribution from this?

Apart from this Rs. 490 crores, how much is coming from order book?





Satish Parakh Rs. 225 crores is the balance order book.

Rajendra Mishra Rs. 225 crores? and plus Rs. 490 crores?

Satish Parakh Yeah, it is Rs. 495 crores and we may expect some few more orders in the next quarter.

Rajendra Mishra Few more in same Maharashtra or somewhere else?

Satish Parakh Chattisgarh we are bidding. We are bidding in Tamilnadu, and we are bidding in Bihar.

Rajendra Mishra Secondly sir, how competitive is this space? Normally how much serious bidders are there in

the fray? For example, in this Rs. 490 crores order?

Satish Parakh Rs. 490 crores order, 5 bidders on an average.

Rajendra Mishra Sorry?

Satish Parakh Around 5 bidders on an average.

Rajendra Mishra Secondly, I had some clarification questions on the earlier numbers that you shared. You said

toll revenue is Rs. 187 crores and you gave some breakup. Rs. 47 crores from associate

companies and then... what is the other? Can you just spell the breakup again?

Satish Parakh We have Rs. 73 crores from the Toll revenues, Rs. 67 crores which we have from Dhankuni

and Belgaum, they have just adjusted against the Capital WIP. Then balance Rs. 47 crores is

from Associates where we have less than 50% of stake.

Rajendra Mishra And again similar clarification number on this FY15 – '16, Rs. 1200 – 1300 crores is what you

said. So, can you just repeat the data on that?

Paresh Mehta Approximately, we expect by '15-'16 to have a revenue of Rs. 1,200 crores with which the

collection for ABL which will get consolidated would be around Rs. 800 crores.

Rajendra Mishra And construction, you said that if we do not get further projects, it might have an impact by

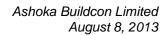
then?

Paresh Mehta Yeah, the visibility is typically almost 1.5x.

Rajendra Mishra Right. Are we looking at a certain run rate at least minimum so many projects that we need to

bag in order to keep that run rate going?

Satish Mehta Yeah, we need around Rs. 1,000 crores project.





Rajendra Mishra But will you be willing to, is that a sacroscant number because you later said that in last

quarter also you are happy to bag 1 project? So, is 1 project is good enough.

Satish Mehta We have states, we have T&D.

Rajendra Mishra Okay and in this T&D, the 5 players, can you spell the names? Who are the 5 ones?

Satish Parakh They are all from Maharashtra, MSEDCL.

Moderator Thank you. We have the next question from the line of Navin Jain from JM Financials. Please

go ahead.

Navin Jain Couple of questions. One on your EPC side. So, you have got some orders on the Electrical

part of your business. Are you looking at any other segment like, I believe, historically also you have done some little but of work on the building side. So, are we looking at that segment

again or any other segment because order book is not there?

Satish Parakh Yeah, we are trying to look at buildings also. We have historically done lot of Institutional and

Industrial buildings. So, this we may start bidding in last quarter.

Navin Jain As of now, we are not bidding for these projects?

Satish Parakh As of now, we are just developing a team in place that we can start off.

Navin Jain Any other segment?

Satish Parakh No, we will be focusing on T&D and Road.

Navin Jain Sir, second was actually a small clarification on your Chennai ORR project. I believe the bid

was open in January and it has actually been negotiated and given out now. So, was there any other hurdle apart from the negotiation on the annuity? Was there any other hurdle in terms of

land acquisition? Or any other thing?

Satish Parakh This project, typically 97% of the land is already acquired. Land acquisition has been done

since at at least about 10 years. So, '97 is already in position. So, land acquisition is not the

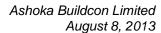
criteria. Criteria was negotiation and finally we had to renegotiate to 119.97.

Navin Jain It was just a marginal negotiation?

Satish Parekh That also means that the land is already in place. Probably, once we get the financial project,

we can kind of get on with this project as soon as possible.

Satish Parakh Yeah. Definitely. We have already started working on the project, very aggressively.





Navin Jain By when you expect this financial closure to come through?

Satish Parakh Financial closure, we should get within 4 months.

Navin Jain Technically speaking, once you get the financial closure, then the project can ideally start. You

do not have to wait for the 6 month period entirely?

Satish Parakh You do not have to wait. Once we have sealed it up, we get appointed to it immediately.

Navin Jain Okay, so we would be targeting to do it within say 3-4 months, if possible, right?

Satish Parakh Yes.

Moderator Thank you. We have the next question from the line of Shirish Hasairya from Kotak Mahindra

Bank. Please go ahead.

Shirish Hasairya Sir, I have 2 questions. One is which are the states which are actively awarding contracts? My

second question would be is there any delays from NHAI for the annuity payments?

Satish Parakh We do not have any annuity NHAI project in our portfolio and states which are active is Tamil

Nadu is active in awarding projects. Rajasthan is lined up with 3 projects. Maharashtra may

award some of the projects.

Shirish Hasairya Gujarat, Maharashtra and Tamil Nadu?

Satish Parakh Yes.

Moderator Thank you. We have the next follow up question from the line of Madan Gopal from

Sundaram Mutual Fund. Please go ahead.

Madan Gopal Sir, just on the Rs. 800 crores number that you mentioned – the expected toll collection by

FY16. You were including in this our stake in PNG and Jaora – Nayagaon?

Paresh Mehta No. We are not including that.

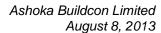
Madan Gopal And it does not include Cuttack – Angul?

Paresh Mehta It does not include Cuttack – Angul.

Madan Gopal Okay, excluding these areas?

Paresh Mehta Yeah, if you want, it basically includes Nashirabad project, the Sherinala project, the

Ahmednagar – Aurangabad project in ABL per se. Indore - Edalabad, Dewas, and Angul. You look into all those projects and all the ACL projects. All these projects we will be operating.





Moderator

Thank you. We will take the next question from the line of Mr. Nitin Bhasin. Sir, you may go ahead.

Nitin Bhasin

One question in terms of this entire road industry coming to a standstill right now. What do you think as a developer, where you will get really excited about – I want to commit more capital. What are 2 or 3 things that you think should be done in the next 3 or 4 months because it clearly shows that what they have done till now, the government and NHAI has not yielded anything. So, what is it? One is confidence. Confidence will only come from possibly what they do. So, if you can explain us those 2 or 3 things?

Satish Parakh

Basically what we are looking at is, environment clearance should be in place while they award the projects. Land acquisition, more than 80%, like we even expect 100% should be in place. These 2 things can improve the entire viability of the whole project. If you lose time of 2 or 3 years, worst getting started after being awarded, we will lose a lot of project cost.

Nitin Bhasin

Only these 2 things, sir? But sir just going back, number of years back, these things are still not happening but you are still committing capital. So, what is happening now that you do not want to commit capital when these things are not happening?

Satish Parakh

Depends upon each stretch. We have to really study the stretches in terms of our estimates when this can happen. Of late, we have seen lot of government and court interferences have delayed this sanctions. Our estimates on our experience have really gone wrong in one or two projects.

Nitin Bhasin

Okay. Second thing is in terms of cost of construction of roads, right now, is there any change in that or is it increasing or decreasing? If it is increasing, by what? And secondly, the impact of that on the projects under construction for you?

Satish Parakh

Costs are increasing substantially. We have seen crude fluctuating a lot. With dollar also, we have seen lot of fluctuations in particularly Bitumen and Diesel are the major components which affect the project cost.

Nitin Bhasin

So, roughly on a YoY basis, a cost of constructing a Formula - 16 highway, on a per kilometer basis or per meter would have gone up by what number, sir?

Satish Parakh

Approximately 10%.

Nitin Bhasin

Approximately 10%. Sir, if that be the case, then your EPC margins, because EPC arm would have taken fixed sum contracts from subsidiaries, are they under threat right now?

Satish Parakh

No, we have been estimating these kinds of fluctuations in the market. This is not new for the industry. Only in diesel we have little seen erratic rise. Otherwise bitumen has been in as estimated by.





Nitin Bhasin And sir, as you said that possibly November – December is where you will start looking at

jobs. So, you may be looking at 1 or 2. But anything in EPC that you see an opportunity, presently? BOT okay fine 1 or 2 jobs. Some states are active. But any EPC opportunity that

you are looking at?

Satish Parakh Lot of EPC bidding will also happen in nature and definitely we will be participating in this.

Nitin Bhasin Even in two-lane job?

Satish Parakh Yeah, we are basically we are EPC. Our strength is EPC.

Nitin Bhasin Okay, so even if there is a 2-lane job?

Satish Parakh 4-lane and 6-lanes does not make a difference for us.

Nitin Bhasin And sir, we know that the month of July is gone for this quarter. You may be getting a little bit

more live sense on traffic movement in the country. So, how is the July panning out?

Satish Parakh July, we have not seen any much improvement in traffic.

Nitin Bhasin That means if there was a decline in the month of June, there is a continuous decline in the

month of July as well? On a YoY basis?

Satish Parakh Right.

Moderator Thank you. We will take the next question from the line of Divyata Dalal from East India

Securities. Please go ahead.

Divyata Dalal Most of my questions have been answered. I just wanted the EPC bit of the Chennai ORR

project, what would be the EPC cost there?

Satish Parakh EPC cost approximately will be Rs. 1,225 crores.

Moderator Thank you. 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 revenue from Power T&D in this quarter?

Paresh Mehta This quarter, approximately Rs. 37 crores.

Vinay Rohit Okay and when can we expect you to start work on this new project?

Satish Parakh May be within 3 months.



Ashoka Buildcon Limited August 8, 2013

Moderator Thank you. We will take the next question from the line of Parikshit Khandpal from Karvy

Stock Broking. Please go ahead.

Parikshit Khandpal I just want one clarification in this ORR project. So, the allocation will be equally split

between the 2 partners?

Satish Parakh Yes. As of now, we have this understanding.

Moderator Thank you. Participants, that was the last question. I would now like to hand the floor back to

Mr. Nitin Bhasin for closing comments. Over to you sir.

Nitin Bhasin Thanks a lot Mr. Parakh and Mr. Paresh Mehta for your giving us a chance to host this call and

also providing color on the performance. Thanks a lot and best of luck for the year ahead.

Thank you everyone for participating. Thanks a lot.

Moderator Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference

call. Thank you for joining us. You may now disconnect your lines.