

## "Ashoka Buildcon Limited Q4 FY12 Results Conference Call"

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MODERATORS: Mr. SATISH PARAKH -- MANAGING DIRECTOR, ASHOKA

**BUILDCON LIMITED** 

Mr. Paresh Mehta – CFO, Ashoka Buildcon Limited

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Moderator

Ladies and gentlemen, welcome to the Q4 FY12 Results Call of Ashoka Buildcon Limited hosted by Emkay Global Financial Services. We have with us today Mr. Satish Parakh -- Managing Director; and Mr. Paresh Mehta -- CFO of Ashoka Buildcon Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for 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. Ajit Motwani, Senior Research Analyst of Emkay Global. Thank you and over to you Mr. Motwani.

Ajit Motwani

Good evening everyone. Thanks for joining us today on this concall. We would like to welcome the management of Ashoka Buildcon Limited and thank them for giving us this opportunity to hold this Earnings Call. I would now like to hand over the call to Mr. Parakh for his opening remarks on the results and over to you, sir.

Satish Parakh:

Thank you Ajit. Good evening friends. I welcome you all for the discussion on audited annual financial results of FY12. Along with me I have Mr. Paresh Mehta -- CFO and our New Financial Advisor. I would like to take you through some of the few developments of the company over the first quarter of FY12.

Let us start with the largest project we have in our portfolio. For six-laning of Dhankuni-Kharagpur section, we have received the appointed date NHAI April 1<sup>st</sup>, 2012 and full toll collection on this has commenced. The project has a bridge we constructed over a River Rupnarayan. The toll rates will revise upwards towards completion of this structure. Also for other two projects Durg Bypass and Jaora – Naigaon. We have received a commission operation date in the last quarter of 2012. On this we have commenced toll collections on these sections also. Belgaum-Dharwad had also commenced commercial operations during the year FY12. In the last quarter we had acquired 50% stake in an associated company Viva Infrastructure Private Limited at par value. This acquisition has effective stake in Jaora Nayagaon has increased from 15.57% to 22.85% and in the Indore Allahabad project from 86.74% to 99.34%.

We are also happy to announce the signing of concession agreement for our second project in the State of Orissa with the four laning of Cuttack Angul on March 15, 2012. I would like to share some information on this project. This stretch connects to Pardip Port, Cuttack Angul and Sambalpur. This caters to many large industrial projects in power, steel and cement sector.

The order book, we are starting the current financial year with a healthy order book of 4967 crores which is distributed in two segments. Road projects constitute for 89% and remaining 11% consists of power distribution EPC contracts.

Now I like to update on the holding company which will be housing majority of our large projects, BOT assets namely Ashoka Construction Limited. This is presently 100% subsidiary





of Ashoka Buildcon. We are in advanced stage of process of partnering its strategic investors and share details on execution of documents may before the end of first quarter of the current year. I would now request our CFO, Mr. Paresh Mehta to present the resuts of FY12.

Paresh Mehta

Thank you sir. Good afternoon friends. I believe you must have had an opportunity to see the Analyst Presentation which has been circulated and uploaded on our website. I would now present the results of Q4 FY12.

Our consolidated revenue for the quarter has grown by 20% to Rs. 468 crores from 400 crores in Q4 FY11. Revenue for Q4 FY11 is excluding the impact due to change in the accounting policy of 203 crores. Net profit for the quarter also jumped by 21% to 46 crores compared to 38 crores in Q4 FY11. Again the net profit of Q4 FY11 is adjusted for the one off exceptional item considering the quarter amounting to 107 crores. Out of the total consolidated revenue the construction revenue for the quarter is 364 crores compared to 324 crores in Q4 FY11 and toll revenues for the quarter are 72 crores compared to 53 crores in Q4 FY11.

EBITDA for Q4 FY12 was Rs. 100 crores with a year-to-year growth of 17%. Finance cost was 39 crores and depreciation cost was .09 crores for Q4 FY12. Finance costs are increased in the current year mainly on account of commencement of the Durg project in the current year and full year interest on of the Bhandara project.

The depreciation cost has lowered because of one of the structure on the right side of the depreciation due to the revised Schedule IV declared by the Registrar Corporator of Finance.

Profit before Tax is 56.4 crores and profit after tax is 41.2 crores in Q4 FY12. Post minority interest the profit after tax would be 46.7 crores. As of March 31, 2012 the net worth of the company was 1,034 crores and gross debt is of 1,626 crores resulting into a debt-equity ratio of 1.57.

EPC revenue guidance – we would here first disclose that and our niche market that we disclose. We have a healthy order book of 4,967 crores. Based on this current order book we expect to achieve our EPC revenue in the range of 1,500 crores in the current year 2013. As also inform by Mr. Parakh we are also at an advanced state of controlling the strategic investment at our Holdco level and we will share the details of the transition on execution of the transition documents. We would now open the floor for question and answers. Thank you very much.

Moderator

Thank you sir. We will now begin the question-and-answer session. At this time if you would like to ask a question you may press '\*' and then '1' on your touchtone phone. If you decide you want to withdraw yourself from the questioning queue you may press '\*' and '2'. Participants are requested to use handsets while asking a question. Our first question is from the line of Meghana Kamble from Span Capital. Please go ahead.





K.C. Suri Yeah, good evening sir, this is K C Suri. I was just going through the presentation which you

posted on the website, I mean there seems to be a disconnect in the numbers you quoted and the ones presented there on Slide 8 for the quarter. I mean, where's the disconnect because the result table along with the press release have a different set of numbers along and the

presentation has a different set.

**Paresh Mehta** On the press release, in Q411 I believe you have a query on Q411?

**K.C. Suri** I mean Q4 FY12 the press release on the result table the net profit is mentioned as 46.68

crores whereas the profit after minority interest here on the presentation Slide 8 is mentioned

as 55.5 crores.

Paresh Mehta: That presentation has been updated. I think we have sent a revised presentation which is

absolutely uploaded.

K C Suri Okay, I will check on that. And sir, the road EPC in the order book that is entirely for our own

BOT projects or is it some third-party also?

Paresh Mehta: Our revenue is broken into two types of EPC revenues. One is Road and Power. Power

revenues are totally for third-party. Road revenues are typically totally for our own projects

where we have interest on BOT projects, where we have interest.

**K C Suri** And what are the margins you make on the road EPC?

Paresh Mehta: On the road EPC we continue to make EBITDA margins of around 12, 12.5%, and on the

Power business, it is approximately 8.5%.

**K C Suri** And sir on the BOTs which we have, we still have to gain a financial closure of one, right?

And, what is your equity commitment for the year for your other projects?

Paresh Mehta: The balanced equity requirement for the projects is approximately 1,100 crores all put together

including the new projects.

Moderator Our next question from the line of Abhishek Tripathi from Kotak Mahindra Bank. Please go

ahead.

Abhishek Tripathi Sir I had a question about the equity you would be required to pump into various road projects

for the next two years given that you have a large portfolio. Will this equity be mostly

recovered from your EPC business or would you be pumping fresh funds into the company?

Paresh Mehta: As we have already declared, we are on the verge of doing a strategic investment deal at our

Holdco level which is to the tune of 700 crores. So typically from a total 1,100 crore requirement, as of 31<sup>st</sup> March 2012, 700 crores is already tied up and that is how we have

planned our projects for the next two years. But In spite of that our cash flows otherwise could





easily support servicing these kind of equity through the EPC margins as well as BOT cash flows, I mean, free cash flows for the projects which are already either debt-free or they have low debt on them, and these projects have been on for the last 7 to 8 years.

Abhishek Tripathi

Okay, so what would be the overall equity you would be pumping in the next two years, including your accrual and including the funds which have come in?

Paresh Mehta:

As I said, it is 1,100 crores for under construction projects equity we have today.

Moderator

Next question from the line of Deepak Rohra from Quest Investment Advisors. Please go ahead.

Deepak Rohra

I just need to understand something, if I was looking at your Q3 numbers where you have given your order book as 4,312 crores and broken up between the road and the bridges at the EPC, looking at the EPC part of it, if I remember correctly, it was 622 crores, whereas here you see the decline, outstanding is 543. So does it mean that you have got very little or nothing on Power EPC?

Paresh Mehta:

Power EPC is coming as and when. The Power business composite is hardly around 50% of our business and our focus is definitely lower bidding. We have created this vertical, which will keep on going on its own. So 500-odd crores of business would take care of my one year, one-and-half-year revenues which is as per target of the management and we do not intend to presently to make it a big portion of our total portfolio.

Deepak Rohra

So what you are saying is that it is a conscious decision not to bid very aggressively in the Power EPC business?

Paresh Mehta:

No, opportunity is also not as the service what is available in the Road and when we first won our Power project big size projects had come in and we had bigger share in our business. Now, the kind of pipeline available in bidding is comparatively small. The projects rolled out by ABCTCL or a couple of more states were rolling out these projects.

Deepak Rohra

So your work on Power EPC is restricted mainly to the civil party, am I correct or...?

Paresh Mehta:

It is all inclusive. What we are doing in the past project is being the large mile of the whole power transmission business, wherein 11 KV lines onwards to the metering we are doing all the work including equipment-wise, installing, commissioning and maintaining them.

Deepak Rohra

So, it's not the distribution part. Great, thanks. Sir, one other thing which is at the ownership, when you win a contract on the Road project and you are the equity owner, is there some restriction as to in turn number of years? Because there has been a lot of talk about certain people wanting to exit certain Road projects. Is there a restriction from, let us say, NHAI, that the ownership of that cannot fall below a certain percentage, let us say 26 or whatever within a period of three years, five years, is there that kind of restrictions somewhere?





Paresh Mehta: With the present set of documents this restriction continues up to the construction BOT date

that the bidder has to hold 51% of the equity of the SPV, post that the ability is there to dilute.

**Deepak Rohra** So, post COD date you can dilute below 51%. That is the rule. There is no minimum that you

need to, you theoretically can come down to 10% also.

**Paresh Mehta:** Exactly. Previous it relates to be restriction of 26%. Now it is not there.

**Deepak Rohra** Okay so that 26% restriction has gone now?

Paresh Mehta: Yes.

Deepak Rohra Okay, fine. So you can exit completely, theoretically, I mean there is one I read in the paper

that there are certain people wanting to come out, so that is feasible?

Paresh Mehta: Yes.

Deepak Rohra Okay. Sir on the toll revenues if you just do a comparison on the Q3 versus Q4 somewhere it

seems that the growth has been very, very nominal, in fact, perhaps a little bit of decline in certain cases. What happens? How does it work? Why is it so? Let's say in some projects by and large flat I would say, there has been no growth if you look at your individual projects.

**Paresh Mehta:** Q4 vis-à-vis Q4 '11 you are talking about?

**Deepak Rohra** Vis-à-vis Q3 12, Q4 12?

Paresh Mehta: Q4 typically has been flat, what we have observed. Mainly, we believe it is more of a slight

impact of the economic activity. Otherwise those revenues which we are getting are sufficient enough to and equal to at least not below the expected level of the lenders, reducing of debt is

not a deterrent at all.

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

Vinay Rohit Sir on Slide No. 10 there is a change in share capital number. So could you help me with that?

Paresh Mehta: 55 crores is my nominal capital as of date. See what happens, 62 crores is going to 55 crores,

basically there is reduction of depreciation, which has happened between September and

December 11.

Vinay Rohit Okay and you said you acquired a stake in Viva Infrastructure. Just wanted to know who sold

this stake?

Paresh Mehta: Viva Infrastructure, we had IDSL is one of the partners long time back. But, typically it was

more of a power project by Ashoka Buildcon where IDSL was a nominal stakeholder with no





economic interest. This change were transferred on March 2012 and the economic interest now continues to be at Ashoka Buildcon level.

Vinay Rohit Okay. Sir can you give me the debt number on a standalone balance sheet?

**Paresh Mehta:** On the standalone balance sheet, 270 crores.

Vinay Rohit On the standalone basis we have toll income of 784 crores. So which projects are the major

contributor perform Indore - Edalabad, Aurangabad?

**Paresh Mehta:** On standalone, it is 78 crores.

**Vinay Rohit** Yeah, this is primarily Indore--Edalabad and...?

Paresh Mehta: Our projects are Ahmednagar-Aurangabad, Ahmednagar-Karmala, Nashirabad and Sheri

Nallah. These are the four projects which contribute to the 78 crores.

**Moderator** Our next question from the line of Deva Modi from Acquarius Securities. Please go ahead.

Deva Modi Yes good evening sir. Just wanted to check regarding what is the immediate valuation in terms

of stake that you would be contemplating for Rs. 7 million at the subsidiary level and what kind of exit will be given to the investor? Would there be any buyback or minimum return

clause or anything like that?

Paresh Mehta: On the first issue, I am sorry, we cannot disclose this at this moment of time, but we will rest

assure that it will not be below 1. And the second part which you have spoken about, the deals which we are pursuing we have a very clear idea in the mind, it's not a minimum return equity gain, it is not any kind of debt, it is pure equity, it is equity from a strategic partner and partner

who will come in, we will grow business along with them. So, there will be no buyback and

no fixed return.

**Deva Modi** So just to get a slight understanding, given that you have got around four projects in the

Ashoka Buildcon's standalone balance sheet, and a lot of your other projects are in specific SPV. So like the whole arrangement would it be such that means all the road BOTs would be falling under that particular part or there would be a part which will be carved out or how

would it work?

Paresh Mehta: There will be seven projects; existing projects plus one at Cuttack Angul. These eight projects,

the bigger projects, NHAI and other minute details which we have. I will just roll out the numbers, the Bhandara project, the Durg project, the Sambalpur project, the Dhankuni project, the Belgaum Dharwad project, the Cuttack project. These are the six projects where Ashoka Buildcon has majority stake. We will be part of this Holdco Company, along with minority

stakes of Jaora - Naigaon project and Pimpalgoan-Gonde project. These are the eight projects





which will be hived into this Holdco where we will be staking a strategic partner. So all the other projects would continue to remain with Ashoka Buildcon with 100% interest.

**Deva Modi** Okay. So when you mentioned below one you meant price-to-book, right?

Paresh Mehta: Yeah. It should not be below one price-to-book.

**Deva Modi** Okay sir and we saw that currently there is a collection of Rs. 44 lakhs per day, which is being

done in Dhankuni-Kharagpur, so can we expect this collection to be weld up in around say Q2 FY14 around September '13 when the bridge comes up. So to what level would we expect the ramp up to go to and I mean how will the annual growth be there in this 44 lakhs per day?

**Paresh Mehta:** Typically, what happens is revenue will grow by at least 33%-odd plus due to structure. The

rates will increase. Typically, the section where the structures are there increase by 50%. So

overall our projects this will raise by almost 33%, the toll rates.

**Deva Modi** Okay, so apart from traffic supplement there would be a 33% increase in 44 lakhs per day.

Apart from that traffic increase of around, so broadly around 40 to 45% increase?

Paresh Mehta: Yeah.

**Deva Modi** Okay and sir what are the revenues which you are making at Bankapur?

Paresh Mehta: Bankapur is a Toll Collection contract, and we are making approximately 7-odd lakhs or say,

65 million per quarter.

**Deva Modi** Bankapur is there for around eight quarters, right?

**Paresh Mehta:** No, actually Bankapur is a one year contract which has been extended up to 31<sup>st</sup> May 2012.

The initial contract was only for one year. Typically, this may not continue post 31<sup>st</sup> May. Contract has been expired. It has been extended because NHAI has got no other alternative

arrangements for creating, so they have extended our contract.

Moderator Our next question from the line of Ashish Kumar from MSFL. Please go ahead.

Ashish Kumar With respect to Durg project, what has been the daily Toll Collection now as in from the COD

or the Feb month to the territorial collection now in the month of April or May?

Paresh Mehta: It has been approximately 16 lakhs per day.

**Ashish Kumar** Okay. And sir with respect to the Ahmednagar-Karmala project I just want to understand as to,

I think IRP is also tolling on this route and you are also tolling. Just want to know what stretches you are tolling? The number of toll lockers that you have and the same details for





IRP and how does Supreme Infra also come into this picture with respect to four laning of this project.

Paresh Mehta:

As far as this Ahmednagar–Karmala project is there I think there is some nomenclatures confusion with Supreme, the stage which they have is other than what we are tolling for. Our tolling continues upto 2017 and it is a two-lane project and we have a single toll on that. On the IRP front I think it is a continuous stretch after us but I would not know specifically.

Moderator

The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas

A couple of questions. First one on the EPC revenue guidance. You mentioned that the total order book is around 5,000 crores, of which around 4,500 crores would be Road and almost 500 crores for the Power. So assuming that the execution for Road is  $2\frac{1}{2}$  to 3 years that itself should give you 1,500-odd crores, on above that Power T&D, which normally have a execution of around 18 months.

Paresh Mehta:

Yeah, 2 years.

Rakesh Vyas

Yeah, so I am just trying to understand, is the 1,500 crores total EPC revenue guidance for FY13 rightly conservative or this is what we are actually looking at?

Paresh Mehta:

Yeah, there are two analysis to it. One is slightly conservative. We may achieve a better result. Second is also, what happens is in a Road project initial work which goes on in the road is generally low value item. The moment you start doing bitumen work which is at the top layer the value increase. So what happens is the ramp up in the revenue will happen after later time of the project execution.

Rakesh Vyas

Okay and secondly on this expected deal, is there understanding that all future projects also will become a part of that Holdco or that will be depending on the partners wish as to whether he wants in the Holdco or not? I am just trying to understand. Given that eight of these projects will become a part of the deal but for future also how will it work out?

Paresh Mehta:

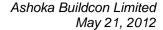
As we disclose, this is basically a strategic investor. So definitely, we intend to grow this business through this Holdco, so typically all the new projects we would like to develop through this Holdco Company.

Rakesh Vyas

But that will not constrain us in anyway for the future bidding? I am just trying to understand that part.

Paresh Mehta:

No, because Ashoka Buildcon will continue to use its qualifications point for bidding this project. So getting the project would not be a constraint for the Holdco on the basis of Ashoka Buildcon's point. So, we keep on growing.





Moderator Next question from Chhatradhari Chakravorty from ICICI Venture Funds Management. Please

go ahead sir.

Chhatradhari Chakravorty My first question is related to this strategic investment plan in your asset Holdco. How you are

going to decide on the EPC work that would be undertaken for the assets pack you would bid for in partnership with the strategic investor? So that is the first one. Second would be after this arrangement is executed what would be the strategic roadmap for your core EPC business? And if there are any fund raising plans in light of the order book that you have or do you believe that internal accruals would well take care of the order book execution in next

three years?

Paresh Mehta: On the first part which raised, the strategy between the Holdco and ABL, it will be definitely

the EPC contractor for this Holdco. The way we decide today all the contracts, the EPC price is fixed at the time of bidding itself so that we have clarity on the bidding strategy at the SPV level and the returns for SPV. So the way we build today the margins which we generally do EPC price is lying with any third-party EPC price we have been executing in the last two to three years time, any third-party road projects, including the Jaora project, which was typically a third-party and the Pimpalgaon project which is also typically a third-party though we may have interest, but where we don't have control in interest in the SPV. So, the same strategy we

will continue and the only thing is ABL group will bid for the exclusivity EPC contract.

Chhatradhar Chakravorty If you have a kind of ROFR, you will have the ability to match the best price?

Paresh Mehta: No, it would be exclusive.

Chhatradhar Chakravorty Are these contracts typically what you undertake or in the nature of fixed price or are there are

cost escalations?

Paresh Mehta: Generally, we have fixed price contracts. Typically, even the lenders prefer such kind of

contracts. So, in the last eight projects also, we have quoted for fixed time contracts and we

will continue to do that for the Holdco also.

Chhatradhar Chakravorty Okay and now to the second question about your EPC roadmap, because now you will have a

strategic partner at your Holdco?

Paresh Mehta: I believe we will have a strategic partner the ability to grow the development business would

also be strengthened. From that point of view the EPC business also will grow substantially.

Chhatradhar Chakravorty And do you feel that there might be a funding requirement given you have right now in

outstanding or order book of around 5,000 crores, or your internal accruals would be more

than that?

Paresh Mehta: No doubt. Today, I have a equity commitment of 1,100 crores and with a new project coming

in, I would have more equity to be put in the new projects, but considering the strategy of an





strategic investment partner, we believe our own resources of earning and plus current set of BOT projects which are still under ABL control, not part of the Holdco, would get enough cash flows to fund the next set of approximately 8,000 to 10,000 crores of projects.

**Moderator** Our next question from the line of Nitin Arora from Angel Broking. Please go ahead.

Nitin Arora Firstly, on the Cuttack Angul project, LOA was given in November while the concession

agreement was signed in March, so any particular reason for this four months time taken by

NHAI?

Paresh Mehta: Basically, NHAI takes its own time to put all its paper together for executing, basically

availability of land and other issues. There are still certain environment issues which they have to get cleared but we will do in the course of time. But the basic paper was that they had to put

in place so that they could issue the concession agreement.

Nitin Arora Okay and sir, in the presentation you have indicated that we expect to achieve financial

closure of projects in FY12. So I think by September it will be another six months since you

sign the CA.

Paresh Mehta: FY12 means Financial Year '12, so by September or October 2012 we have added rights to do

FC, six months is the time given post concession signing, where we have to do the FC.

Nitin Arora Right. And sir secondly on this Dhankuni-Kharagpur project just wanted to check that the Toll

Collections you have indicated 44 lakhs per day, is that going fine right now? Because some

media report suggest that there were some problems regarding Toll Collections.

Paresh Mehta: No, Toll Collections is as per our expectations and not at all at this point.

Moderator Our next question from the line of Ashish Kumar from MSFL. Please go ahead.

Ashish Kumar Sir if you could update us on the land acquisition status of the projects which are under

construction?

Paresh Mehta: As far as the four to six lane projects are concerned, more than 93%, 94% land is in

possession. Issues are not there. As far as Sambalpur project is concerned, there are certain stretches of land which is not yet in possession, so there we are working hand-in-hand with the

government to get those lands under possession.

**Ashish Kumar** What would be the length of this stretch?

Paresh Mehta: I will have to check that out, but it could be approximately may be 10 to 15% which is

available in the course of time.

**Ashish Kumar** Okay and sir for the Cuttack Angul project?





Paresh Mehta: More than 20, 23% is yet to be acquired, of which more of environment clearance, total eight

available, I think so we will be able to get the appointed date from them.

**Ashish Kumar** Okay so when do you expect execution to start on this Cuttack Angul project?

**Paresh Mehta:** We believe it should not be before say 1<sup>st</sup> of January. It will all depend on how the NHAI also

hands over the land to us. We have a time up to October end to do the FC. They have a time to

conclude their formalities.

**Ashish Kumar** Okay so by Q4 of FY13 only you can see some construction activity on this project?

Paresh Mehta: Yes.

Moderator: Our next question is from Ajit Motwani. Sir you may go ahead.

Ajit Motwani Mr. Mehta, I have a question on the EPC margins. As you told us that the nature of the

contract between the EPC company and the SPVs is for a fixed price contract. And if I look at he majority of your order book those are being there from the last six to eight months including Dhankuni-Kharagpur, over a period of time we are seeing cement prices go up at least by about 8 to 9% and the steel prices going up by about 7 to 8% and I am sure bitumen prices also would have sort of gone up over a period of time. So given this fact and given the fact that your Q4 EBITDA margins on EPC excluding other income is close to 13.4, what is

your outlook on the EPC margins?

Paresh Mehta: EPC margins would continue to stack up as is already there. Basically, it is already factoring

of escalation in the project cost. So increase of prices of bitumen, cement and other inputs are

typically factored into the escalation clauses already provided in the prices.

Ajit Motwani Sure. Sir how much typically is the escalation among the two bids, because typically it is a 36

months time before you actually go into construction and end the project?

**Paresh Mehta:** It is in the range of 6 to 7%.

**Ajit Motwani** And you still have headroom even after the current cost increases?

Paresh Mehta: There is any headroom, one. We always try to improvize on our working and try to prepaying.

So all those savings as well as in case there is any extra escalation we'll take of each other but we have a tendency of improving that because the design is now put on the contractor. We put

in our best efforts to issue on that.

**Ajit Motwani** It will still be about 13, 13.5 for FY13 in terms of...?

Paresh Mehta: It will be 13.5%. It will not be more than that, 12.5 to 13 will be there.





Ajit Motwani Sure. And on the BOT margins if I look at your first half margins it was about 74, 75 then

after is about 60, I know there are some one-offs in terms of major maintenance that have come in this year. But how are the margins going to pan up because for last two quarters it has

been about close to 60 odd percent?

Paresh Mehta: Because major contibution of present in the toll is Bhandara toll which is a significant

portion of the revenue. The initial stages of all these projects are in the tune of somewhere

around 60%. So I believe it would be overall 65 to 68%.

**Ajit Motwani** Okay what would be the margins on Bhandara and Durg, put together?

**Paresh Mehta:** As of date, EBITDA margins would be around 62%.

Moderator Our next question from Rohit Patni from Edelweiss Securities. Please go ahead.

Rohit Patni I just had one question. The depreciation which you had in the BOT segment, you mentioned

you have some change in the accounting respect to the government norm. May I know what is

the change exactly?

Paresh Mehta: Till March 2011 we had adopted a policy of amortizing the intangible asset by usage method

i.e. PCU unit basis. What has been revised is they have asked us to amortize the intangible asset based on the turnover. So, it is a function of PCU and toll rate rise. So the denominator has been changed from PCU to turnover and that too turn over based on the typically your lenders model which you have given to the lenders for financial closure. So the sum of

revenues for the total concession period becomes a part of the denominator and then you

amortize it for each year-to-year basis. That is the change.

**Rohit Patni** Okay sir. You have done retrospectively for the last one year or you did in this quarter itself?

**Paresh Mehta:** If it has to be done it has to be done from day one of the concession.

**Moderator** Our next question from the line of Ashish Kumar from MFSL. Please go ahead.

**Ashish Kumar** Sir, which projects had the major maintenance in this year?

Paresh Mehta: Major maintenance we had in Indore-Edalabad. Indore-Edalabad project major maintenance is

staggered because it is constructed in three sections, which is staggered, and there is also provision for major maintenance in the Bhandara and Durg project to be done after five years

time.

**Ashish Kumar** Sir you have already provided for that in this year?

Paresh Mehta: Yeah, proportionate provision has been done.





**Ashish Kumar** Okay and are there any projects which are to undergo any major maintenance in this FY13?

Paresh Mehta: In FY13 I don't think, it could be FY14, late part of FY13, there will be some start of one of

the projects.

**Ashish Kumar** Which one sir?

Paresh Mehta: It could be I think so the Katni project.

Ashish Kumar Okay and sir what was the provision made in Bhandara and Durg if you could give us the

amount?

Paresh Mehta: Approximately 11 crores.

**Ashish Kumar** So this provision you will make it for the next four years?

Paresh Mehta: Yes.

Moderator Mr. Motwani, you may go ahead.

Ajit Motwani Yes sir. Just one question. This Bhandara and Durg have now become operational. So I

wanted to know what are the current interest rates?

**Paresh Mehta:** Current interest rates for FY13 would be around 12.50 to 12.75.

Ajit Motwani Okay and just wanted to know would you be eligible for these projects to tap further funds

from IFCL?

Paresh Mehta: Take out balancing or refinance is possible, it all depends on the overall structure, because

IFCL will not take a least stake. So, very possibility and we are in discussion with IFCL on

that.

**Ajit Motwani** Okay, at least 50% is possible, right?

Paresh Mehta: Yeah.

**Ajit Motwani** Okay, any development on those front?

Paresh Mehta: Yes, we are speaking with IFCL on the Bhandara project. We will see something would

happen in 15 months time.

**Ajit Motwani** Sir my colleague has one question. Just a moment.

Jitesh Sir Jitesh here on this side. Sir I would love to understand about the awarding activity that is

taking place or likely to take place over the next quarter or so?





Paresh Mehta: On NHAI side we have approximately, as most of the news hit around nearly 8,000 kms of

road which has been come up for bidding, some projects have already happened, a few thousands of worth of project has been awarded. So that is good pipeline. On the states side, Madhya Pradesh, Rajasthan and Gujarat we will keep on rolling out projects to the tune of 15,000 crores to 20,000 crores. Maharashtra would probably follow suit, we are just waiting, Maharashtra has not opened up as yet in the..... Roughly around 70,000-80,000 crores of jobs

will be available.

Jitesh Okay and sir on the project front, one question would be about your Dhankuni project if you

would share the PCU numbers for that particular project? How much PCU are you carrying as

on today?

Paresh Mehta: I will just come back on that.

Jitesh Yeah sir, it's fine. Sir, one more question about that particular project was with regard to the

toll rates revision that you have mentioned. Can you help us with what kind of toll rate you

would be charging on the structure that you are creating over there?

Paresh Mehta: Toll rates would rise by approximately 50% in the section where the structure is there. So

there would be overall mix of around 35% incrementally. This is due to toll rate rise.

**Jitesh** Okay and sir my last question would be with regard to your revision that is likely to happen on

your project side, BOT side? Is there any project which is likely to go in for toll hike in this

quarter?

Paresh Mehta: In this quarter, already we have added Jaora-Nayagaon project too have had toll rate rise and

other toll rates hike would happen in Bhandara, Indore in the next quarter, September, mainly Q3. There is only one project that is Wainganga project which will have a toll rate rise in July.

Jitesh Okay and sir about the Belgaum-Dharwad project, is it not likely to witness a toll hike in this

quarter?

Paresh Mehta: That is the first, it has already happened.

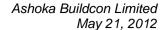
**Jitesh** And sir what was the quantum like on that toll?

**Paresh Mehta:** Approximately 8 or 9% toll rate rise.

**Ajit Motwani** If you don't have any questions can we conclude the call please?

**Moderator** Sure Mr. Motwani. Would you like to add any closing comments here?

**Ajit Motwani** Mr. Mehta, if you can just add some closing comments, sir.





Paresh Mehta: I thank all the participants for participating in this concall. We will continue to be a focus road

player and demonstrate that we create value in this business, and we wish everybody luck and

thanks a lot.

**Moderator** Thank you, sir. On behalf of Emkay Global Financial Services that concludes this conference.

Thank you for joining us. You many now disconnect your lines.