

"Q2FY14 results call of Ashoka Buildon Ltd"

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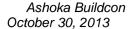




MANAGEMENT: Mr. Satish Parakh, Managing Director

Mr. Paresh Mehta, Chief Financial Officer

MODERATOR: Mr. NITIN ARORA, EMKAY GLOBAL



ASHOKA Ashoka Buildcon Limited

Moderator

Ladies and gentlemen, good day, and welcome to the Q2 FY'14 Results Conference 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 after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and "0" on a touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Nitin Arora, Research Analyst of Emkay Global. Thank you and over to you, Mr. Arora.

Nitin Arora

Thank you, Mallika. Good evening everyone, thank you for joining us today. We would like to welcome you, welcome the management of Ashoka Buildcon and thank them for giving us the opportunity to host this call. I would now like to handover the call to Mr. Parakh, for his initial remarks. It's over to you, sir.

Satish Parakh

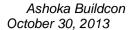
Yes, thank you, Nitin. Good afternoon friends. I welcome you all on the discussion on Q2 FY '13 earnings. Along with me, I have Mr. Paresh Mehta, CFO, and SGA, our Investor Relations Advisor.

Now, let me give the key developments in the company during the last quarter. As you are aware, during the last financial year Ashoka Concessions Limited, a subsidiary of Ashoka Buildcon Limited has achieved the private equity transaction closure of Rs.800 crores.

We have received third trench of Rs.110 crores and with this investment SBI Macquarie has invested total Rs.490 crores till date, which is being utilized for equity investment in various projects under construction. Balance amount will be received in installments by September 2014 as per equity requirement for the projects under construction.

Now I will take you to Chennai ORR, during the last quarter, SPV has executed concession agreement with the government of Tamil Nadu for this Chennai ORR project and Ashoka and GVR are 50%:50% partners in this SPV. As per concession agreement the project has a grant of Rs.197 crores and semi-annuity of rupees Rs.119.97 crores. So, we will get 35 semi-annuities of Rs.119.97 crores each, the concession period is 20 years including construction period of 30 months. The estimated cost of the project is Rs.1,450 crores.

And then during the last quarter we had refinancing of Jaora Nayagaon project. We have successfully refinanced the debt on Jaora Nayagaon project at a lower interest cost. ICICI bank has sanctioned Rs.613 crores to refinance the project loan of Rs.540 crores. The rate of interest has been reduced by 90 basis points. The proceeds will be used for repayment of creditors of Jaora Nayagaon Toll Road Company.





In another positive development, the company has received Rs.47 crores against the claim of NH4 westerly bypass. The appeal is pending for the final disposal before Honorable Mumbai High Court.

I will take you through the projects under construction, all projects under construction are progressing as per schedule. The company has completed around 47% of EPC work in Dhankuni-Kharagpur project, 87% in Belgaum-Dharwad project and 62% in Sambalpur-Baragarh project. The construction work is almost completed in Pimpalgaon–Nashik–Gonde project and we are expecting final completion certificate soon.

We have received new contracts in Power T&D sector. The company has received new orders of Rs.1,150 crores in Power T&D segment. The letter of award for MSEDCL, Maharashtra State for electrification work on turnkey basis worth Rs.495 crores is already received.

Letter of acceptance for projects worth Rs.32 crores in Chhattisgarh, state of Chhattisgarh another HVDS Scheme of State of Chhattisgarh is also received. The company has also emerged as the lowest builder for distribution strengthening worth Rs.610 crores in the State of Tamil Nadu.

This is for Tamil Nadu Generation and Distribution Company. Our current order book position stands at Rs.4,054 crores, which is distributed in two segments, road projects is 83% of the total order book and remaining 17% of the project is Power T&D. This order book does not include our Power T&D contract of Rs.610 crores from Tamil Nadu. I would now request Mr. Paresh Mehta to present the results of Q2 FY'14.

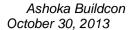
Paresh Mehta

Good afternoon, friends. I believe you must have had an opportunity to look at the analyst presentation which has already been circulated. I would now present the results for the quarter and half year ended, September 30, 2013.

Our consolidated total income for the half year is Rs.777 crores, which is marginally lower than Rs.785 crores for H1 FY '13. Construction revenue is Rs.631 crores compared to Rs.624 crores in corresponding pervious year, and toll revenues are Rs.137 crores compared to Rs.147 crores in FY '13 H1.

The lower construction revenue is mainly on account of less activities on project sites due to extended and heavy monsoon this year. Our EBITDA for the half year is Rs.180 crores compared to Rs.195 crores in H1 FY'13. Interest cost for half year has gone down to Rs.63 crores compared to Rs.73 crores in H1 FY'13.

Profit before tax is Rs.58 crores and profit after tax is Rs.31 crores for H1 FY '14. Post minority interest and share of associates, the profit after tax for FY '13 H1 is Rs.50 crores. This profit does not include Rs.47 crores, which we have received on account of interim relief against claims for our NH4 Westerly Bypass project at Pune.





As you are aware, we are collecting toll on all the projects in the portfolio except for the Sambalpur-Baragarah project.

During the first half of current financial year BOT division recorded a total toll collection of Rs.362 crores of, which Rs.137 crores is recognized toll revenue with an EBITDA margin of 70%, Rs.131 crores is adjusted against Capital WIP in Belgaum and Dhankuni Projects and Rs.94 crores are revenues from our associate project SPVs.

Going to the balance sheet, the consolidated net worth stands at Rs.1,224 crores and the consolidated debt is Rs.2,699 crores as of September 30, 2013. The gross debt at standalone basis is Rs.173 crores, which comprises of Rs.51 crores of equipment loan, Rs.100 crores of working capital loans, and Rs.20 crores of project loans.

With this, I would leave the floor open for question answers, thank you.

Moderator Thank you very much. Ladies and gentlemen, we will now begin the question and answer session.

First question is from the line of Madan Gopal from Sundaram Mutual Fund.

Madan Gopal Sir, just on the project level toll related query. If I look at the Belgaum, Dharward and Bhandara

Project, their year-on-year started getting negatives, what are the reasons for this, is it to do with

monsoon or is the traffic really disappointing for you?

Paresh Mehta No, the reasons are typically cumulative of the monsoon as well as economic slow down. From a

perspective of traffic, we believe that otherwise the estimate is okay, except for aberrations due to

economic slowdown.

Madan Gopal Economic slowdown?

Paresh Mehta Yes, sir. We believe that....

Madan Gopal How much would have been for the monsoon, sir?

Paresh Mehta Monsoon would be approximately 2% to 3% which will be only on Q2 overall Q-on-Q, 3% to 4%

and major reason is due to economic slowdown.

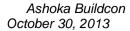
Madan Gopal If not for that, it would have been flat.

Paresh Mehta Yes, and I believe see, this will pick up basically in this H2 FY '14. There we expect generally a

ramp up of revenues earning. Due to two reasons basically, one is due to the good monsoons, we will end up having better agriculture and which were result to better traffic, and also generally most

of the economic activity is more lopsided towards the second half of the financial year.

Madan Gopal And in case of Pimpalgaon, Nashik, the run rate has gone below 90.





Paresh Mehta 9.5 lakhs per day, there is a bit of disappointment on that project revenues are going down.

Madan Gopal Sir, now whatever you have collected for this quarter 8.7 crore, that is the kind of run rate you

expect or was there suffering from anything other than monsoon related issue?

Paresh Mehta Economic slow down is there, monsoon is a partial effect, but the run rate will improve from 1st of

November, and even though October has been slightly low, because monsoons have been

continuing, but I believe post Diwali we should have a better run rate. We hope to get that.

Madan Gopal And sir, whatever discussions that we are having with NHAI for the premium restructuring, which

are the projects that we are pushing for this restructuring in our portfolio?

Satish Parakh See all of our premium projects we are trying to get restructured.

Madan Gopal Sir, what is the status. What do you think, because what was the developers' expectation I think it

has been diluted by the Finance Ministry, before they submitted to the Cabinet, that's what we were made to understand from various discussions. So are you really expecting something dramatic or something, which is really going to help us either in terms of funding or in terms of improving the

IRR of the projects to happen, if the cabinet accepts whatever proposal has been put by the Finance

Ministry.

Satish Parakh If Cabinet accepts it is what is put by the Finance Ministry, then we don't have much hope of

getting benefited. But if they follow the recommendations given by NHAI, then definitely there is

some positive.

Madan Gopal So your key demands are what, one is the VAT rate.

Satish Parakh Basically we want is back ending of premium, so that compensates for the cost escalation, which

has happened due to delays on the part of the government.

Madan Gopal Sir, if you can explain with one of the projects like say, I think Dhankuni Kharagpur, is there in that

list.

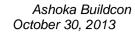
Satish Parakh See there are two types of projects, one which has started construction, there are around 16 projects

have not started construction have suffered, either on account of environment clearance or land acquisition or forest clearances. So these financial closures most of them could not take place because of these reasons. And they have been delayed beyond 18 months to 2 years. So what the

in this type, 23 projects which have not started construction at site. So basically, 23 projects which

demand of concessionaire is, either terminate them or give us a proper relief to compensate for that

or put us in the same position as we were earlier.





Madan Gopal

So, what are your demands, say for example, project like Dhankuni Kharagpur, what is your recommendation to NHAI to backend? Is it just push it back by few years, are you asking for a moratorium for some period, what is actually your demand?

Satish Parakh

What we are asking is to restructure the premiums, so that we need not pay high premiums from day one. We want little back-ending of the premium, so that we are able to address all other issues of cost escalation and interest rate hike.

Madan Gopal

During construction period, what's your expectation on the premium side?

Satish Parakh

See, for the four to six lane projects, even during construction the premium we have to pay from day one. So our request to the government is; we cannot pay these premiums from day one, because of the reasons beyond the control of the concessionaire. The delays have occurred for the reasons beyond the control of the concessionaires.

Madan Gopal

Okay, because NHAI was saying that we will allow for restructuring only if the condition of, in case if the traffic beats our estimates, then the developer has to share it till the repayment of debt is over. So in that case, that is very counter productive right to us, because in the future if the traffic beats our estimates and then moves to 7% to 8% kind of growth that we will never benefit out of it.

Satish Parakh

Then we may not require also, but what we are saying is, if benefit is given to certain projects in premium, then why not all projects? Whatever relief they want to give they should give to all the projects which are with premium.

Moderator

Our next question is from the line of Naveen Jain from JM Financial.

Naveen Jain

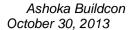
Sir, I have a few questions, one just to carry on the discussion about premium restructuring. You mentioned that you are requesting for premium to be restructured in some of your projects to address issues relating to kind of cost escalations that might have happened because of delays in starting the project. But I just wanted to understand that just restructuring the premium basically instead of paying right now you just have to pay, let's say, four years or five years down the line, how will it really help address the cost issue because it's just, the NPV remains the same?

Paresh Mehta

See, we appreciate your question, though NPV remaining same, but the initial cash flow is then taken care of. That is one, and second is our ask is also that the NPV discounting ratio should be lesser than the borrowing rate, so then typically there is an arbitrage on that. So because if you are discounting at 10%, to arrive at a similar cash flow for the NPV of the premium payable. And our carrying cost of debt is approximately around 11.5% to 12%. Then we have an arbitrage there, where we can save a bit of cash flows and the major item is that there is cash flow at the start of the year, during the concession period the cash flows are not going to negative phase.

Naveen Jain

So if I understand it properly, so it more helps from a cash flow perspective rather than profitability perspective?





Paresh Mehta Yes, substantially helps. The developers generally believe that the cash flows are robust enough to

take care on a whole concession period. But the initial phase, due to the premium being at a 5% growth, and traffic being more back ended, which grows at a 12% year-on-year, so then initially

there have to a negativity in the cash flows for the three to four years after COD.

Naveen Jain Sir, are we still expecting the Cuttack Angul project to revive, let's say this restructuring issue is

resolved, and the recommendations are accepted. Then Cuttack Angul project can also potentially

revise?

Satish Parakh We can look at this once we get the Rangarajan Committee's final decision.

Naveen Jain Sir, my second question was on your Pimpalgaon Nashik project, after the entire project is

completed which is expected anytime now; will there be a revision in the tariff rate or the amount

of toll that we are collecting right now?

Satish Parakh Yes, there will be a revision because of the elevated structure, so our rates will go around 2.5 to 2.6

times.

Naveen Jain Okay, so this current run rate of toll collection, how will it get impacted purely because of this?

Satish Parakh Yes, we should get 2.5 times of this collection.

Naveen Jain Sir, was there any specific reason for such a big decline compared to last quarter in this particular

project in toll collection, I mean in law and order situation or something like that?

Satish Parakh Not law and order exactly, but we have seen early monsoon and early monsoon has really disrupted

the whole traffic movement on the entire stretch. And traffic is, if you see the further stretches which are connected to this on NH3, we had some trouble from Shivpuri-Dewas stretch., where you know, one of the bridge has collapsed slightly. So there is a repair going on, and the traffic was

entirely diverted to, so most of the traffics originated from Mumbai is diverted to NH8. And that

also affected part of the collections.

Naveen Jain So this should be a temporary?

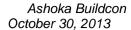
Satish Parakh Well, this should be another 2 to 3 months.

Naveen Jain Sir, finally on this interim relief of Rs. 47 crores that we have received, can you please share the

details as to what exactly was this cost over and about, and how the accounting has been done for

that or proposed to be done for that. Is it like a recovery of a working capital or will it be a fresh

income that has to be booked?





Paresh Mehta

See, on this Rs. 47 crores, this was in contract executed on an EPC basis, on NHAI in 2001-2004 and there were certain extra items to be executed which were executed at the instance of NHAI, but due to rate confirmation and various other grounds, the claims were put by us and it was under arbitration for sometime. So from an accounting angle it was never recognized as a revenue because we were not certified by NHAI then. So even today it is not recognized as revenue, what we have done is, because our policy of recognition of revenue is until confirmed by the client. So client has not confirmed as of date, neither the courts have confirmed till date, because they are under appeal. So this amount which has been approved by the district court which is challenged at the higher court by NHAI, the high court has said that you deposit the money with the high court so that the claim can be admitted and allowed us to withdrawal the money against a bank guarantee. So what we have done is, we have withdrawn this Rs.47 crores in this last quarter, of course, the money was deposited in the last quarter and withdrawn in the last quarter. And it is typically helped our cash flows to improve. As far as the revenue is concerned, the revenue is not yet recognized, it will be recognized in the year when the final decision of the courts will be applicable.

Naveen Jain

Till then it is more like a current...

Paresh Mehta

A long-term advance, it's a long-term advance because two layers of judgments are passed in our favor, arbitration as well as district court. So certainty of claim is going in our favor almost 100%.

Naveen Jain

I will come back in queue for more questions.

Moderator

Next question is from the line of Ashish Shah from IDFC Securities.

Ashish Shah

Sir, couple of questions. One on the Pimpalgaon–Nashik, even considering the revised rate, which will be applicable post completion of the structure, there seems to be a very big gap between what we would have originally thought. I mean I have to my mind a number of Rs.35 lakhs a day, which was potentially the number there, and if I take this Rs.9.5 lakhs run rate and after revision it might come to about Rs.25 lakhs. So is it like gap in what we estimated and what it has turned out to be or it is in line?

Paresh Mehta

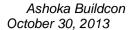
See there are two reasons for the gap being created post the last two years of typical economic slow down and as we already pointed out, this could also be a blip due to the shifting of traffic from NH3 to HN8. So when we come back to the bridge being properly done, probably we will get back to our 11.5 kind of numbers and then probably once we have a 2.5 times revisions due to toll rate revision of structures, and yearly toll rate rise. I think we will do something like three times of around Rs.12 lakhs per days. It would come to around say Rs.30 odd lakhs, Rs.35 lakhs per day.

Ashish Shah

It can come, it's not like, it's a huge gap and cannot be bridged, you are saying potentially if this disruption gets solved, we can come to at least about Rs.30 lakhs.

Paresh Mehta

We hope that this will be achieved, but unless we feel the whole scenario once we start full toll collection, it's slightly difficult to...





Ashish Shah Sir, also will there an inflation related increase this year on this stretch?

Paresh Mehta Yes.

Ashish Shah So, I'm saying that, when we say 2.5 times of the current level of about Rs.9 lakhs, so it's

accounted for the inflation increase also, or that is yet to happen?

Paresh Mehta So that is yet to happen. So, this Rs.95 lakhs is rates continuing since October 2012.

Ashish Shah So to that there will also be an inflation increase.

Paresh Mehta Correct, technically it will come on 1st of April 2014.

Ashish Shah Okay, nothing this financial year, it will come anywhere in next year?

Paresh Mehta Yes.

Ashish Shah Sir, secondly, I'm just looking the balance sheet that the investment figure, the non-current part has

declined from the March levels and if I look at the standalone number. So why would that be in

terms of a decline?

Paresh Mehta Investments typically are transferred to the ACL portfolio because they are catching up with their

investment.

Ashish Shah So basically they are catching up and so we are getting our money back, which you would have

advanced?

Paresh Mehta Yes, correct.

Ashish Shah Sir, lastly on the construction revenues, which we have done, so we think there will be some kind

of a moderation to this year or what could be an estimate now we can take?

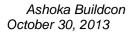
Paresh Mehta See, we have done construction revenue of Rs.631 crores in the first half year. And generally the

first half is almost 40% of the total revenue. So we believe that we can do a revenues of Rs.850 odd crores in the H2 and putting up together we will do a more than Rs.1,500, Rs.1,600 EPC turnover for this, and maybe another say Rs.80 crores of RMC sales, which will typically stack up to around Rs.1,800 of EPC division revenue. And then there is toll revenue which would be approximately

Rs.310 odd crores something depending on what growth we achieve in this half year...

Ashish Shah Sir, could you tell me what is the revised rate in Jaora Nayagaon after the refinancing?

Paresh Mehta Revised rate is at present 11.6%.





Ashish Shah 11.6%? And sir, lastly what is the use of this surplus that we have got, we got like, about Rs.60 or

Rs.70 odd crores of surplus. So...

Paresh Mehta If I look at the balance sheet of Jaora Nayagaon, the EPC contract was yet to be paid. And that is to

be paid, so once that payment is made, the money will be utilized for that basically.

Ashish Shah So, that will flow to us.

Paresh Mehta A part to us, part to PNC.

Ashish Shah So, part to PNC.

Paresh Mehta Approximately Rs.35 crores to us and around Rs.20 crores to the other party, and there are certain

reserves of certain other traders, miscellaneous traders and application of debt service reserve.

Ashish Shah From a parent company's perspective, we can get a cash and so another of about Rs.35 crores when

this eventually gets settled.

Paresh Mehta But that is typically as it is reflected in the receivables, of course they are long-term receivables.

But they are restricted in the receivables of the standalone.

Ashish Shah So that the receivables will be unwound and you will get a cash of that much for the parent

company.

Paresh Mehta In fact doing the refinance will assure our, because otherwise the cash flows would be back-ended

sort of.

Ashish Shah So would it happen in the December quarter or no?

Paresh Mehta Yes, certain security documents will be executed with MSEDCL, once done, it will happen.

Moderator Next question is from the in line of Srinivas Rao from Deutsche Bank.

Srinivas Rao I do not think I've missed your commentary around this? But, just wanted your feedback on the

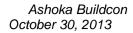
traffic growth and particularly do you track the types of traffic like Truck traffic separately

compared to your overall traffic on key routes like your Dhankuni-Kharagpur and Jaora Nayagaon?

Paresh Mehta We are typically more focused on the long distance truck traffic, good carrier traffic. So we

> definitely keep more of our focus on that kind of traffic. The local traffic or the car traffic is typically local traffic, eligible for lot of discounts. So that is not our major focus of revenue

generation. But of course, but we track all, the cars, the buses, LCVs, HMVs.





Srinivas Rao And then sir, in that context have you seen any quarter-to-quarter any improvement in the

underlying traffic, I know you have mentioned in the past also your assumptions, but is that kind of inching up other traffic levels to what you had built in into when you were bidding for these

projects?

Paresh Mehta Not in the past two-three quarters, but inching up. It's remaining negative almost 4% to 5%.

Srinivas Rao On a year-on-year basis, right?

Paresh Mehta On year-on-year basis, yes.

Srinivas Rao And even in this quarter, you did not see any improvement on the truck?

Paresh Mehta No, this year typically there is also an impact of monsoons. So typically there is a small additional

burden too on the negativity But whatever take off will happen is post say, first of November,

Diwali.

Srinivas Rao And particularly the Jaora Nayagaon stretch should be something which should expect to see a pick

up first, right?

Paresh Mehta Yes, but if you observe my presentation on Jaora Nayagaon, you already have seen a spike which is

no more due to an abnormal reason because of something going wrong on NH3 and the damaged AawanBridge near Guna. So there is a spike of almost 20% traffic, and so the effects will be all

around, most of the Madhya Pradesh traffic will have a pick up in November and others also.

Srinivas Rao I mean in the context of asking, this, we are obviously not getting really good macro feedback on

the overall economic growth which is the reason I'm specifically asking from you because you

would probably feel any effects of an economic upturn the first?

Paresh Mehta Yes, but not yet, sir.

Srinivas Rao Not yet?

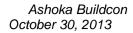
Moderator Next question is from the line of Vinay Rohit from ICICI Prudential.

Vinay Rohit Sir, Just you mentioned that there is...

Moderator Mr. Vinay, may I request you to speak a little louder?

Vinay Rohit Sir we have seen 10% growth in Jaora Nayagaon quarter-on-quarter. So were there any toll rate

hike or it's just the traffic?





Paresh Mehta As I said, this is mainly effect of one of the traffic shifting from NH3 to NH, this is our state

highway because one of the bridges giving way on NH3. So we believe that this bridge will take sometime around 3 to 4 months to get corrected or repaired, where again then the traffic at Jaora

Nayagaon will be typically stable with the growth of 4% to 5%.

Vinay Rohit Sir you mentioned that the toll rate will go up on Pimpalgaon Nashik Gonde after the construction

of the bridge, right. So except this, is there any other structure in any of the road projects where you

know, which will impact toll revenue?

Paresh Mehta No sir.

Vinay Rohit So this is the only one.

Vinay Rohit And sir, we are seeing 4%, 5% decline in Bhandara and Durg, and there has been a toll rate hike in

September, right. So are these number better from September onward or this is...

Paresh Mehta We believe that numbers will look healthier post 01st October. September has shown a slight

increase, but then again dampened by rains, but the post, in the H2 we should see better numbers.

Operator Next question is from the line of Madan Gopal from Sundaram Mutual Funds.

Madan Gopal Sir, just a follow up question on Jaora Nayagaon, with the current run rate we should be doing

somewhere like Rs. 120 crore in this project this year?

Paresh Mehta I mean once the bridge gets resolved this revenue will slightly go down by around Rs. 10 crores,

but otherwise...

Madan Gopal So, next quarter also you will do somewhere close to Rs. 40 crores right, in this.

Paresh Mehta Yes, around Rs. 40 crores, next quarter at least. Then the next quarter will depend.

Madan Gopal For this year you will at least cross Rs. 130 crores, next year it might decline again. Because once

this goes out, once they spent up the demand because of the other NH road problem, that will go

away next year you might see a marginal decline right.

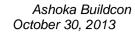
Paresh Mehta Yes see but see today as of date we have already made revenue of around Rs. 60 odd crores for H1.

Madan Gopal For this year I agree, I think you will probably cross Rs. 120 crore easily. But next year, what will

be your normalized expectation of revenue once this impact of this NH goes away?

Paresh Mehta It should reduce by approximately Rs. 25 crore, it's almost Rs. 10 lakhs per day collection, sorry

Rs. 7-8 lakhs per day additional collection.





Madan Gopal Okay, how much is the total collection?

Paresh Mehta Approximately we are doing around Rs. 36-37 lakhs per day.

Madan Gopal And do you think Rs. 7 lakhs of that is because of this shift.

Paresh Mehta Rs. 6-7 lakhs is because of this shift.

Moderator Next question is from the line of Viral Shah from Angel broking.

Viral Shah Just wanted to check whether my understanding is correct, if we remove 30% hike from Dhankuni

Kharagpur project which was from 1st of April, and then few of the toll projects which were hiked.

Actually the toll revenue has declined year-on-year, right?

Paresh Mehta For this year, yes.

Viral Shah And secondly sir, was there any toll rate hike during the quarter for any of our projects?

Paresh Mehta Yes, there were see we had for Bhandara, 1st of September for Durg, in Bhandara 1st of September,

for the Wainganga project on 1st of August.

Viral Shah Sir, could you confer what was the hike on Bhandara, Wainganga.

Paresh Mehta Bhandara was around 8%, Wainganga was almost 7.5%, Durg was around 8%, these were the three

projects for rate revision in this quarter.

Viral Shah And secondly sir, when you look at our EBITDA margin, EBITDA margin for the quarter has

increased substantially, when you compare quarter-on-quarter as well as when you compare year-on-year it is a little flat but it is 26% EBITDA margin. So I just want to understand why this has been the case, because your top-line has not grown at all, but your EBITDA margin has increased

substantially.

Paresh Mehta See what has happened was the contribution of EPC is higher, so the EBITDA margins is

maintained. So otherwise even the contribution at Dhankuni has been higher vis-à-vis last year,

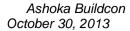
because the revenues are more so the EBITDA is definitely higher.

Viral Shah But when you look at sir on year-on-year basis also, your revenue top-line is around Rs. 239 crores,

and when you look at last year also it was Rs. 240 crores. So your EBITDA margin in terms of topline it is the same only, but EBITDA margins has increased by 200 basis points, so I wanted to

know the reason for it.

Paresh Mehta The aberration is now just temporary, I mean may be I will come back.





Viral Shah No problem sir.

Paresh Mehta I will just have a look at it.

Viral Shah And secondly sir any update on this Nagar Karmala project?

Paresh Mehta No, we are still in the process for arbitration, and we expect to see something by March end.

Viral Shah Okay, and are we booking any extraordinary expense going forward, because I believe we have

booked Rs. 15.7 crores on the fourth quarter of FY'13. So are we supposed to book anything during

this financially year or we would not be looking at it?

Paresh Mehta On the same project we had booked 50% in the last year, 50% is still pending. If we do not see

much light for arbitration before the signing off of the March 14 we may probably provide for that Rs. 15 crores also again, and then wait for the arbitration. We are quite sure and confident that the

arbitration will come in our favor, but the timing may differ.

Viral Shah And lastly sir, in terms of interest rate, you know, the interest costs has come down on year-on-year

basis as well. So would we be maintaining this interest level or there may be increase of the interest

going forward?

Paresh Mehta See it will almost remain the same, because what has happened is, initially we were fully because

of funds. The stress on the EPC has substantially gone down, so we are doing efficient management of EPC work cash flow point of view, so the interest rates have gone down, one. And secondly also we are doing a lot of arbitrage on the projects on the working capital loan, where we are partially shifting the working capital loan at from say 12.5% of regular working capital interest rate to

10.5%, trying to convert them into working capital demand loans, helps in reducing interest cost.

Viral Shah Sir, could you elaborate a bit on the arbitration process, you know, how you were doing it or...?

Paresh Mehta See basically what we try to do is, in a working capital loan, it's more of a floating balances. The

less. So what they typically demand is, you should take a loan of say from Rs. 100 crores, you take Rs. 15-20 crores on a fixed basis, which cannot be reduced, then they can offer a better rate of interest, and that's what we try to have. We know what is our minimum requirement maybe in a

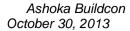
banker almost has to provide for funds which are not typically going to be utilized, so they aren't

quarter. We take three months working capital demand loan, I'd say 10.5%. They can offer us because then they know this is a fixed utilization. So they can give a better rate, a very fine rate.

Viral Shah And sir, finally in terms of guidance we would be maintaining our guidance in terms of revenue

and a bit of both or there would be some revise of it, because I believe our construction revenue guidance was around Rs. 1,600 crores plus for the entire year and that looks a bit difficult to catchup. So, we will be maintaining our guidance in terms of revenue growth as well as EBITDA going

forward or not?





Paresh Mehta Our efforts will be to maintain that, because we have five months left to do the construction, and it

would be possible, so we will keep our efforts on.

Moderator Next question is from the line of Saurabh Arya from Bajaj Allianz Life Insurance.

Saurabh Arya Sir, I have one question, why this Karnataka annuity is not counted in the order book?

Paresh Mehta The Karnataka project is still not, the LOA has still not been handed over, we however declared L1,

but it's not yet finalized, it's been quite some time so we are still not sure of the fate of the projects.

Saurabh Arva Okay we are not sure of the fate of the projects and that was worth Rs. 400 crores and just one more

thing, at the console level, tax rate is increasing at a very high rate what is the reason. Are we

making?

Paresh Mehta No, what's happening is, the console is a mix of certain companies which are making profits, and

certain companies which are making losses. When I do a line-to-line total of the PBT, it's a net of profit and loss, but when I do a line-to-line total of taxes, the taxes on profits are always counted, but there is nothing like a negative tax on a loss. What happens is totally, all the tax paid is now

compared on a PBT which is reduced by losses. Then for a 30% we'd keep on trying to, it looks

like something like 50%. But otherwise, it's more of a logical conclusion line-by-line total.

Saurabh Arya Okay and one more thing on this toll of Indore-Edlabad there has been substantial decline here

from 21 to 18 and I think in last quarter there was toll hike which happened. So it is down quite a lot, so do we expect some pickup in this in next quarter, was this an aberration or what happened

here actually?

Paresh Mehta No, this is majorly due to rains.

Saurabh Arya Okay, similar reason. But the extent to fall is quite high here actually.

Paresh Mehta Slightly more.

Saurabh Arya And sir, in terms of NHAI pipeline, do we think that unless this all midst of restructuring and all

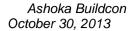
would be sorted out, till that time no ordering would happening or something is going on that

ground also?

Satish Parakh We are expecting few projects to be build out in this quarter.

Saurabh Arya In this quarter?

Satish Parakh Yes.





Saurabh Arya How many of those we have – so we are there in every project.

Satish Parakh We will be participating around Rs. 5,000 crores project.

Saurabh Arya Rs. 5,000 crores project.

Moderator Next question is from the line of Archin Bhatt from Ambit Capital.

Archin Bhatt Could you please briefly again explain that why didn't the revenues move up so sharply in Jaora

Nayagaon, the toll revenue?

Paresh Mehta See it's a temporary increase in revenue due to, one of the bridges giving way on the NH3 at

Aawan near Guna. So what's happening is, due to that lot of traffic is being diverted down below from near South of MP. And so, they are taking the route via Jaora to Delhi, instead of taking the

NH-3 to Delhi.

Archin Bhatt Sir, just one more thing, could you just give a broad data point on which roads of your have the

traffic decline the most in this quarter, and what would be the extent of the traffic decline?

Paresh Mehta Actually, our presentation typically covers all the details.

Archin Bhatt But that is from total number point standpoint. But I was talking from our traffic only in PCU

terms, if you would be able to give a broad number to it?

Paresh Mehta What we could do is...

Archin Bhatt We can take it offline.

Moderator Next question is from the line of Nitin Arora.

Nitin Arora Sir, just one thing, the total equity requirement if you can share over the next two years including

the new Chennai ORR project. How much would that be?

Paresh Mehta See as far as ABL goes, our equity requirement over the next 2 almost 2.5 years would be the tune

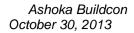
of Rs. 200 crores, approximately Rs. 65-66 crores in the Chennai ORR project, and Rs. 120 crores

in the balance projects which we are executing.

Nitin Arora: That means, I mean, correct if I'm wrong. I mean if you look at the cash flow that a one time cash

flow if I can take in that is of Rs. 35 crore, we have a done a refinancing I will get on my parent balance sheet plus Rs. 47 crores of income I can get it from this arbitration process. So, roughly Rs.

100 crores, equipped to finance completely, rather than increasing the debt of the standalone at all.





Paresh Mehta No, we don't require to increase debt on standalone at all. We have sufficient funds from our EPC

margins. We have sufficient money from our smaller projects, which are throwing cash where debt is not there. So funds requirements for the next three years, we are sufficiently placed, and we even

can take up new projects until the tune of Rs. 2,000-3,000 crores easily.

Nitin Arora Okay, any specific reason that the first half other income is literally down as compared to the last

year. Any specific reason or is just the money is getting, the interest income is getting down from

the SPV level or something like that?

Paresh Mehta In H1 FY13, there was certain interest charged to our SPVs for delayed payment on EPC account,

because delayed disbursement of loans. So they were typical one-off items, which are not now existing, because now the funding is all the loans are tied up and all the equities are tied up. So

there is no delay in EPC payment. So that kind of income is not now seen in the H1 FY14.

Nitin Arora Don't like on this restructuring side, we are seeing that if you a back-ending of premium. Okay,

even, if we would assume a case of not paying any premium during the first three years, and we paid the premium in the later part of the year. Do you think taking a traffic projection even as 6%

with the inflation 6% improves the project viability?

Paresh Mehta See the back-ending of premium depend on a two factors, one is the discounting rate at which the

NPV arrived at. So if we are discounting at rates like 10% there is an arbitrage, because then we are typically indirectly getting funds at 10% instead of 12%, because the loans are available at 12.5%, and you typically not required to pay initially. So you don't even draw money for paying off that

premium in the early stages.

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

Vinay Rohit Sir, just want to know, this Chennai ORR project will not be part of ACL right?

Paresh Mehta It will be part of ACL.

Vinay Rohit It will be part of ACL?

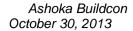
Paresh Mehta Yes, it is true.

Vinay Rohit So, for that we need to put Rs. 65 crores.

Paresh Mehta Yes, Rs. 35 crores will be come from our partners Macquarie.

Vinay Rohit And the rest Rs. 120 crore is required for other projects, right?

Paresh Mehta Yes, the existing projects will get over in the next say up to September '14.





Vinay Rohit These are Dhankuni and Sambalpur?

Paresh Mehta Dhankuni and Sambalpur majorly.

Moderator Next question is from the line of Saurabh Arya from Bajaj Allianz Life Insurance.

Saurabh Arya Sir, in Power T&D projects, would the margins be different then what we are making in this road

construction. And secondly on the working capital side, what do we expect, because our proportion

of sales will increase from those projects now?

Paresh Mehta On the margins typically, as we have already indicated in our previous calls, on road projects we

make approximately a margin of 12.5% to 13% EBITDA margins, and in the Power T&D we make approximately 11% to 11.5%, this is because they are no really capital intensive. So below the line the margins are almost similar, the PAT margins are in the range of 6% and 6.5%, and this is as far as the margins are concerned. As far as the requirement of working capital is required definitely the

power projects require a higher working capital requirement vis-à-vis and the road projects.

Saurabh Arya But, in the past work, how it has?

Paresh Mehta See, it has been a similar situation where the power working capital requirement is larger almost to

90 days

Saurabh Arya And then, do we need to do any CAPEX on standalone for the power projects or we already have

all.

Paresh Mehta No, CAPEX is very minimal in our power projects, kind of you don't really require a lot of

machinery for doing a power projects.

Saurabh Arya Sure, and very lastly in the Belgaum-Dharwad this is 87% complete now. So what would be the

revised toll on this, once it picks up?

Paresh Mehta No, this is typically insulted, the toll we are already collecting, and we will continue tolling,

because the rates initially are for six laning projects. So there will not be any change in the toll

profile.

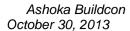
Saurabh Arya But, once it will be complete.

Paresh Mehta No, there is no impact on the tolling.

Saurabh Arya There is no increase in the toll which is expected.

Paresh Mehta What would happen typically is, the interest rates would tend to rationalize, because once COD is

achieved you have , one of the risks are mitigated. The concession risk is mitigated.





Moderator Next question is from the line of Madan Gopal from Sundaram Mutual Funds.

Madan Gopal One follow up question on the debt side, our total debt right now is Rs. 2,600 crores?

Paresh Mehta Rs. 2600 crores, right.

Madan Gopal How much would be ABL out of this?

Paresh Mehta ABL standalone is around Rs. 172 crores as indicated. Out of which Rs. 100 crores is working

capital, Rs. 50 crores is you know, what you call equipment funding, and Rs. 20 crores is the project loan, which is a division of Ashoka Buildcon directly, projects like Nagar Aurangabad.

Madan Gopal Rs. 20 crore is only for projects under ABL?

Paresh Mehta Correct.

Madan Gopal And the projects of ACL?

Paresh Mehta See Rs. 20 crores is under ABL directly. So Rs. 20 crores plus other projects, which are directly

under ABL is approximately Rs. 75 crores.

Madan Gopal And the ACL?

Paresh Mehta ACL would be the balance. So Rs. 2,700 crores, minus Rs. 200 crores, minus Rs. 50 crores, so

approximately, around Rs. 2,500 crores.

Madan Gopal Rs. 2,500 crores, is there any holding company debt other than individual project level, ACL or

ABL level?

Paresh Mehta No, holding debt ACL there is debt, and at the ABL level the holding company debt is only related

to working capital finance and equipment finance.

Madan Gopal So your working capital loan is Rs. 150 crores and then Rs. 75 crores ACL.

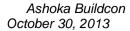
Paresh Mehta My working capital loan isRs. 100 crores, equipment loan is Rs. 50 crores. So EPC related loan is

Rs. 150 crores.

Madan Gopal And Rs. 75 crores is ABL and Rs. 2,500 crores is ACL, that's the way it is split.

Paresh Mehta Right, sir.

Moderator Next question is from the line of Rakesh Vyas from HDFC Mutual Fund.





Rakesh Vyas I have two questions one, if you can give us an update on the Karnataka project where you were the

lowest bidder, what is the status there, sir?

Satish Parakh Karnataka project they have been asking us extensions almost one more than one year. This new

government we hope some news in this quarter.

Rakesh VyasBecause what we came to know was that there were four projects of which for one project, the final

LOA has been given. So is it true and...

Satish Parakh Still till date no LOA has been given.

Rakesh Vyas But we continue to extend this project and what I am trying to understand sir is if this continues to

delay, can it impact our project economics at all given the inflation and then everything else?

Satish Parakh Yes, we will be really looking at this, but till date we have been giving extension and we do not feel

any impact at this stage.

Rakesh Vyas Sir my second question pertains to this premium restructuring. There is so much of confusion

around, if you can highlight as to what proposal is the Ministry of Finance giving to Cabinet for which the developers are not in line in terms of where there is a difference in the expectation of

where developers were versus where the Ministry is now?

Paresh Mehta See, whatever has been proposed by NHI to Finance Ministry and then further on to the Cabinet,

there is a gap. The proposal which the Finance Ministry is giving to the Cabinet for approval for releasing the premium is typically not hitting the concessionaires because it is not at all taking care of the increase in project costs and any escalations already suffered. So from that perspective, the discounting structures proposed probably are not in line to what is expected. So we believe that this

disconnect is continuing and if this is the policy which they take certainly concessionaires will not

bite the bullet.

Rakesh Vyas So effectively the two numbers that were floating for discount rate when concessionaire wanting

10% and I think Ministry wanting 12%, that gap still remains.

Paresh Mehta Still continues, yes.

Rakesh Vyas And secondly you said the project cost increased, so I just thought that this was largely to account

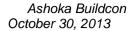
for the re-schedulement of the premium, does the project cost actually figure in somewhere in the

overall package at all?

Paresh Mehta See, what happens with the gap is typically there are two ways of looking at it. One is the cash

flows being extended, but NPV not being changed. So finally government is going to get what it

wants, and we'll be paying the net present value of whatever we had promised to pay. Second is,





also the project cost escalation needs to be addressed squarely instead of through a document which say that they will take the decision as and when they feel like. All the concessioner would like as a one-time at the time at the start of the project or when you are re-starting the project, we want what escalation you are going to give us. Please give it in cash rather than in time because that is what we are going to put in where the lenders will not be comfortable in funding that escalated cost. Because most of the concessionaires have already gone at the stage of pre-achieved stage where most of the lenders have looked at the project, potentially lenders have looked at the project. Escalation should be paid in cash and payment should be re-scheduled.

Rakesh Vyas

But sir, one other understanding was that whatever cash flow is generated after re-schedulement of premium that will be primarily utilized either to fund the particular project, or then to repay the debt as soon as possible. If there are higher toll revenues, then these repayments will become faster and therefore for the concessionaire, the cash flow will only be accessible once the loans are completely out. Is that a correct understanding?

Paresh Mehta

We believe that to be a fair understanding.

Rakesh Vyas

But do you think just because of this 10% versus 12% there could probably be no breakthrough?

Paresh Mehta

Yes, I believe so.

Rakesh Vyas

The other part was that Ministry was talking only about this 23 projects, so is the 16 projects also included now or they continue to remain excluded?

Paresh Mehta

Really not, you see, even for these 23 projects, project-by-project they are going to look at the benefits to be extended. 23 or 16, everything is still wide open now.

Rakesh Vyas

It is still open. Sir this PNG project, when is the hike expected now?

Paresh Mehta

We believe by December we should get the final COD and the hike should happen.

Rakesh Vyas

What is pending from our side. sir?

Paresh Mehta

No, from our side there is nothing pending, it's pending at NHAI for clearances, and I believe NHAI is more busy with other priorities. They are following up, but they are slightly slow, they are dragging their feet.

Rakesh Vyas

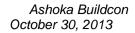
In such cases, do we get an extension or we don't get extension?

Paresh Mehta

No, we'll definitely pitch for a place with the department for delaying the final COD.

Rakesh Vyas

Sir, we have seen significant traffic decline in few of these stretches which ranges anywhere around 5% to 7%, so is this attributable to the general slowdown or are you sensing some concerns on





peoples' willingness to pay etc, I would just like to get a broad sense on why we are seeing a significant traffic decline per se?

Paresh Mehta More due to the economic slowdown, you may attribute it to normal slowdown or maybe mining or

other activities, co-related activities which typically generate demand and then growth. So

attributable to that only otherwise there is no reason, any other reason for this decline.

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

Vinay Rohit What was the revenue from Power T&D for this quarter?

Paresh Mehta Approximately Rs.70 crores, for this quarter around Rs.35 crores.

Vinay Rohit Rs.35 crores, I just need a clarification sir, if I look at your revenue, if I just track the changes in the

order value of the three projects in which you have construction, Dhankuni, Sambalpur and Belgaum, right. That comes close to Rs.250 crores and if you look at your standalone revenue, there is only Rs. 200 crores, EPC revenues is only Rs.220 crores, and then, this Rs. 35 crore from

Power T&D also?

Paresh Mehta Can I take it later. Will just put that in perspective.

Moderator The next question is from the line of Pravez Akhtar from Edelweiss Securities.

Pravez Akhtar Sir, just I missed one thing, what was the equity requirement that we need for the next couple of

years?

Paresh Mehta Approximately Rs. 200 crores.

Pravez **Akhtar** And how much would be under ACL and ABL if you could break it up?

Paresh Mehta No this Rs. 200 crores is typically ABLs requirement. ACL's requirement would typically be Rs.

200 crores plus, Rs. 250 crores, around Rs. 450 crores.

Pravez **Akhtar** So out of that Rs. 250 crore, what would be your share then?

Paresh Mehta No, that's what I am saying, I am saying Rs. 200 crores is ABL share and Rs. 250 crores of

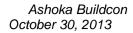
Macquarie share. Which they have to catch up as yet. And that's how the total projects will get

funded, including the Chennai project.

Moderator Next question is from the line of Rakesh Vyas from HDFC Mutual Fund.

Rakesh Vyas Just a one more question, apart from Jaora Nayagaon, which other projects have we refinanced at

lower rate, are Bhandara and Durg already done?





Paresh Mehta No we are in the process, we are in the process of three, four projects, which we expect to conclude

in couple of months' time.

Rakesh Vyas And does PNG also factored it there or?

Paresh Mehta No.

Rakesh Vyas PNG has not yet started?

Paresh Mehta No, that will happen post COD, final COD.

Rakesh Vyas Post final COD. So, currently is it Bhandara, Durg and Belgaum or..?

Paresh Mehta Bhandara, Durg and Belgaum, these are most appropriate projects to be refinanced, but they have

just completed their reset time, and there is an opportunity for historical traffic also to be seen and

refinance should be done.

Rakesh Vyas Are we looking at take-out finance?

Paresh Mehta Yes, we are also looking into it, once we do a refinance then we do a take-out finance. So that's the

second step to our post refinance.

Rakesh Vyas Okay. But, currently what kind of interest rate reductions we are targeting?

Paresh Mehta 11.25% to 11.5%.

Rakesh Vyas And currently they are all at round 12%.

Paresh Mehta Around, 12.25%, around 12%-12.25%.

Rakesh Vyas And take out financing will be slightly more cheaper than this?

Paresh Mehta Yes that could be, see that typically is round 30% of the total finance, at say 10.85%, will help a

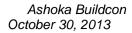
lot.

Rakesh Vyas But I still cannot take the full loan, although it is allowed for the new projects. But for the old

projects take out is only for 30%.

Paresh Mehta Correct.

Moderator Next question is from the line of Ashish Shah from IDFC Securities.





Ashish Shah On the Chennai ORR what is the equity requirement?

Paresh Mehta See approximately Rs. 200 crores.

Ashish Shah Rs. 200 crores is the total equity, which will go in the project and of which we'll have about 50%

share of it.

Paresh Mehta Correct.

Moderator Next question is from the line of Shravan Shah from Tathastu Investment Advisory.

Shravan Shah Sir, on macro perspective in terms of the land acquisitions environment clearance, forest clearance,

are we seeing improvement from the government administrative perspective for last one or two

quarters compared with our last one year.?

Paresh Mehta Yes, we have seen significant improvement in the environment clearances processes.

Shravan Shah And land acquisition also are we seeing...

Paresh Mehta Land acquisition also there is lot of efforts being made from NHAI, even for the projects to be put

to bid, as well as for the running projects.

Shravan Shah Sir, now for a new projects, BOT projects, NHAI before appointed date it at 80% or still the

condition is there or 90% or 100%?

Satish Parakh See, what they are trying to even before they put to the bid, they are trying to see environment

clearance, and more than 80% of land is done. And by appointed date they will, almost give 90%

plus.

Shravan Shah But, in terms of the lending side, bankers are comfortable with 80%-90% to disperse the loan or

they want 100%?

Satish Parakh Since we have not approached bankers for any new projects, it is very difficult to, they look at the

concession more than the land acquisition and other issues. They definitely will look at the project,

but they also look at the company's track record.

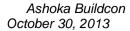
Shravan Shah Sir, are we seeing number of projects for resale is increasing?

Satish Parakh Yes, there are number of projects available for resale in the market.

Shravan Shah But, in terms of the seller is asking, are they asking more than what they have actually invested or I

mean in terms of the pricing only, is the factor that's why the deals are not happening or something

else?





Satish Parakh See, basically there are few buyers in the market, and there are very few good projects in the

market for sale. All other projects which are for the sale may not attract good price.

Shravan Shah But, are we looking any such project in near term?

Satish Parakh We are in process along with SBI Macquarie we do evaluate certain projects.

Shravan Shah And sir, in terms of the NHAI now only six months, maybe five months remaining for this year,

what do you think means, do we see only the BOT will be awarded and how much kilometers or is

there any chance for EPC projects, are there any pipeline for EPC projects also?

Satish Parakh Yes, there is a pipeline for EPC project, they are coming out with EPC bids. And from this quarter

onwards we are also seeing BOT bids.

Shravan Shah But roughly, if we want to see in terms of the kilometer?

Satish Parakh Kilometers we may not be able to make much kilometers. Should be around 1,500-2,000 kilometers

we should see by March 14..

Moderator Thank you. Ladies and gentlemen, due to time constrain that was the last question. I now hand the

conference over to Mr. Nitin Arora of Emkay Global for his closing comments.

Paresh Mehta Hello, yes, I will just close out. I'm Paresh. I thank everybody for participating in this Q2 FY14

earning call. We have uploaded our analyst presentation of our company on the website. In case of any further queries, we are free to get in touch with Strategic Growth Advisors, as well as myself

for any queries. Thank you very much again and wish you a very happy Diwali. Thank you.

Moderator Thank you very much, sir. Ladies and gentlemen, on behalf of Emkay Global that concludes this

conference call. Thank you for joining us, and you may now disconnect your lines.