“Ashoka Buildcon Q3 FY15 Earnings Conference Call”

February 02, 2015

MANAGEMENT: **MR. SATISH PARAKH –MANAGING DIRECTOR, ASHOKA BUILDCON.**
MR. PARESH MEHTA – CFO, ASHOKA BUILDCON.

MODERATOR: **MR. ASHISH SHAH – ANALYST, IDFC SECURITIES.**

Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q3 FY15 Earnings Conference Call hosted by IDFC Securities 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 the conference call, please signal an operator by entering * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Shah from IDFC Securities. Thank you and over to you Mr. Shah.

Ashish Shah: On behalf of IDFC Securities I welcome everybody to the Q3 FY15 earnings call of Ashoka Buildcon. Today we have with us Mr. Satish Parakh – Managing Director and Mr. Paresh Mehta – CFO of the company. Request the management to introduce with a brief presentation and post which we can have the Q&A. Over to you sir.

Satish Parakh: Thank you Ashish. Good afternoon friends. Thank you all for joining on the call. I have with me Mr. Paresh Mehta our CFO and our IR Advisor Stellar investor relations.

Let me begin by giving you a brief industry update and development at NHAI. We have witnessed renewed activities at NHAI in last quarter. NHAI commence the bidding process and few projects have been awarded on EPC basis. Bidding for few BOT projects is also linked up in this couple of weeks. The pipeline that is coming up for bidding is very strong. This year it is expected that NHAI will award around 4500 kilometer on EPC basis and 1500 kilometers on BOT basis. Next year definitely we can see around 10,000 kilometers bidding done by NHAI. We definitely are participating in this bidding process and we expect some of the projects from the above.

Moving on to the company development. On issuance of NCDs of 150 crores. As informed earlier, CRISL has updated our rating and we are now able to raise funds at better rates. In October we raised around 150 crores through placement of unsecured redeemable non-covetable debentures at a coupon rate of 10.3%, which is 200 bps lower than working capital interest cost. This fund will be used to refinance existing debt and general corporate purposes. On our Sambalpur project we have received provisional competition certificate for our Sambalpur projects, we have commenced collecting partial toll on the project from last quarter. This project as a concession period of 30 years. The toll collection during first quarter is lower than our original estimates, mainly to the ban on mining activities in this region. With the progressive approach of the current government and recent developments in other states on mining. We expect the mining activities to resume soon and expect this will improve the traffic substantially going ahead.

On refinancing of debt of Bhandara project. We have refinanced the debt of around 324 crores in Bhandara project at a lower interest cost. The interest rate on this debt now is 11.5%, reduction of 150 basis points from our earlier borrowings. On the project status, currently there are three projects under construction, one project under implementation. All the projects which are under construction are progressing as per schedule. The company has completed 81% of EPC work on Dhankuni-Kharagpur, 94% on Sambalpur-Bargarh project and 35% in Chennai ORR. Our current order book positions stands at 3,381 crores of which road projects are 1492 crores and remaining 1889 crores is part T&D. I would now request Mr. Paresh Mehta to present the results for Q3 FY15.

Paresh Mehta: Thank you sir. Good afternoon friends. I believe you have had an opportunity to look at the results presentation already circulated and uploaded on our website. Going on the quarterly results, I would not give the results for the quarter for December 31st 2014. Our consolidated total income including other income for the third quarter FY15 is Rs.459 crores as compared to Rs.424 crores in Q3 FY14. Year-on-year growth of around 8.2%. In the construction revenue for the quarter three 2015 the revenue was 356 crores including other incomes compared to 356 crores in corresponding period previous year. Nominal growth of 1% and toll revenues is Rs.103 crores in Q3 FY15 as compared to Rs.70 crores in corresponding period previous year, a growth of 47%.

Our EBITDA for Q3 FY15 is Rs.109 crores compared to 100 crores in the corresponding quarter last year. Year-on-year growth of 9% interest cost for Q3 FY15 was Rs.79.5 crores compared to Rs.32 crores in Q3 FY14. The increase in interest cost is mainly due to capitalization of Sambalpur under Belgaum projects which was not there in that corresponding quarter. We have been collecting toll, we have been collecting toll on all our projects in the portfolio. And for the Chennai ORR and KSHIP project which are annuity projects we are awaiting for annuities to start as soon as construction gets over. During Q3 FY15 BOT division recorded a toll collection of Rs.225 crores of which 103 crores is recognized as store revenue. Rs.53 crores is adjusted against capital WIP of Dhankuni project and 68 crores is from associates.

On the balance sheet side, the consolidated network including minor interest was 1783 crores and consolidate gross debt stood at approximately 3800 crores. The gross debt on standalone basis was 499 crores which comprises of 43 crores of equipment loan, 302 crores of working capital loans, 150 crores of NCDs and Rs.4 crores of project loans. In the first week of January we have received 100 crores of payment from our project disbursements Chennai ORR and as well as power T&D projects. This has reduced working capital accordingly.

We would also bring here to your notice that the major amount of NCDs raised was utilized for certain consolidation of stakes at or projects levels which are under process. We would be in a position to share more information once all process including regulatory processes are completed. Cash and bank balances including current investments stood at 102 crores as of 31st December 2014. The equity requirement for the project under construction is 109 crores as of 31st 2014 which would be funded by companies internal accruals and money is drawn from SBI Macquarie as part of their commitment of 800 crores in ACL.

With this we can now open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: My first question is on the standalone business EBITDA margin, this quarter has been much better than the last quarter, any particular reason for that?

Paresh Mehta: On the EPC business?

Amit Sinha: Yes, EPC business.

Paresh Mehta: No specific reason it is just certain movements otherwise the business continues to remain their similar way.

Amit Sinha: So on the full year basis it should remain in the same range.

Paresh Mehta: Right on the same range.

Amit Sinha: Okay. Secondly sir on the Sambalpur project what is our daily toll collection run rate?

Paresh Mehta: Approximately 10 lakhs per day.

Amit Sinha: Okay. And have we seen any upwards moment in January or something?

Paresh Mehta: Not yet any significant moment, we will have to see some period out to really see the actual traction.

Amit Sinha: Alright sir. Thirdly on the BOT portfolio what will be our average traffic growth number which you would like to ascribe to?

Paresh Mehta: On the traffic growth generally what we have seen is around 5% growth is seen in the last quarter Q-on-Q rather, year-on-year rather. So I think so by the end of this year we should be in a position to achieve something slightly higher, on the similar level on the full year basis because we continue to see upward trend in this quarter two so we believe that the average rate could be in the similar range. Setting off whatever low growths were there in the first two quarter.

Amit Sinha: Similar range as in the last quarter you are also expecting around 5%.

Paresh Mehta: Slightly higher so well in take care of certain part of the lower growth in the first two quarters.

Amit Sinha: Okay great. And lastly on the refinancing of the project loans what are the other projects which are lined up for refinancing?

Paresh Mehta: As we explained we have this Bhandara project where we have been able to reduce the interest cost by 1.5% by doing the refinancing with ICICI Bank. In the similar project we have additional opportunity of reducing one interest rate on 170 crores out of the 324 crores by doing IDF bond related debt which would bring down the interest cost or 174 crores by another 1% to the range of 10.58. So here another opportunity of cost saving is visible in a couple of weeks' time. Apart from Bhandara project we also have the Durg project which will come for refinancing by May, and Belgaum-Dharwad by May. So these are the reset dates when we will be doing refinancing on these projects.

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

Naveen Jain: Sir couple of questions on the macro front basically. So we have not really seen any major awarding activity from the NHAI side really in the last three months, although we thought that the pipeline is pretty huge, they have lined from projects so is there any specific reason for that and when do you really see the projects actually being awarded out?

Satish Parakh: From NHAI side around 1700 kilometers of projects have been already bid out. Most of them were on EPC. What we see up to March we should see they should meet target of around 6000 kilometers and next year definitely there is lot of bidding activity expected. We expect around 10,000 kilometers to be bid out next year.

Naveen Jain: So in the next couple of months do you see some BOT projects coming through?

Satish Parakh: Yes, there are BOT projects lined up for around 500 kilometers coming up in next few months.

Naveen Jain: Okay, sure. And sir given that the inflation is fairly low currently and in April most of our projects will sort of lot of BOT projects will come up for tariff resetting or tariff hikes so what is the kind of hike that one can expect this time around given the current trends?

Paresh Mehta: I believe this would be in the range of around 3 to 4% in between that. Because that 3% is a minimum which is assumed by NHAI in most of the projects. So definitely that is the range what we expect because inflation typically tends to be in the range of 1% and odd that is what we see from the last December end reports.

Naveen Jain: Right, sure. And from our perspective now power T&D is a fairly dominant portion of our order book, so going forward how do you see that mix changing let say six months down the line or one year down the line will they continue to bid for more power T&D projects or are we looking at some other segments where we can lot of look for EPC contracts?

Satish Parakh: EPC definitely will be focus and road sector is our focus. So going ahead definitely we will see again 80% of the road and 20% of other order book.

Naveen Jain: Okay. So incrementally we are not looking to bid for more power T&D projects.

Satish Parakh: We may bid for power T&D but we definitely will have substantial order book of road sector also.

Naveen Jain: Okay. And sir broadly speaking what is the kind of length kilometer or in terms of project cost that we would be targeting for BOT projects let say in the next one year or next 18 months, given that our balance sheet is fairly strong?

Satish Parakh: Could you please repeat your question.

Naveen Jain: Sir I want to understand what is the kind of target we would have to add to our BOT portfolio in terms of project cost, what is the number project, what is the project cost that we are looking to add, new projects that we are looking to add. Over the course of next 12 to 18 months.

Satish Parakh: We will be attempting bidding of around 10,000 crores of BOT projects.

Naveen Jain: Okay, of which around 30%.

Satish Parakh: Of course whatever we win definitely we will add to our order book.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Sir when you said about 109 crores of equity requirement what would be our share in that?

Paresh Mehta: Basically **macquaries** to be drown down would be approximately 60-65 crores and balance sheet what we will have to put in.

Nitin Arora: Sir in terms of the expenses which we were accounting on account of Pune-Shirur, has that been accounted in this quarter as well?

Paresh Mehta: Expenses pertaining to?

Nitin Arora: Sir there was some depreciation which was left earlier and then would be accounted in our, rather than taken from the asset we took it into the other expense side.

Paresh Mehta: Right.

Nitin Arora: So has that been accounted in this quarter as well?

Paresh Mehta: Yes. Every quarter it will continue for another two quarter and whole asset will be written off.

Nitin Arora: Okay. Sir any particular reason why the BOT margins the EBITDA margins has been quite volatile over the last four quarters, 55% kind of an EBITDA margin we are doing it at this point. Where we were used to do till Q3 FY14 about 70% we did not see that major volatility so anything attributed I can understand the major maintenance part. In this quarter any major maintenance or any particular reason for that?

Paresh Mehta: No, what happens is when the new projects get added to the P&L like last year we added Belgaum, this quarter we added Sambalpur. The initial phases of a project the EBITDA is lower so now you have a mix of certain matured projects and the new projects being mixed together to arrive at a consolidated EBITDA. So what will happen is this EBITDA will move in the range of 55 to 58% in the initial few years, and when the newer BOT projects are of a higher value. So they will start improving, because the EBITDA keeps on improving every year as project matures.

Nitin Arora: Sir any tariff hike that has happened in any of the toll projects in this quarter?

Paresh Mehta: In this quarter, no not in this quarter.

Nitin Arora: Okay. Sir in terms of the NCD which is raised 150 crores you raised that, you might be increasing some stake in some of the projects.

Paresh Mehta: Right.

Nitin Arora: That will be fully utilized toward that only, the full 150 crores?

Paresh Mehta: Almost fully, almost 80%.

Nitin Arora: Sir just last question from my side. This Sambalpur project we started around 9.5 lakhs per day to 10 lakhs per day toll collection I think we had an initial estimate of about 25 lakhs. Sir this is at 80% completion and if we do a 100% it should range in the range of 10 to 13 lakhs per day.

Paresh Mehta: Correct.

Nitin Arora: So sir what we hear is that the issue which earlier was also there towards the Sambalpur truckers association, now that I started towards the Baragarh truckers association also. So what because of this leakage also, we do understand there is a mining ban which is going on, plus there is a lot of toll leakages that is happening on the stretch. So what cover you have in terms of setting of setting that leakage because there can be a day where these people will charge rates not as per the NHAI and we have to issue them passes at a discount. So what cover we have against the NHAI to recover that toll leakage part?

Satish Parakh: Definitely there is a state support agreement by which a state is binding to co-operate for paying or these has to be made good by making a claim on NHAI, but what we see is after 100% completion definitely willingness to pay will go up and our enforcement on checking on this will also grow up. So definitely this leakage will come down substantially.

Nitin Arora: Post the mining ban what would the ideal estimate of yours in terms of the toll collection, would it be in the range of about 15 to 16 lakhs per day, when you see the full commissioning?

Satish Parakh: Full commissioning and after mining activities and all the industrial activities picking up we feel we should cross 20 lakhs.

Moderator: Thank you. The next question is from the line of Dhaval Patel from B&K Securities. Please go ahead.

Dhaval Patel: Sir firstly on Pune-Shirur and Nagar Karmila we were seeking some compensation for these two projects, sir what is the status on the same?

Satish Parakh: We are still in the courts and we have this entire matter is sub-judice in the court so by next month we will have some results in our hand.

Dhaval Patel: Sure sir. Sir and secondly if I look at the construction activity on Chennai ORR it has been progressing pretty fast, so do we expect an early completion and because of that do we expect the project cost parse to reduce, because there will a component of ICD also in it so definitely should come down so do we expect something?

Satish Parakh: Yes we are expecting to complete Chennai ORR at least six months ahead of schedule by which we will get a bonus annuity of 120 crores plus definitely saving in ICD.

Dhaval Patel: Sure sir six months ahead of schedule right?

Satish Parakh: Yes.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Just wanted to take your opinion on any road projects that you see in our portfolio which have witnessed some descent traffic growth over the past three to four months.

Paresh Mehta: In fact most of the projects in the last two months have definitely shown a good trigger since November onwards and probably that is how they will the whole profile of traffic growth for the whole year will ramp up to a good number of 5%.

Satish Parakh: Andara-Durg because it shown a substantial growth.

Vibhor Singhal: Right so on a Q-on-Q basis also I think they are reporting around 12 to 13% growth in toll collection. Because there is tariff hike so basically that would translate into a very strong traffic growth.

Satish Parakh: Correct.

Vibhor Singhal: And on P&G what is the daily toll collection that we are doing right now?

Paresh Mehta: Approximately 25 lakhs.

Vibhor Singhal: So that is still quite short of the target that we had initially. So any specific reason that you see or may be do you see this number going up to that target of 35-40 lakhs per day in what time frame?

Satish Parakh: The ramp up make take some time. Presently we are not seeing any substantial growth on NH3, but as overall growth we see in the industry definitely this will also go up.

Vibhor Singhal: Fair enough sir. And sir my last question, basically in terms of our EPC order book if I look at it we are approximately on two times book to sales, so do you see a relatively lower position in the order book constraining our growth potential in the EPC division or do you see that probably the NHAI order pipeline should compensate for 18 or couple of months' time or may be in the T&D segment as well.

Satish Parakh: As per NHAI is concerned initially phases we have a lot of aggression in the EPC sector but going ahead I think this should stabilize and lot of orders are coming like 6000 kilometers they would complete by bidding out would be complete by March end and another 10,000 by next year. So I feel we should get sufficient orders in highway sector. Power T&D of course we have a good order book in hand, and going ahead we will continue bidding.

Vibhor Singhal: Sir my last question is considering where we are standing right now after nine months. Do you think we will be able to clock around 10% growth in the EPC division for this year or we have already passed one more month in the fourth quarter?

Paresh Mehta: We will be able to clock that kind of number which you are suggesting.

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

Achint Bhagat: Sir firstly wanted to understand what is the amount of spare equity do you think you will be left with post completion of all the projects, to take up incremental BOT contract and what is the appetite of equity investment that you have for the next say two year in terms of BOT contracts?

Paresh Mehta: From a spare equity with us, typically this will be equity which we have, which will be we could draw from our existing debt-free projects, to the extent of around 200 odd crores, 200-250 odd crores, so that is what could be. That is what equity spare would be there. Otherwise whatever equity will come up will come up as and when projects are bid and we also have certain cash tied up in certain land parcels which will be realized whenever we require because they are easily highly liquid parcel so any better opportunity we will definitely liquidate that and bring it for liquidity private of the projects.

Achint Bhagat: Okay, so what I am coming from is that, if supposingly tomorrow BOT kicks off in a major way and there are good viable projects worth 2-3,000 crores which would require 700-800 crores rupees of equity investment, you would be able to generate that internally without requiring dilution at your asset holding subsidiary?

Paresh Mehta: Yes, we would be in a position to do that without, we will not dilute our position as holding up definitely not.

Achint Bhagat: Okay, perfect. And sir in terms of your arrangement with SBI Macquarie what is their exit share holdings in ACL likely to be given that Sambalpur has not ramped up as per expectations?

Paresh Mehta: So what we expect is they would probably go from 34% to 39%, will have to see the whole year out to understand what a percentage would be but it will be in the range of 34% to 39% so presuming worst it would be 39%.

Achint Bhagat: Okay, right. So the premium rescheduling you got recently for one of your projects, so what is the status on the other on Dhankuni and Belgium?

Paresh Mehta: Belgium we already have. On the Dhankuni we expect to get our consents from NHAI from 1st April 2015. And then we have only one small project the Sambalpur project where we could apply for premium rescheduling and take the benefit of that.

Achint Bhagat: Something that you will achieve the premium rescheduling here so what is the amount of spare cash which otherwise you would have to share with NHAI how much of excessive cash would this leave with you?

Paresh Mehta: So what would typically happen is from a cash short fall perspective whatever premium is payable say on Dhankuni project we would be almost conserving 70% to 75% of the premium payable at our rent. Today the premium is around 140 crores and what would I end up is we would not be paying 100 crores which we will typically conserve our cash flows.

Achint Bhagat: Sir 300 crores that you could which otherwise would have gone into premium which could be used for equity also. Is that the right way to understand?

Paresh Mehta: Right, exactly. It would be like what cash flow negativity which I had to fund and…

Achint Bhagat: Yes, exactly either ways it has spare cash with you.

Paresh Mehta: I would not be required to do that, so that would not bring more equity for that purpose.

Achint Bhagat: Okay. Sir very quickly I will take a couple of more questions. In term of the bitumen cost given the fall in the crude prices are you seeing that support your standalone construction margin and is that sustainable, is that the right way to look at?

Satish Parakh: Yes, presently bitumen is really supporting our construction cost, even diesel is playing a major role while it has gone down substantially.

Achint Bhagat: Yes. So what else if you can give me a ballpark range of where bitumen was 12 months back and where it is today because I believe that I close to about 50% of the overall road construction cost.

Satish Parakh: Yes, Bitumen was running at around Rs.60,000 a ton and now we are getting around Rs.44,000 a ton.

Achint Bhagat: Okay. And this is sustainable right you should be getting this.

Satish Parakh: This is very much sustainable because imported bitumen is also available in this similar or lesser range.

Achint Bhagat: Okay. And sir the last question that I want to ask, sir do you have any clause in your concession agreement wherein let say on a target date if the PCU count is not what was initially envisaged you would possibly get an extension of the concession agreement. I think few of your competitors have such a clause, is there any of you have got it?

Satish Parakh: We have this clause in Bhandara, Sambalpur, P&G, and Dhankuni where 20% concession period can be increased if target traffic is not met. And 30 years can become 26 years, 25 years of Dhankuni can become 30 years.

Achint Bhagat: Yes, I think 20% is the cap that they should have there.

Satish Parakh: Yes.

Achint Bhagat: And this is the last few questions, was there any BOT contract that were bid out and did you participate in any in the last nine months of this fiscal?

Satish Parakh: Nine months only one BOT was bid out, it was also in early stages which was backed by Recon and it was a single bid none other bidder participated in it.

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

Devang Modi: Sir what kind of working capital requirement do we see for each of the segments that is power T&D, road BOT, road EPC?

Paresh Mehta: On the power T&D side generally working capital is slightly stretched and it is almost four to five months of the working capital which gets stuck so average requirement is almost four months and as far as BOT is concerned around one and half month.

Devang Modi: And on the road EPC side?

Paresh Mehta: Road EPC is similar around one and a half to two months not more.

Devang Modi: Okay. And sir finally what kind of a PCU base are we currently seeing on NS examine like NH8 operators are simply 45 or NH3 are 35K like that on NH6 what kind of PCU base are we currently on?

Paresh Mehta: PCU base I will come back, I don't have the number upright.

Moderator: Thank you. The next question is from the line of Devang Patel from IL&FS Broking. Please go ahead.

Devang Patel: Sir on your comments on P&G the toll short fall, is there any relation here between traffic diverting between NH3 and NH8 have you studied that?

Satish Parakh: We don't see any direct relationship but overall activity has gone down in the region. So we hope this should pick up moving ahead.

Devang Patel: It is related to the overall activity going up it is nothing to do with traffic, diverting between NH6 and NH8.

Satish Parakh: No, I don't think so.

Devang Patel: Okay. And this is our revenue share project so I assume this is not something that you can reschedule with NHAI.

Satish Parakh: Definitely we have clauses where we are addressing with NHAI, where we are trying to reschedule the revenue share itself.

Paresh Mehta: We have pre-shortfall loan provisions.

Devang Patel: Okay. Sir and if you are signing any supplementary agreements to waive off any claims are there any outstanding claims for the projects that you mentioned earlier that you will reschedule?

Satish Parakh: Out of supplementary agreement we had signed only for Sambalpur which was one which we had to take partial COD. Otherwise there is no supplementary agreement for any other project.

Devang Patel: So now that you have signed will not get an extension for that project?

Satish Parakh: No, definitely supplementary agreement does not allow us to have extensions for this. But definitely we can still fight it out and our association is fighting it out against the supplementary agreement provisions itself, because getting supplementary agreement signed itself is not good in the law.

Devang Patel: Right. Sir and what about the pricing of the EPC bit that NH has awarded recently what kind of margins can be earned on these, the pricing at which these projects are getting awarded can we make 10% EBITDA margin on these if we take these projects, if we part in that?

Satish Parakh: Whenever we have participated we have not got any project, very difficult to comment on others margins.

Devang Patel: Okay. And sir the refinancing that we did for the Bhandara is this under the new 5x25 rule of the RBI or this is normal refinancing?

Paresh Mehta: No, this is the normal refinancing.

Devang Patel: Okay. Sir for the Cuttack-Angul the 11 crores that we had to settle for in which line item is that accounted for?

Paresh Mehta: This would be in the administration exercises but in the quarter one of the year.

Devang Patel: Okay. Sir and lastly on the standalone debt correct to assume that this has gone up from 400 crores to 500 crores between September and December?

Paresh Mehta: Yes in quarter three.

Devang Patel: Okay. And there is some cash also from the NCDs that you have raised or broadly one can see that the net debt has gone up by 100 crores?

Paresh Mehta: It has gone up by 100 crores and there is nothing significant cash lying in the balance sheet.

Devang Patel: So this is largely in working capital that the money has gone into?

Paresh Mehta: No, as I explained this is also gone into a certain stake acquisitions which is under process. And only after completing all the processes we would be in a position to share some more information to that.

Moderator: Thank you. The next question is from the line of Bharanidhar Vijayakumar from Spark Capital Advisors. Please go ahead.

Bharanidhar Vijayakumar: My first question is on the macro front, what I am hearing is the projects for which financial bid have to be put in by January some of them are getting delayed the tendering product is getting delayed. So what has been your experience and I am hearing due to the land acquisition problems and we have not really seen lot of EPC projects being bid out tax aggressively as we have thought and with 4500 target for the year and with about only 1500 given out so far, is about 3000 kilometers possible in the next two months, what is your sense?

Satish Parakh: It is very much possible most of the project which were supposed to be awarded in January are shifted to February because of internal approval systems. Some of the projects require financial approvals and other approvals are required in place. So we hope this would be bided out in February and March.

Bharanidhar Vijayakumar: Right. So the land acquisition problem is it a serious problem still?

Satish Parakh: For current set of projects I don't see any much of land acquisition problem most of the projects substantial land has been acquired already.

Bharanidhar Vijayakumar: Right. And when you mentioned that you have a target of about 10,000 crores of worth of projects of which you would bid, probably in the next two years. So is there any preference on BOT so much and EPC so much?

Satish Parakh: Yes, out of the total short listed portfolio we are having around 600-700 kilometers on BOT and around 1000-1200 kilometers we are bidding now we are participating in bidding on EPC.

Bharanidhar Vijayakumar: 700 on BOT and 1000-1200 on EPC.

Satish Parakh: Right.

Bharanidhar Vijayakumar: Right. So, what is our maximum appetite to take on projects say for the next two years so for FY16 say, in terms of number of crores of orders, so it is around 2000 so which would translate to close to about 200 kilometers of BOT projects so how are you looking at it sir?

Satish Parakh: We can take up orders up to 5000 crores around.

Bharanidhar Vijayakumar: In a year?

Satish Parakh: Yes.

Bharanidhar Vijayakumar: And apart from the 109 crores of equity commitment for the existing projects under construction for the new projects, so what is the plan to fund, how was it going to be met and what is the scenario there sir?

Paresh Mehta: It will all depend on what kind of project sizes are big one. But say keeping in target around in the range of 2000 to 2500 crores of project to be won in next one year's time would entail approximately 600 to 700 crores equity which we believe technically 66% has to funded by us which would be around 400 crores and we have around 200 crores already available from our existing projects which are debt-free that could be certain opportunities of raising debt on our projects which will now see two to three years completion and we could may be do a refinancing or do a 5x25 and get some additional debt and use it for equity. There are various options, there could also be certain cash generated out of the EPC businesses which is standalone activity on its own so that would also take of that requirement so this is how equity could be generated inhouse though there could be always challenges of timing when liquidity is required wherein we would have other third or fourth options of raising equity either inviting an investor at the holdco level or even for that matter raising funds at the parent level.

Bharanidhar Vijayakumar: Understood and one bookkeeping question so, I see you standalone interest cost has gone up from 8 crores to 16 crores this quarter year-on-year so what is the reason sir if I had missed the answer earlier.

Paresh Mehta: No, basically last year when we had a cost of 7 crores in the first nine months. We were typically in that phase when most of the money was being funded by SBI Macquarie where the money was coming and being utilized by the EPC quarter on a gradual basis. So typically the equity funds were taken care of, the working capital requirements for certain times. In this year typically there is not major inflows of equity because that has already been invested, and accordingly the interest cost has gone up, also as I said certain part of the debt raised in the form of NCDs has been utilized for certain acquisitions and also the mix of business on the road and power has slightly changed for this last two quarters with typically is entailing us a slightly higher working capital requirement thereby increasing interest cost.

Bharanidhar Vijayakumar: Okay. And with mix of road projects execution going up this might be….

Paresh Mehta: It will come down partially.

Bharanidhar Vijayakumar: Okay. And my final question sir, so if I see your order book portion at the end of the second quarter it is about, for roads alone it is about 1500 crores which I think looks at similar as 1500 crores this quarter also. So is there like a new projects been because there is only Dhankuni, Sambalpur and Chennai ORR in the order book for roads and some others. So has there been very little progress on these projects or has there been new projects been taken up?

Paresh Mehta: No, smaller contracts have been executed on maintenance purposes which are included in the contract otherwise it almost remain stagnant, no additional project come in the portfolio.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: I have a couple of questions. On the Durg and Bhandara project we obviously see a very sharp rise in traffic, so was this led by any one-off diversion which would have happened on a parallel route or we believe this is growth in an inherent traffic which can sustain for the period to come?

Paresh Mehta: I believe it is inherent. There is nothing different which has happened from a toll profile. So I think so the growth is okay.

Ashish Shah: Right. So it is basically ongoing growth and nothing led to a benefit we have derived out of some diversion or anything like that?

Satish Parakh: No.

Ashish Shah: Also could there be an impact of the charges due to overloading here we may be recovering more charges on overloaded vehicles?

Satish Parakh: No on this stretch we have not yet started recovering overloading charges.

Ashish Shah: Okay, not on this stretch as yet.

Satish Parakh: Yes.

Ashish Shah: Okay, sir also coming on the major maintenance parts so which are the projects where we are going to see major maintenance in the next six months a year or so?

Paresh Mehta: In the Bhandara and the Durg project we will see partial maintenance already started and we will complete that in the next 1.5 years' time and then I think so there will be on Nagar and Aurangabad which we after a year's time. Otherwise there is nothing major maintenance happening in next one year's time.

Ashish Shah: Okay. Also just a bit on the pipeline in terms of order flows, so can we highlight what sort of orders we have bid for as of now and how much we expect let say by March in this year?

Satish Parakh: By March NHAI is bidding around 4500 kilometers. And we are participating in most of the bids. So we are participating around 500 kilometer on BOT and around 1000 kilometers on EPC side. So how this converts into order book is we will have to wait and see.

Ashish Shah: Okay. And any power T&D orders we have bid?

Satish Parakh: Power T&D presently we are not having any new biding but maybe it will start in next month. You may see some of the orders of around 5000 to 6000 crores in Maharashtra and a few orders in Bihar.

Ashish Shah: Also in terms of sir just mentioned that we have got some inflows in January because of which the working capital levels would have gone down, so what standalone debt we see as on March '15?

Paresh Mehta: March 15 really cannot predict depends on how inflows happen but I believe it will be in the range of similar range because you cannot predict, between the range of 425 to 450 something of this range.

Moderator: Thank you. The next question is from the line of Vikas Duggar from IDFC Securities. Please go ahead.

Vikas Duggar: My question is on the Chennai ORR you mentioned that 35% completion has been done and it would be completed six month in advance, can you throw some light on the kind of margins EPC margins which we can expect to make?

Paresh Mehta: We are already executing this at the margins of around 12.5% to 13%, so the construction cost is not going to change, the project may be a saving of six months would entail a larger resources so I think the EPC margins will continue in the same, the project line will.

Satish Parakh: Will slightly go up by 1 or 2%.

Vikas Duggar: Okay, so do you see any improvement because of fall in diesel and other cost?

Satish Parakh: Due to diesel and bitumen we may see some savings because our bitumen activity is now to begin and we are at the lowest rates today.

Vikas Duggar: So that should improve your margins?

Satish Parakh: Yes, some upside we may see.

Vikas Duggar: So around 12 to 13% is the margins EPC margins.

Satish Parakh: Presently is 12.5 it should go up by 1 or 2%.

Vikas Duggar: Okay. And second question was on the, can you throw some light on the new JV KSHIP JVs Mudhol Nipani.

Satish Parakh: Mudhol Nipani is 51% is Ashoka Buildcon and 49% is GVR Group of Chennai.

Vikas Duggar: So what is the current status of that project?

Satish Parakh: We have just started. We have got appointed it on 12th of December so work has just begin on EPC business.

Moderator: Thank you. The next question is a follow up from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir we mentioned that in Chennai whatever we are looking at possibly bonus annuity but the NHAI is record in this part has been very mixed and typically they have not been easily giving such bonus annuity. So, how confident we are that this time around.

Satish Parakh: This is a state project.

Ashish Shah: Sorry I got that wrong. So this should be easier we are saying that.

Satish Parakh: Very much land is under control and the constringe agreement also very clearly allows us to get a bonus annuity.

Ashish Shah: So basically we expect there by December '15 all this should be over so that we can get six months of extra annuity.

Satish Parakh: March '16.

Ashish Shah: March '16.

Satish Parakh: If we complete by March 16 we get six months of annuity.

Ashish Shah: Six months of extra annuity. Fine, moderator are there any more questions?

Moderator: No. Mr. Shah we don't have anyone in the queue.

Ashish Shah: Then we can close the call. So on behalf of IDFC Securities I would like to thank everybody for participating in the call. In particular thanks to Mr. Parakh and Mr. Mehta for giving us the opportunity. Thanks Gaurang also. Sir any closing remarks you have?

Paresh Mehta: I think that is all. We thank all the participants again from the company's side and we are always available for any queries. Our contact numbers are already placed in our presentations. So thanks a lot.

Ashish Shah: Thank you everybody.

Moderator: Thank you. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.