Transcript

"Ashoka Buildcon Limited Q2 FY15 Post Results Conference Call"

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Presentation Session

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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon 2QFY15 post results conference call hosted by SBICAP Securities. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from SBICAP Securities. Thank you and over to you sir.

Viral Shah: Thank you. Good evening everyone. I welcome all the participants to the 2Q and first half FY15 conference call of Ashoka Buildcon Limited. We have with us Mr. Satish Parakh – Managing Director of the company and Mr. Paresh Mehta – CFO of the company. We would commence the call with the opening remarks from Mr. Satish Parakh to give an overview on the company's performance. This will be followed by Q&A.

Before we begin the call, I would like to mention that some of the statements related to today's conference maybe forward-looking in nature. I would now request Mr. Satish Parakh to begin with the opening remarks. Over to you sir.

Satish Parakh: Thank you, Viral. Good afternoon friends. I welcome you all for discussion on Quarter 2 FY15 earnings. Along with me, I have Mr. Paresh Mehta – CFO and SGA, our Investor Relations Advisor.

Let me begin by giving you an update on development at industry and in particularly NHAI. We are witnessing some action at NHAI with bidding of projects worth Rs. 15,000 crores in next few months. This project will be mix of EPC and BOT. This will be very positive development for us as well as for the industry.

Moving on to the company development, as you are aware during financial year 2012-2013, Ashoka Constructions Limited, a subsidiary of Ashoka Buildcon has achieved private equity transaction closure of around 800 crores. Recently, we have received tranche of 70 crores. Till now, the money they have invested is 693 crores which is being utilized for equity investment into various construction projects. Balance amount will be received in installments as per equity requirement of the projects in the current financial year. As informed in the last quarter, our rating has been improved by CRISIL to AA minus and hence we are able to get funds at finer rates. We have raised Rs. 150 crores to placement of unsecured redeemable nonconvertible debenture at a coupon rate of 10.3% which is approximately 200 times lower than our capital interest cost. This fund will be utilized for refinancing the existing debt and general corporate purpose. On Belgaum-Dharwad, we have executed supplementary agreement with NHAI under premium deferment scheme. This is a very positive development from cash flow perspective.

Now, we will discuss the status of the projects under construction. Currently, there are three projects under construction. One project is under implementation. The company has completed 76% of EPC work in Dhankuni-Kharagpur project, 91% in Sambalpur-Baragarh project and 26% in Chennai ORR. We are also starting works on EPC works in Maharashtra and very soon we will also be starting work on Mudhol Nipani which is in Karnataka annuity project.

On Power T&D front, during the quarter we have received new power T&D projects, worth 1,965 crores in the state of Maharashtra and Bihar. We have already started execution on these projects.

Our current order book position stands at Rs. 3,965 crores, of which road project is 46% and remaining 54% of the order book consists of power T&D. I would now request Mr. Paresh Mehta to present the results for Q2FY15.

Paresh Mehta: Good afternoon, friends. The presentation of Q2 are already updated on the website and also circulated to everybody and I believe you must have had an opportunity to get it.

On the quarterly results, I would now present the results for quarter ended on September 30, 2014. Our consolidated total income including other income for the second quarter FY15 is 437 crores as compared to 304 crores in Q2FY14 which is higher by 44%. On the consolidated revenue, construction revenue is 340 crores including other incomes compared to 239 crores in corresponding previous year quarter, a growth of 42% and toll revenue is Rs. 97 crores in Q2FY15 as compared to 65 crores previous year.

Our EBITDA for Q2FY15 is 99 crores compared to 82 crores in corresponding quarter last year, a growth of around 20%. The EBITDA margin is lower in this quarter mainly due to couple of one-off provisions like employee increment provisioning and major maintenance provisioning in the Belgaum-Dharwad project. Interest cost for Q2FY15 was 52 crores compared to 32 crores in FY14. The increase in interest cost and depreciation is arising mainly due to capitalization of the Belgaum project. Post minority interest and the share of associates, the profit after tax in Q2FY15 is Rs. 5.8 crores. During quarter 2 FY15, BOT division recorded a total toll collection of 210 crores, of which 97 crores is recognized as toll revenue, 61 crores is adjusted against capital WPI of mainly Dhankuni-Kharagpur project and Rs. 52 crores is from associates.

On the balance sheet side, consolidated net worth including minority interest is Rs. 1,761 crores and the consolidated outside institutional debt is Rs. 3,443 crores. The gross debt on standalone basis is Rs. 393 crores which comprises of 47 crores of equipment loan, 339 crores of working capital loan and 7 crores of project loans. Cash and bank balances included in current investments are Rs. 48 crores as on 30th September 2014. The equity requirement for the projects under construction is approximately 140 crores in September 30, 2014 which will be funded by company's internal accruals and money is drawn from SBI Macquarie as part of their 800 crores commitment for the investment in ACR. I believe with this, we would keep the floor open for question and answers and over to you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: Sir on the EPC side of the business, the margin on a Y-on-Y basis came down, I understand it is on account of employee provision. Can you give us that number?

Management: Approximately 3.5 crores in the quarter which would got split into 1.5-1.5 crores.

Amit Sinha: And now for the entire year FY15, what would be our margin estimates?

Management: As we have already discussed, the EBITDA margins would continue to be in the range of 12.5 odd percent for the road contracts and around 11% for the power projects. So depending on the mix, this would typically be in the range of around twelvish because the road component would be more, though power is picking up now.

Amit Sinha: And our revenue number for the EPC business for FY15, does that stand what you indicated at the start of the year?

Management: We believe that we will be able to achieve those targets and basically the quarter 4 is typically high revenue generating quarter. So we believe we will catch up with expected targets.

Amit Sinha: Okay sir and on the BOT side, the Jaora-Nayagaon project, the revenue collection was on the weaker side on Y-on-Y basis. Any specific reason?

Management: Basically because the last year Q2FY14, typically threw up high toll collection due to couple of reasons. Basically due to certain issues on the national highway three traffic got diverted for certain time and then part of the traffic has got shifted back to NH3. From that perspective on Y-on-Y, we believe that it appears to be weak, but otherwise if you see for last 3 quarters, 3 Y-on-Y basis, you will find revenue increasing. So there was an abnormal jump in the Q2FY14.

Amit Sinha: Okay sir and the last question from my side would be what was the major maintenance provision for Belgaum project?

Management: Approximately 8 crores.

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

Devang Patel: Sir if you can decode the traffic growth for this quarter and give us the tariff increases wherever the specific projects which has gone through?

Management: See basically on a Y-on-Y basis, we have already put it in the presentation.

Devang Patel: nominal increases. Now last quarter, you had commented traffic growth had improved a bit from 2% to 3%. So where does that number stand on a blended basis this quarter?

Management: Traffic growth at the same level around 2%. If you observe like Bhandara, the traffic growth was 6% and overall growth is 8.8%. So there is a 2.8% growth in Bhandara and Durg. In Dhankuni project, the revenue growth is 6.3%, of which 5.5% is pertaining to toll rate rise. So typically 1% growth is there in Dhankuni-Kharagpur project. In Belgaum-Dharwad, it is almost 4% traffic growth. In Jaora, as I said the revenue growth is flattish because of normal traffic in Q2 2014 and other projects, the ABL projects, the smaller one projects are typically seeing a range of around 10 odd percent revenue growth. So typically like Ahamad Nagar-Aurangabad is 10% traffic growth. Indore -Edalabad there is substantial growth. Wainganga, there is 4% growth. Devas is almost flattish. Katni Bypass, it is 25% growth. Pune-Shirur, the toll has stopped, so there is no comparative.

Devang Patel: Sir just looking at the numbers on a monthly or weekly basis as you all have been seeing on the ground, are you more optimistic on the traffic growth. Have you seen any signs of pick on the traffic?

Management: Exactly. Since October 31st, the traffic is quite robust in the last 2 weeks and this is typically the after effect after Diwali. Traffic starts rising in the last 2 quarters. So we expect the revenues to be substantially robust in this coming 5 months.

Devang Patel: Sir would you be able to put a number to that on what is the traffic growth now you are seeing?

Management: We do not really assess as of date. Probably we have to run through. There are a lot of moving variables now due to the economic churn which is happening. I believe we will have to see it through, but it should be substantially positive.

Devang Patel: Sir and the two orders in the presentation you mentioned on the T&D side, are these both rural electrification orders?

Management: Yes.

Devang Patel: And broadly on the T&D side on the order book of 2,000 crores, if you can give qualitatively what is the scope of work?

Management: Generally, these are all lines below 33 KVA and this includes construction of substations, transformers and distribution transformers right upto metering

Devang Patel: And purely if you have to say how much is rural electrification RGGVY scope of work?

Management: This entire is about rural electrification except Tamil Nadu TANGEDCO order which is in urban area.

Devang Patel: And gradually would you expect to take a higher KV works going forward?

Management: Yes, we are bidding for almost all kinds forthright from transmission to distribution.

Devang Patel: Sir, now the order book has, the share of T&D has gone up significantly to almost little more than 50%. Would you be looking to now restrain it at this level. Obviously when road orders pickup, it would go down, but otherwise also even if road does not pickup, would you like to restrain the T&D sharing the order book?

Management: We may not restrain, but we will be selective on bidding further. There is no point in restraining. We have built of a capacity to execute. We will be more selective in going ahead, yes.

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

Bharanidhar Vijayakumar: My first question is on the Dhankuni project. So what is the expected completion date of this project sir?

Management: Dhankuni, 76% was already complete and balance of another 10-12% will be carried out in this quarter and balance as on when works fronts are made available. So it may go up to like maybe up to June.

Bharanidhar Vijayakumar: Because from the NHAI website, I could see that the COD is close to somewhere in September. So what is the reason that it is getting delayed?

Management: This was a 4-6 lane project and wherever we have underpass, these are all urban stretches. So land acquisition wise, there were lot of issues and these all land acquisition are getting cleared in phases. So as and when we are getting work front, we are completing the jobs.

Bharanidhar Vijayakumar: So what would be the maximum potential, per day collection after its completed?

Management: Actually, we are collecting for the entire length. So I do not see any substantial trigger to come upon completion.

Bharanidhar Vijayakumar: But I believe for a 4-lane to after it is getting 6-lane, there will be revision in the tariff?

Management: No, we are collecting at full tariff now because we had completed the Rupnarayan bridge earlier. So that was the only traffic figure in this concession which we already got it one year back.

Bharanidhar Vijayakumar: And my second question is on the premium deferment. So how will it be accounted for and what are the details of this sir? So how much was the actual payment and how much was it deferred by?

Management: The premium re-schedulement has happened in Belgaum-Dharwad project. In the Dhankuni project, we expect to get it in FY16. The accounting as we have already indicated previously, we have accounted for the total premium payable as deferred liability in our balance sheet. So they have deferred approximate 230 crores of premium over the next 6-7 years. So from 1st October 2014 for Belgaum-Dharwad project, we are deferring whatever premium we are supposed to pay on a monthly basis for the whole 2014-2015 and then for 2015-2016 also, we will be deferring the whole of the amount.

Bharanidhar Vijayakumar: So this 230 crores is only for Belgaum or for..

Management: Totally Belgaum.

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

Vibhor Singhal: Sir my question was on the EPC order book. Basically if you look at currently this order book, we have around 1,700 crores of road projects and around 2,000 crores of power and transmission in T&D projects. So given our run rate that our team kind of expecting also be 1700 crores topline at least for the year? The order book provides us just about let us say 2 years of visibility and especially on the road segment, I think it is just equal to maybe like one year of revenue. So do you foresee some kind of a problem with that in the sense that we are not able to get projects very quickly, then we might for shorten orders on the EPC front?

Management: See, last 9 months around, we have not seen any orders coming in. It was a change in government and then this new government being stabilized. Now they are coming up with large amount of orders. So picking up of EPC orders will start from Q3-Q4 now.

Vibhor Singhal: So you expect good amount of orders to come in and this situation probably to..

Management: Yes, definitely.

Vibhor Singhal: Is that the same across both the segments in terms of power as well as roads?

Management: Yes, roads only. I am talking of road. Power, already bidding has been done and we have got substantial order. We will be bagging few more orders also, but roads will be very much focused and definitely Q3-Q4 should show some winning orders.

Vibhor Singhal: We have done around 850 crores of turnover for the EPC division. So what would we be targeting for the full year?

Management: To the tune of almost 1,650 crores of EPC business.

Vibhor Singhal: And that you mentioned should be easily doable with the Q4…

Management: Exactly, run rate expected from the projects, we target to that.

Vibhor Singhal: In terms of the BOT project that we have, have you seen any specific stretches of projects where there is probably more pickup in the traffic growth activity than some other projects or is it like the kind of pickup that you are seeing is almost same across?

Management: I think so it is same across. Majorly it is same across economic effect we are seeing. So I do not think so there is anything differential to a sector wise or geographical wise.

Vibhor Singhal: Geography wise, there is no demarcation that we can probably call out.

Management: Yes.

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

Achint Bhagat: Sir, a few questions from my side. Firstly, you mentioned that you expect order of awarding of NHAI to pickup and you put a number to it. So of that, how much do you think can be in BOT and how much can be in EPC and within that how much are the projects there are rebids and fresh projects?

Management: See, there are around 15,000 crores of projects which NHAI has already bid out. So this bidding will happen up to November, December and then January. Out of this, 50% was around BOT projects and 50% is EPC. And out of 50%, most of them are like put for rebid.

Achint Bhagat: Most of them are rebid you said?

Management: Yes.

Achint Bhagat: And sir given our current financial situation, how big a project can you take up on your books right now. What is the size of a project that you would be looking at right now?

Management: Right now all the projects which have come are not of substantial size. Most of them are below 1,000 crores, but capacity to bid is around 3,500 crores single project. And as far as our equity requirements, we can easily carry out projects up to 5,000 crores.

Achint Bhagat: But this 5,000 crores taking a 30-70 mix would mean 1,500 crores equity requirement over the next 3 years and what would be the sources of funding that? How much of that can you generate internally. How much will SBI be ready to chip in and how much of that would you need incremental funding for?

Management: Presently, the internal accruals will take care of approximately 800-900 crores would be easily possible from internal accruals and profit generating SPVs. Then balance would come from the projects which have already matured, we could do a securitization that could reach around 400 odd crores in the next 3 years' time. So I would not say that exactly and Macquarie depending on their fund availability, they could put in because they have other funds also they have raised. So they could put in to the tune of their 34% and in case there is any short of that, I think so options pertaining to either doing a QIP, QIP could be a possibility. So I think so options are many should not be a hindrance for taking up projects.

Achint Bhagat: But this 800-900 crores internal accruals that you are talking about is basically in the ACL asset portfolio because so long as you funded from the ABL portfolio, SBI will have to bring in the money in the same proportion or you will have to increase your ABL stake in ACL?

Management: Right. So when I am talking of 800-900 crores in the first part, it is pertaining to ABL's ability to raise. So that is basically because of the margins at the EPC levels, what jobs they will be executing in the next 3 years time and also the couple of projects which we are also creating a revenue now and the kind of balance sheet which they have, we are going to pay that much money. So 800-900 crores should not be a problem at ABL level directly. Second on level at ABL itself is a QIP which I said, exactly. So around (+800) to (+900) any QIP limit whatever could be there could take up around say and Macquarie could put in 650 crores. So around 2,000-2,300 crores should not be a hassle as an equity contribution.

Achint Bhagat: And sir in terms of your T&D contracts, how different is the working capital cycle here vis-à-vis your road contract orders? Is the payment cycle longer? Is it creating a stress on your working capital?

Management: I would say the payment cycle is substantially longer vis-à-vis the road contract, but it is not creating a stress. It is the model in such a way that it is already factored when we are bidding for the projects and we are considering that this will typically increase our working capital requirements which we have already factored and provided for.

Achint Bhagat: And sir in terms of the model concession agreement revision, there were lot of talks happening a few months back that NHAI would consider doing that because of the problems faced by the developers right now. Any development that has happened on that front or anything positive in terms of actual on ground implementation rather than the noise that has been there for the last 3-4 months?

Management: The on ground, no changes happened till date.

Achint Bhagat: And what are the key things that you would think that the MCA needs changes for, the current model concession agreement in its form?

Management: Nothing specific. Except for the exit classes which are 2 years after the COD they can be during the construction period and all.

Moderator: Thank you. The next question is from the line of Arun Malhotra from Centrum Capital. Please go ahead.

Arun Malhotra: Just wanted to clarify, you mentioned that you have got some debt refinanced. What was the total figure you mentioned in terms of NCDs raised?

Management: It is 150 crores at a price of 10.3% per annum quarterly payable.

Arun Malhotra: Is it at the parent level or at one of the subsidiaries level?

Management: This is at the parent level because the rating got improved at the parent to AA minus. So that was the result in terms of..

Arun Malhotra: And what is the collateral which has been given?

Management: There is no collateral, it is an unsecured redeemable NCD, 2-year term.

Arun Malhotra And do we plan to further do some more refinancing to take advantage of the rating upgrade?

Management: So refinancing is like project refinance will keep on happening as and when CODs and maturity of projects happen. So those will keep on happening, but at parent level, I think so this is one level which we have achieved and I believe we will now wait and see how the business unfolds later.

Arun Malhotra: Sir, secondly on the NHAI orders, you mentioned 50,000 crores worth of orders in both EPC and BOT. What kind of competitive intensity you see now because not many orders, not many players have won orders in the last 12 months. So do you see a higher competitive intensity going forward?

Management: At EPC level, we may see aggression still in the bidding and maybe BOT projects may not be so much of aggression.

Arun Malhotra Do we have any internal benchmarks that this kind of an IRR in equity have before bidding in?

Management: It will now depend upon project to project and the risks involved in each of the projects. So definitely, a lot of homework goes before bidding. The risk is taken only on the IRR completely proportion to the risk involved.

Arun Malhotra: So what could be our internal equity IRR when we bid for these projects?

Management: We normally should now go for 17-18%.

Arun Malhotra: And lastly on the Macquarie investment, what kind of exit clause is there in the investment?

Management: They are typical like exit clause is an IPO in 5 years' time and the second alternative which they have is they can swap into the underlying SPVs or the third could be okay, they could sell it to a financial investor. So these options they have at the time of exit. So they entered into in 2012. So in 2017-2018, there could be a plan for an IPO for the holding company.

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

Nitin Arora: Sir just wanted to get a tariff hike at Wainganga bridge, how was this September, how much was that?

Management: On the Wainganga, it was 5.98, so around 6%.

Nitin Arora: And sir what was the tariff hike at Bhandara?

Management: 6%, Bhandara, Durg because they are all WPI based, 6% on all the three.

Nitin Arora: Sir though lot of people asked this question. Just wanted to get a sense that because power T&D 2,000 crores ordered, how much would be our working capital requirement first on this 2,000 crores and second sir you gave that visibility that we can go up to 5,000 crores of orders in the road side. So the sense is to be selective over the next 2 years or in this cycle the management is seeking to double the portfolio as the management itself is saying that the competitive intensity is less, so just wanted to get a sense on these two points?

Management: The first point on the working capital requirement of the power division, 2,000 order book has been within that range 1,500 odd range for quite some time. So my working capital requirement would typically be in the range of around 300 odd, 350 odd crores in the power T&D business. As far as the 5,000 crores of order book on the road front which we had discussed, this keeping basically are plan at our holding company level, Ashoka Constructions level where we intent to ramp-up our portfolio size from 8,000 crores to approximately 13,000 or 14,000 crores. So from that angle, we are targeting and we are not in a hurry. We will properly pick and choose at our convenient hurdle rates and take up projects.

Nitin Arora: The next question is actually on three projects which is your Bhandara, Durg, and Belgaum. Though the traffic looks a little lower, we have been seeing that. How much support you think that you are going to do over the next two years on these projects and if you can share some numbers to offset their losses which will actually come from the ABLs balance sheet or let us say from the cash flow from the existing projects?

Management: See numbers are moving in such a way that see Belgaum-Dharwad is already taken care by the premium rescheduling. So nothing has to be put in by ABL in that project, typically ACL. For that matter, all over front funding for Belgaum, Bhandara, and Durg has to be done by ACL. So it is Macquarie and ABL together and as far as Bhandara and Durg is concerned, the amount is not significant now moving on and we do not really expect a lot to be funded.

Nitin Arora: So that seems like the debt which has grown on the standalone is particularly relating to the working capital in the T&D business, I mean nothing we supported the losses at the Durg and the Bhandara project.

Management: Yes, not in the recent times, no.

Nitin Arora: Sir just my last question would be the equity requirement, you said, 140 crores as on 30th September. This includes the total , the SBI Macquarie itself?

Management: No, this includes SBI Macquarie and it also includes our KSHIP project, the Chennai ORR project, and the Dhankuni project which are the projects yet to be funded for.

Nitin Arora: Sir what will be our share of that 140 crores?

Management: Approximately 50-50%.

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

Nilesh Bhaiya: For our recent project, Sambalpur project, what is the daily toll collection run rate?

Management: See at presently, it has just taken off. So number is still picking up within the range of 10 odd lakhs per day, but then it is picking up. There is hardly one month has passed, so it is still stabilizing. There are local issues and which are getting sorted out, so maybe we will have to add, again this is not full toll collection, this is partial toll collection because full COD will be by say March. So now we are hardly getting around 80% of the expected toll revenue. The toll rates are 80% of that, so we will have to see up to the next quarter how the numbers will finally pan out.

Nilesh Bhaiya: And sir in the Belgaum-Dharwad, we mentioned that there is one-off provision of 8 crores, but from accounting perspective we do provision for major maintenance.

Management: So the project was what you call commissioned in March 2014. So the measurement in provision started from September 2014 instead of June 2014. So June, we could not make a provision, we did not make a provision. From September onwards, we have started making provision, this will continue every quarter, say approximately 4 crores and then depending on revenue.

Nilesh Bhaiya: So 4 crores will be the run rate for each project.

Management: Right, around.

Nilesh Bhaiya: And sir two book-keeping questions. We have one toll collection contract, what was the toll collection there?

Management: There approximately, I think so it was around 9 lakhs per day.

Nilesh Bhaiya: Nine lakhs per day and sir can you give the other income breakup between construction and BOT?

Management: Other income within construction and BOT? We have already stated that for half yearly in the EPC, it is around 7.2 crores and in the BOT, it is around 2.1. It is part of my presentation.

Moderator: Thank you. The next question is from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.

Kunal Sheth: Sir, I missed the number. What is the kind of tenders NHAI is coming up with you mentioned?

Management: 15,000 crores.

Kunal Sheth: Sir, the number is quite different from what some of the other competitors are pointing out or so.

Management: 15,000 is what is already now in the process of bidding and they will have another two large rounds of bidding.

Kunal Sheth: So I just wanted to understand is it that we are being selective in some of the bidding process or is it number, the way it is put out is different by different people?

Management: I did not exactly follow.

Kunal Sheth: Because some of the other competitors have highlighted that NHAI, the kind of tenders they are coming out with is close to 40,000 to 50,000 crores.

Management: Yes, they are already working on 40-50. 50 is not concrete bidding processes.

Kunal Sheth: And sir what are the kind of numbers we can expect in the second half in terms of order flow from road side for Ashoka?

Management: We will be bidding around 5,000 crores of project. We hope to get something.

Kunal Sheth: Sir on the EPC side, what is the number we can expect in FY16 sir?

Management: 1,650 around.

Kunal Sheth: No, that is for FY15 I guess, for FY6, what can be?

Management: 2016 will all depend upon how we bag new orders.

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

Ashish Shah: Sir on the premium reschedulement for Belgaum-Dharwad, so apart from the liability that you now capture in the balance sheet, what will be the P&L impact of the same?

Management: There will be no P&L impact. So it will be just movement in the liability side from deferred liability to deferred liability loan account. Both will be long terms, but they will be split into two parts, one is loan which we carry interest and other would be deferred liability which we will continue in the books and payments will not happen, so due payment will be transferred from the liability account to the loan account.

Ashish Shah: So that interest component you would not be passing it through the P&L?

Management: No, interest will pass on through P&L. What you are saying, that is right. It does not have an impact on the premium.

Ashish Shah: The interest will go through the P&L.

Management: It will be charged out of the P&L, you are right.

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

Vibhor Singhal: Just a quick clarification on the premium rescheduling part again. If you are availing the premium rescheduling and we will be paying lower premium than we were earlier supposed too. So it got to be a P&L impact, right?

Management: Yes. The P&L impact is the interest payable to NHAI, nothing more.

Vibhor Singhal: So that would be an addition in the interest expense if I am correct?

Management: Correct.

Vibhor Singhal: So let us say we were supposed to pay less than 100 crores of premium. Instead of that, if we are paying 50 crores, then we would be paying interest on the remaining 50 crores.

Management: Correct at 11% on daily basis, product material fragment.

Vibhor Singhal: So that would less than 5 crores, so totally we would be paying 50 crores of new rescheduled premium plus 5 crores of interest expense.

Management: Correct.

Vibhor Singhal: So our P&L impact would actually be 45 crores. So our P&L for the project would..

Management: No sir, P&L will not change, cash flow will change. P&L will continue to remain the same because the expense is accrued but not paid.

Vibhor Singhal: Also, we will not be depreciating that premium asset in share of the revenue of the project which probably some of the other competitors are doing.

Management: No sir, I will just clarify. The premium payable on this project has totally been capitalized. So total premium payable for the whole project for 15 years, not 25 years had been capitalized and it is being amortized based on revenue basis. So there is no change. So in 2014, we say capitalized 2,000 odd crores of the premium to the capital WIP. Now that will continue as it is. Now the movement will happen only in the liability which we have created for this capital WIP, capital asset. This liability will keep on. Generally what will happen is as I keep on paying, this liability keep on reducing because I will not pay, but convert into loan, I will shift that liability from liability account to liability loan account.

Vibhor Singhal: So basically we were already following the practice of depreciating in terms of the share of revenue of toll collection, so there will be no change and no P&L impact per se.

Management: No, the ABL impact will be restricted to only extra interest paid.

Vibhor Singhal: Just a quick house-keeping question. You mentioned 8 crores was the major maintenance in this quarter and for the next two quarters, it will be 4 crores each.

Management: 4 crores each.

Vibhor Singhal: So the total major maintenance that we are expecting around 16 crores.

Management: 16 for this year.

Vibhor Singhal: And any other project in the portfolio which is coming up for major maintenance this year or in FY16.

Management: Major maintenance, actual expenditure not this year but maintenance provisioning is happening on every project on a regular basis.

Moderator: Thank you. The next question is from the line of Gaurav Gambhir from Deutsche Bank. Please go ahead.

Gaurav Gambhir: Sir wanted to understand, as you mentioned consolidated gross debt is approximately around 3,600 crores, wanted to understand the split between recourse debt to parent and nonrecourse debt and out of nonrecourse debt, how much do you see that parent needs to chip in to that project and help the project land us there?

Management: So see on these projects, we have around 3,000 odd crores of project debt. So out of 3,600, we have 3,000 odd crores of term loan debt where there is a recourse at ABL level to the extent of termination shortfall payment. See generally almost 100% of the debt is backed by NHAI. So the recourse in practical terms should be not really very high but the recourse is there.

Gaurav Gambhir: But sir if you have to put a ballpark number to it, as per your experience how much should it be broadly?

Management: This should not be more than 5% because I do not receive any reason why because NHAI will pay the full amount that TPC is larger than this 3,000 crores. And as far as the balance debt is working capital debt of around 350 crores and there is also debt for projects which is being brought by the other SPV partners which is to the tune of almost 150 crores. So from a debt perspective vis-à-vis the company, the total debt is only 1,000. Financial institution debt is only 3,450 crores.

Gaurav Gambhir: Which would be primarily for T&D as you mentioned?

Management: Yes, 350 crores majorly for T&D and this equipment loan around 47 crores.

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

Devang Modi: Sir wanted to understand on Pimpalgaon-Nasik that this quarter we saw toll collection of roughly 22 crores. What kind of toll growth do we see here in the coming quarters and years?

Management: Difficult to estimate immediately because what is happening is the full tolling started in last quarter, somewhere in between May. So we will have to see the whole year out to find the toll growth. I think so it will have to see the economic trend of what is happening otherwise. It is nothing very different.

Devang Modi: So you would not expect substantial ramp-up in this number on a year-on-year basis or would there be some impact of the recent elections and all those things over here?

Management: No, that may not have any major impact. It is only where the economic growth, otherwise not major ramp-up. Ramp-up only to the tune of because the ramp-up in the rates happened in May, so that impact will be there up to March and then it will stabilize.

Devang Modi: So basically it will end up being a little shorter of our original estimate of around 30 lakhs a day sort of a number.

Management: Yes.

Devang Modi: And sir on Sambalpur-Bargarh, even 80% if it is at 10 lakhs, then that means it is much below the original number we had assumed, right and this will mean a higher dilution to SBI Macquarie.

Management: Yes, I mean as of date this is what is visible, but we will have to see the whole year out because lot of things are at initial stage. Initial counts are less, so we will have to see the whole year out because adjustment is at the end of 12 months.

Devang Modi: Sure and sir because there are several premature terminations in our portfolio, are there any claims we are talking of which we think there is a high potential of them fructifying in the coming 1 to 2 year period?

Management: Definitely. Historically we have converted all our arbitration proceedings to claims and actual cash wins. So in all these projects which had been terminated, we have claims and we have filed the claims and in certain cases, arbitration procedures have also started. So we are quite confident, it may take some bit of time but definitely we will fetch money. Though as of date, it will not be accounted for in the books but definitely we will fetch money in those.

Devang Modi: Sir what kind of numbers can we put over here in terms of possible upsides that would come from this kind of things.

Management: This typically is very difficult to judge, but you can definitely take to the extent at least what was written-off.

Devang Modi: And sir what is the average cost of debt for our project portfolio per se, all the projects on a very rough basis?

Management: On the rough basis, it will be in the tune of around 11.75 to 12 as of date, but we are in the process of some restructuring also. So by March end, we should see a better movement.

Devang Modi: And sir apart from Dhankuni and Belgaum-Dharwad, no other projects qualifies for premium restructuring or I mean does any other project qualify?

Management: None of this, only two.

Devang Modi: Only two of them. Okay sir and finally sir have we gone for any partnership on the T&D side in terms of the orders we have taken in Tamil Nadu or something or.

Management: These are solely one batch of Buildcon.

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

Achint Bhagat: Sir just one thing in the first half FY15, what is the split of your construction revenue between roads and T&D?

Management: I do not have a specific number as of now, maybe I can come back.

Achint Bhagat: If you can give me a broad percentage?

Management: I will tell you. It would be in the range of 60 to 80 crores but I do not have the exact number.

Achint Bhagat: 60 to 80 crores is your…..

Management: In Q1 and 100 crores in Q2, the breakup of the EPC.

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

Nitin Arora: See this one-to-one Pune-Shirur, we must have left with capitalizing the depreciation because it got I think they were 2 years more for the project left, so have we accounted this in our P&L in this quarter?

Management: Yes, so we are writing on SLM basis for the next 6 quarters.

Nitin Arora: It is in the depreciation or?

Management: It is not in the depreciation. We have reclassified the asset as not as a fixed asset but as a noncurrent asset and the charge off is happening at above the EBITDA level.

Nitin Arora: So in the other expenses.

Management: Correct.

Nithin Arora: How much would that in this quarter?

Management: Around 3.5 crores.

Nithin Arora: It would be there for how many quarters?

Management: Next 5 quarters.

Nithin Arora: Next 5 quarters the same amount.

Management: Right.

Moderator: Thank you. As there are no further questions, I would like to hand the floor back to Mr. Viral Shah for closing comments. Please go ahead.

Viral Shah: Thank you everyone for participating in the call. I specially thank the management of Ashoka Buildcon Mr. Satish Parakh and Mr. Paresh Mehta for giving us the opportunity to host the call. Thank you everyone.

Management: Thank you very much.

Moderator: Thank you gentlemen and Mr. Shah. Ladies and gentlemen on behalf of SBICAP Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.