



“Ashoka Buildcon Limited Q1 Financial Year 2015 Earnings Conference Call”

August 14, 2014



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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q1 FY 2015 Earnings Conference Call, hosted by Emkay Global Financial Services Limited. We have with us today Mr. Satish Parakh, Managing Director and Mr. Paresh Mehta, Chief Financial Officer 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 the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Arora, Research Analyst, Emkay Global. Thank you and over to you Mr. Arora!

Nitin Arora: Thank you Margaret. Good afternoon everyone and thank you for joining us today. We would like to welcome the management of Ashoka Buildcon Limited and thank them for giving us the opportunity to host this call. I would now like to hand over the call to Mr. Parakh, over to you Sir.

Satish Parakh: Thank you Nitin. Good afternoon friends. I welcome you all for discussion on quarter one FY2015 earnings. Along with me I have Paresh Mehta, CFO and SGA, Investor Relations Advisor.

Let me begin the update of the company level. As you are aware during financial year 2013-2014, Ashoka Constructions Limited, subsidiary of Ashoka Buildcon has achieved the private equity transaction closure of Rs.800 Crores. Till now the money they have invested is approximately Rs.623 Crores, which has been utilized for equity investment into various projects under construction. Balance amount will be received in installments as per equity requirements for the projects under construction in the current financial year.

Now let me update on your KSHIP project. In July 2014, we achieved financial closure of our KSHIP project tied up for Rs.280 Crores of debt. The project cost is approximately Rs.471 Crores. The project is on annuity basis with the concession period of 10 years. This is a grant of around Rs.136 Crores and semiannual annuity of Rs.39 Crores. The construction will begin in Q3.

Let me update you on the rating upgrade by CRISIL. CRISIL have upgraded its ratings on the bank facilities and debt program of the company. Long-term rating has been updated from CRISIL A+ positive to CRISIL AA minus stable. Short-term rating has been upgraded from CRISIL A1 to CRISIL A1+ and for commercial paper we have upgradation from A1 to A1+. The rating upgrade will help us in getting better rates and savings in interest cost.

I will give you projects status update. Currently there are three projects under construction. One project is at the implementation. All the projects which are under construction are progressing as per schedule. The company has completed 71% of EPC work on Dhankuni-Kharagpur project, 87% in Sambalpur-Baragarh project and 15% in Chennai ORR project.

As mentioned earlier, we have achieved financial closure for KSHIP project and construction would start as soon as we receive our appointed date in quarter three. I am happy to share that we have started the toll collection for 55.16 kilometer including elevated section of 5.7 kilometers from May 2014 for Pimpalgaon-Nasik-Gonde Project.

In May 2013, we had issued a termination notice for the concession agreement in respect of Cuttack-Angul Project and discussion with NHAI for further course of action. In July 2014, the SPV has signed a settlement and closeout agreement with NHAI for the project and has paid Rs.11.24 Crores in pursuance the same.

On Pune-Shirur Project Ashoka Infrastructure Limited an SPV which is managing Pune-Shirur project has stopped collection on August 8, 2014 as pertaining to the interim order by Honorable High Court, Mumbai. In this project, company has two awards in its favor approximately for three years and these are being contested at district court.

Let me update on your part T&D front. Recently company has been emerged as L1 bidder for new T&D projects of MSEDCL was Rs.263 Crores in the state of Maharashtra. Company has also emerged as lowest bidder for T&D projects was Rs.665 Crores in Bihar a few months back. However, recently the Power Distribution Company had cancelled the bids and they are put for rebidding. The company has emerged as lowest bidder for three projects was Rs.867 Crores and the company has now not included this in the balance order book.

Let me update you on the current order book. The balance order book position stands at Rs.3042 Crores of which road sector is 63% of total order book and remaining 37000 order book is power T&D. This order book does not include the power T&D projects worth Rs.1030 Crores by the company declared as lowest bidder.

I would now request Mr. Paresh Mehta to present the results for Q1FY2015.

Paresh Mehta:

Thank you Sir. Good afternoon friends. I am sure you heard in the positive to look at the result update presentation which we have uploaded on our website and also circulated to all.

The quarterly results I would now present for June 30, 2014. Our consolidated total income including other income for the first quarter FY2015 is Rs.633 Crores as compared to Rs.473 Crores in Q1 FY2015 which is happened 34%.

Construction revenue is Rs.524 Crores including other income compared to Rs.400 Crores in corresponding previous year growth of 31% and toll revenue is Rs.109 Crores as compared to Rs.73 Crores in the corresponding previous quarter with a growth of 49%.

Our EBITDA for Q1 FY2015 is Rs.145 Crores compared to Rs.98 Crores in corresponding quarter last year, a growth of 48%. Interest cost for Q1 FY2015 was Rs.47 Crores compared to Rs.29 Crores in Q1 FY2014.

Profit before tax is Rs.56 Crores and profit after tax is Rs.32 Crores in Q1 FY2015. Post interest and share of associate of the profit after tax is Q1 FY2015 is Rs.37 Crores. We are collecting toll of all of our projects in the portfolio except for Sambalpur-Baragarh project and annuities yet to be started for Chennai ORR and KSHIP project.

During Q1 FY2015 BOT division recorded a total collection of Rs.218 Crores of which Rs.109 Crores is recognized as toll revenue but it is approximately 17% of the total income with an EBITDA margin of 74%, Rs.53 Crores is adjusted against company's WIP of Dhankuni project and approximately Rs.56 Crores is from associate that is projected phase.

On the balance sheet side, your consolidate networth including minority interest is Rs.1738 Crores and consolidated gross debt is Rs.3299 Crores. The gross debt on standalone basis is Rs.331 Crores which comprises of Rs.47 Crores of equipment loan, Rs.274 Crores of working capital loan and Rs.10 Crores of project loan.

Cash and bank balances including current investments are Rs.106 Crores as of June 30, 2014. An equity requirement for the projects under construction as of June 30, 2014 to be invested Rs.250 Crores including Dhankuni project, Chennai ORR project and Karnataka project which will be funded by company's internal rules and money is drawn from SBI Macquarie as part of which Rs.800 Crores investment in the ACR.

With this update, we would like to leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shashikiran Rao from Standard Chartered Securities. Please go ahead.

Shashikiran Rao: Thanks for taking my question Sir. Can you please explain these circumstances under which you had quit Cuttack-Angul project and why you had to pay Rs.11.24 Crores? Our understanding would have been that may have to receive some compensation because you have terminated the project because of lack of approvals?

Satish Parakh: This Cuttack-Angul project, because of land acquisition and whereas from the environment clearances issue, the project award was delayed and we gave termination notice to NHAI. This termination notice was contested and court by NHAI and us and after prolonged discussion with NHAI ultimately we can grow conclusion which all other concessional have also followed forfeiting up EMD of 1%.

Shashikiran Rao: But you would have invested some equity also which would have?

Satish Parakh: We are just spend Rs.1 Crores on this project and this 11.24 was our EMD.

Shashikiran Rao: Did you consider alternative of actually taking up the project now that clearances have comes that it is coming little bit faster?

- Satish Parakh:** We looked that various alternatives, but NHAI was not in position to give us escalation on the project cost. This escalation on project was not considered, the project was becoming unviable.
- Shashikiran Rao:** My second question is on the EBITDA margin in this particular quarter, why you say about 12% compared to which you have been maintaining compared to which you have 15% historically, so what is contribution to that?
- Satish Parakh:** You have one of item of 11.24 Crores of Cuttack-Angul being paid which is included as part in the construction cost. So if you adjusted that it is within that range.
- Shashikiran Rao:** My last question, in your consol in the toll segment revenues, which are the projects do you not had through this to the revenues?
- Satish Parakh:** Dhankuni-Kharagpur we are not adding.
- Shashikiran Rao:** Then Belgaum-Dharwad you add to your revenues, right?
- Paresh Mehta:** In consolidated revenues? Exactly, I just tell you till February 28, 2014, Belgaum-Dharwad as well as Dhankuni-Kharagpur was not added in the toll revenues. As soon as we capitalized Belgaum projects that we have started making the P&L account of Belgaum project and accordingly line by line, by line by line totally, revenue of Belgaum is added.
- Shashikiran Rao:** Till when you did you not consolidate Belgaum-Dharwad?
- Satish Parakh:** February 28, 2014. So from March 1, 2014 we started it, so, last year one month of revenue was of Belgaum-Dharwad added to the top line of toll collection.
- Shashikiran Rao:** Great Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Viral Shah from SBI CAP Securities. Please go ahead.
- Viral Shah:** Good afternoon Sir. Just a follow up, the Cuttack-Angul projects, in the Cuttack-Angul, what is the project cost actuation as per your estimate because what I understand was is that the EPC cost what you are telling; estimating was around Rs.1000 Crores right?
- Paresh Mehta:** Right.
- Viral Shah:** So, post that, what would, say for example if we are assuming that we are taking the project and we are going to construct and then what would be that EPC cost increase?
- Paresh Mehta:** EPC cost has gone about around 30%, because we have lost three years since we have been at this.

- Viral Shah:** Got it Sir. Secondly Sir, in terms of Indore Allahabad project, what we are seeing in it, we are seeing the traffic growth of around, basically a revenue growth of around 32% year-on-year. So wanted to understand how has been the traffic growth and is there is any toll hike during the quarter for this project?
- Paresh Mehta:** Yes, there was a toll hike of 7%. Rest all is contribution of traffic growth. For various reasons like, border check post has started and one of the toll is also coming up in urban area, lot of activity has increased on the road as for this has become part of the Indore city now. So that has pushed the traffic.
- Viral Shah:** Just growth will be continued or it is one of the kind of things?
- Satish Parakh:** We have concession period up to August 16, 2014 and then we hope will be continuing.
- Viral Shah:** Secondly, is there, apart from Indore Allahabad, there has been any toll rate hike apart from this project or fully Allahabad has been hike during the quarter?
- Paresh Mehta:** No, there are various projects, which have got toll rate hike. I just list it down. In Belgaum-Dharwad, we had a toll rate hike of 5.56%. In the Dhankuni-Kharagpur project, another 5.5% rise. In the Bhandara-Durg and Wainganga projects we had around 10.25% rise.
- Viral Shah:** 7.2 you said right?
- Satish Parakh:** Yes 7.2. Then in the Jaora – Nayagaon project there was 10% rise. In the Pimpalgaon–Nasik–Gonde project again 5.5% rise, which was with effective from May 2014. The regular WCA rise also and there was a rate revision due to full completion of the road project.
- Viral Shah:** Lastly could you throw some light on Pune – Shirur project because it is similar to your Nagar-Karmala Project or something different has happened there because suddenly we have stopped tolling there?
- Paresh Mehta:** No it is similar to Nagar–Karmala. They have given PLR effect and this was being contested in the court level also, but High Court has also upheld, as of now you need to stop the toll collection and once the award are upheld by the district court then you can restart your tolls.
- Viral Shah:** So in that case, any loss of time would be recovered by extension of concession period or not?
- Paresh Mehta:** We are we have two awards in the companies favor amounting to around three years. So if our awards are upheld by district court we may get a period of three years or cash compensation for the period.
- Viral Shah:** The question why I am asking you is because when you look at your case of Nagar–Karmala, in the last FY'15 we have not collected the toll right, so when can we expect that to happen as well

because **till the time** I recollect there was around three years of concession that left in Nagar – Karmala as well.

Paresh Mehta: Right. Nagar–Karmala is also at arbitration stage. There we are yet to get arbitration award, but position is very much advanced stage where arbitration awards are already in favor of the company.

Viral Shah: Mainly, so we can expect 3Q or 4Q could be the quarter where it could start collection of toll or arbitration can become?

Paresh Mehta: Or we may get arbitration award in terms of cash from the government.

Viral Shah: Cash from the government.

Paresh Mehta: Yes.

Viral Shah: Thanks you and all the best for future.

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

Vibhor Singhal: Good afternoon Sir. I had a couple of questions. Would you mind repeating the debt numbers that you mentioned the debt at the parent and at consolidated level?

Satish Parakh: At the console level, the debt is Rs.3500 Crores, Rs.3499 to be specific and it is Rs.331 Crores.

Vibhor Singhal: Also Sir this KSHIP project so has it been decided, is it the part of the ABL portfolio or the ACL portfolio and will Macquarie be funding the part of the equity requirement for this project?

Satish Parakh: No it is part of ABL portfolio and Macquarie will not be a participant in that.

Vibhor Singhal: So the entire equity is going to come from ourself Sir, ABL only.

Satish Parakh: ABL and GVR. It is a 51:49 partnership.

Vibhor Singhal: Of course right. So the 50% equity has pumped in by us only.

Satish Parakh: Correct.

Vibhor Singhal: I will come back in the queue if I have more questions. Thank you.

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

- Achint Bhagat:** Good afternoon Sir. If I see your presentation in your revenue rise, it appears that in certain projects supposingly Bhandara for instance, Durg for instance, there has been a marginal traffic recovery. So from the flat traffic numbers that we are seeing in the last two quarters, have you been seen some recovery in traffic and if yes, what is driving this recovery?
- Satish Parakh:** It is basically a slight upbeat on the economy, not a very great movement, but 2% is, around 2% is what we are seeing 2% to 3%. So, I think so, it is more of an economic recovery since the acche din aayenge concept.
- Achint Bhagat:** So it is basically sentimental and not material goods movement yet?
- Satish Parakh:** This is goods movement finally at the end of the day that...
- Achint Bhagat:** Yes, I get the point, what I meant is that it is not basically driven by any kind of industrial capex recovery. It is basically good sentiment probably driving volumes.
- Satish Parakh:** Right.
- Achint Bhagat:** I get the point. Sir, of the Rs.800 Crores that Macquarie has to invest, how much have they already put in now?
- Satish Parakh:** Rs.623 Crores.
- Achint Bhagat:** This remains the same as the last quarter?
- Satish Parakh:** Next charge is expected to be gone down anytime in the next one, one and a half month. It takes some time for them to draw down.
- Achint Bhagat:** And their share would be, would remain at 35% of the ACL portfolio?
- Satish Parakh:** Yes 34%.
- Achint Bhagat:** 34% for entire Rs.800 Crores right?
- Satish Parakh:** Yes, correct.
- Achint Bhagat:** So now if I adjust, you said that your equity requirement is close to Rs.230 odd Crores, so of which probably Rs.150 Crores will be, Rs.150 Crores, Rs.160 Crores would be SBI-M and the balance would be you?
- Satish Parakh:** Yes, approximately one, I will tell you, in exact number it is around Rs.130 Crores will what comes from SBI and Macquarie and the balance we will have to fund.
- Achint Bhagat:** Sir in terms of, is there any kind of understanding from SBI or Macquarie to infuse further equity supposingly you get good size project, given that your prequalification is closed to Rs.4000

Crores now. If you get a few larger projects, is there a sort of an understanding that SBI Macquarie can actually pump in more than Rs.800 Crores. How do you plan to fund future growth capital?

Satish Parakh: Yes, when you enter into an agreement with them, they committed that they would invest another Rs.650 Crores, the funds available with them in their funds, so they have full intention of funding the new projects which has come in at least to the tune of Rs.650 Crores.

Achint Bhagat: With the same 12% to 14% committed IRR is it?

Satish Parakh: These are committed IRR so here it will be we did together. We both will arrive at the particular big number, so the profits for both of us to take whatever we move.

Achint Bhagat: The shareholding, in case they infuse more capital, you will value ACL and infuse equity in the same shareholding pattern as now, or their share would increase in ACL?

Satish Parakh: No, it will be in the ratio of 34%, 56%. They will inject 34% of whatever new investment is required and ABL will invest 66%.

Achint Bhagat: Perfect, get the point. Basically what I was trying to drive is that you would not have any sort of deficiencies for future growth capital right, in case the project awards picks up and you find projects reasonable?

Satish Parakh: We believe. We believe, so that this deficiency would not be challenge issue at all.

Achint Bhagat: How are you seeing the current environment in terms of road project or what, are you seeing some sort of pickup from either in the EPC or the BOT format because I guess your order book is, it will probably support growths for only one-and-a-half years, so how you are seeing this entire set up now?

Paresh Mehta: Yes, going ahead in Q3 and Q4 we see a lot of action from NHAI and states will be there in the bidding process. So there will be bids on EPC, bids on BOT, at NHAI, at MoRTH as well as all the states.

Achint Bhagat: Do you expect lower competition this bidding around and then what you have seen probably last time?

Satish Parakh: Competition as far as PPP projects would be very reasonable, but at EPC level maybe for first tranche of projects we may see some aggressive competition.

Achint Bhagat: Perfect Sir. Thanks a lot.

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

- Nitin Arora:** Just one thing, you said that Bhandara and Durg also got a tariff hike, that is, they got it in last September right and they are eligible for the next September now?
- Paresh Mehta:** Correct. But if you compare, Q1 FY 2015, Q1 FY 2014 you have to taken into account, the 5.5% tariff hike, which has happened in September 2013.
- Nitin Arora:** Correct Sir and the PNG you said they got a tariff hike of 5%?
- Paresh Mehta:** Yes, 5% tariff hike due to only basic tariff hike and another profit on toll rate was due to the completion of 100% of the project and infusion of the 5.6 kilometers of structure.
- Nitin Arora:** Just want to understand on Pune–Shirur; right now we have completely stopped the collection, the toll collection, is that correct, right?
- Paresh Mehta:** Yes.
- Nitin Arora:** I just want to know because Pune–Shirur was eligible for a tariff hike also, right, which is you are not getting it about 18%. So I mean when it gets extended, let us say by three years or even if we get a cash arbitration so, is there any sort of calculation we have done that how much we will be eligible based on that extension amount if we get?
- Paresh Mehta:** If now, it is pertaining to the compensation to be received and then what the tariff should be back working so supposed you have decided three years of toll period in extension, so it will be based on some value. If you back work it they may give the same toll rate or higher toll rate. If the same toll rates are considered it will be higher, if higher toll rates are considered it will be smaller, so it is still not part of the discussion what the toll rate should be.
- Nitin Arora:** The BOT EBITDA margin has come in at around 73%. Is it sustainable or any MMR has not taken and the provision was not taken in this quarter, so that is why the provision went, the margin went a little higher?
- Paresh Mehta:** No there is not any such a one of kind of item, which is left out, so it is kind of, because Belgaum-Dharwad has been added, which is a slightly higher revenue almost 17 to 17.5 lakhs of collection. So the EBITDA margin would typically sustain.
- Nitin Arora:** Can you give a little sense on the T&D side because we have been growing and taking orders now on the T&D part, which have been increasing, so first of all just wanted to know that what kind of a players you are seeing competition in the orders which you are bidding both at MSEDCL Maharashtra, Bihar and second what is the difference between you and let say L2, L3, so sort of that color if you can give?
- Satish Parakh:** Yes, we are started with Maharashtra in this T&D and now we have gone to Tamil Nadu. We are also now L1 in Bihar and we also working in Chhattisgarh. So we have developed independent

vertical, which is taking care of part in the projects. As far as competition and gap between L1 and L2 in one of the project it is 2.5% in another project it is around 4.5%.

Nitin Arora: When it is a specialized center, you are saying, because what, what I understand we do, we take the let us say transformers from the other players and we basically do not manufacture anything. He just does the in-lining part of that. I mean what sort of specialization is there. I mean I just wanted to understand the scope of work, what we do in this?

Paresh Mehta: We have the scope of what basically consists of laying of lines and carrying out substations and the work is right up to metering. So this is highly labor intensive kind of work, where a lot of project management skills are required and over the period company has been doing EPC business and that experience is really help us to complete this projects in time.

Nitin Arora: Sir in terms of the equity requirement you said Rs.250 Crores, it will be possible to break up project wise and how much will be our share left and remaining would be, if you can just give your share in that Rs.250 Crores?

Satish Parakh: I will tell you. As I said 215 Crores is the equity yet to be invested in the projects of which approximately Rs.150 Crores is pertaining to Dhankuni, Rs.47 Crores is pertaining to what you call Chennai ORR and Rs.14 Crores is pertaining to KSHIP. This is the breakup and based on what is the lag between what Macquarie get to invest, they have to invest approximately Rs.130 Crores. So the balance is ours to be invested, so out of Rs.250 Crores if I deduct 130 we are approximately around Rs.80 odd Crores to be invested.

Nitin Arora: Fair enough Sir. I have more questions. I will come back in the queue.

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

Devang Modi: Good afternoon Sir. Congratulations on a very good set of numbers. Sir, to begin with, I just wanted some clarity on the Pimpalgaon–Nasik project, what is the toll collection runrate, now we are seeing after the structure being included and what is the further ramp up that is possible in this project over the next couple of years?

Paresh Mehta: So the toll revenue after the project started in May, for June approximately we had a collection of around Rs.27, Rs.28 lakhs per day. We have also seen the monsoon having set just close to that end, maybe we will have to, post monsoon we will probably able to consider whether this is settle around say higher than this. We believe it should, but will have to see the monsoon, post monsoon. Otherwise it is in the range of around Rs.27, Rs.28 at present.

Devang Modi: Sir, once the base number is reached, whatever that number is post monsoon then that would be basically growing by the normal 10%, 12% rate?

Paresh Mehta: Correct, growth plus rate right.

- Devang Modi:** Sir, what would be, I mean, we clearly saw, what is the kind of progress that is happening on the BOT projects that we are executing, so what would be the process that is happening on the other road projects that we have obtained that is something like the Malshej Ahmednagar portion all those things how are those grids doing and how is the ramp up on the external road projects as of now?
- Paresh Mehta:** I think we lost the last portion?
- Devang Modi:** Basically I just wanted to know the ramp up on the other external road project per se, for which you are doing EPC?
- Paresh Mehta:** The other projects are in mobilization stage. Maharashtra we have two EPC contracts for Rs.300 Crores, so these are just in mobilization stage and KSHIP also we expect to start in Q3.
- Devang Modi:** From what I understand obviously, we will be looking at work from Sambalpur and Dhankuni will be ending next year, so what is the kind of order inflow as well as EPC revenue guidance for the road side that we are seeing in FY'15 and what is the kind of order inflow that you would be looking at in FY'15 and FY'16?
- Paresh Mehta:** We are seeing Q3 and Q4 will be a bidding season for NHI and for the states also and we expect good order book we acquired in this season.
- Devang Modi:** So what is the EPC revenue that we are targeting in FY'15 and at what sort of margins on the EPC side?
- Paresh Mehta:** This year we should see a ramp up of around 20% from the last year numbers.
- Devang Modi:** And consistently around 11%, 12% margin comfortably?
- Paresh Mehta:** Right.
- Devang Modi:** Sir on the Sambalpur-Baragarh project now I think it will be good to probably COD by December or probably earlier then what would be the expectation of the daily toll collection there?
- Paresh Mehta:** The collection number will not be able to disclose at this stage.
- Devang Modi:** Because we had seen that in somewhere Rs.20 lakhs a day, so it will be around that range?
- Paresh Mehta:** Since we will be doing partial completion, it will be less than that.
- Devang Modi:** Unfortunately just missed the cash balance number if you could just tell us that number?
- Satish Parakh:** 106.

- Devang Modi:** 106. All right Sir. That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Congratulations on good set of numbers. Few questions, first thing you just highlight when do we expect the Sambalpur partial tolling to start and then anything on the full tolling as well timelines on that?
- Paresh Mehta:** Yes, partial tolling around 83% of the, tolling would start within a month's time.
- Rakesh Vyas:** Any expectation on when we expect full tolling Sir?
- Paresh Mehta:** Full tolling may go up to December.
- Rakesh Vyas:** Is this because there is some?
- Paresh Mehta:** Depending upon the land acquisition, yes.
- Rakesh Vyas:** Land acquisition is still pending?
- Paresh Mehta:** It could be between December and March anywhere.
- Rakesh Vyas:** What is your expectation on Chennai ORR as to we have completed 15% so do we expect this to complete?
- Paresh Mehta:** We completed 15% till date and by the end of FY'16 we should be able to complete in the entire thing.
- Rakesh Vyas:** For this land acquisition is already in place?
- Paresh Mehta:** 97% of the land acquisition is cleared, 3% still we are struggling to get.
- Rakesh Vyas:** For the states that are coming up with bids in road sector, if you can highlight as to which those states are where we would be inclined and secondly you also highlighted that MORTH and NHAI is probably coming up with EPC mostly in second half, so if you can just throw some color on what you do expect the pipeline to be?
- Paresh Mehta:** See we are basically qualified in NHAI of around 20000 worth of projects plus we are expecting States like Tamil Nadu, Andhra Pradesh, Karnataka, Chhattisgarh, Madhya Pradesh to come out with various bids annuity and EPC both. So there will be a lot of activity in next two years on infrastructure highway front particularly.
- Rakesh Vyas:** Any estimate on where do you think NHAI awarding would be in terms of kilometers, etc? The numbers which we keep hearing?

- Paresh Mehta:** Yes, they do have very ambitious plans, but what we feel practically will end up awarding around 5000 kilometers.
- Rakesh Vyas:** 5000 still. But this includes MORTH or this is just NHAI?
- Paresh Mehta:** This is excluding MORTH.
- Rakesh Vyas:** So effectively closed to Rs.7000 Crores, Rs.8000 Crores from Central Government itself, or NHI plus MORTH?
- Paresh Mehta:** Yes.
- Rakesh Vyas:** Great Sir. Thank you so much. I will get back in queue.
- Moderator:** Thank you. The next question is from the line of Saurabh Arya from GMO & Co. Please go ahead.
- Saurabh Arya:** First of all congrats on good set of numbers. Sir my question is do we have any particular percentage of revenue which we are targeting in T&D segment or it would be opportunistic based completely, if we are not getting projects in road, so we can actually see a very huge activity in T&D from the company?
- Paresh Mehta:** T&D is basically an independent vertical developed by us and going ahead we are seeing distribution network in various states needs to be strengthened. Maharashtra was forefront to start this program then it was followed by Tamil Nadu, Chhattisgarh is now serious of sending their lines. Bihar has come out with more than 5000 Crores of project for spending their distribution network, so where as power generation is happening with a lot of activities, happening in transmission. All the states would need to strengthen their distribution network, so this is going to be a business by independent verticals will grow back since every year.
- Saurabh Arya:** But we would be restricting ourself to the distribution side only, right?
- Paresh Mehta:** We may extend to transmission side also.
- Saurabh Arya:** But, as of now?
- Paresh Mehta:** We have got EPC generation also. We have been bidding for transmission. We are not successful in getting any.
- Saurabh Arya:** But still, at a company level on EPC revenues, I understand that these two are different verticals, but do we have any goal in mind that we want to go to 30%, may be 40% or you would say that it will all depend upon?
- Paresh Mehta:** We will be successfully bidding in this sector going ahead for 5 to 10 years. So definitely we see grow up at least 20% every year from this.

- Saurabh Arya:** 20% every year from this particular period. Secondly Sir, Bihar bids got canceled and we have got it again now. Are these are similar projects, have we got at the similar pricing or there is increase in pricing?
- Paresh Mehta:** We have got at similar bidding pricing.
- Saurabh Arya:** Because two of the projects which we got earlier at Rs.650 Crores maybe Rs.617 Crores now those two, I think add up to Rs.730 Crores, is it right?
- Paresh Mehta:** No, now we have got three projects adding up to 867 Crores.
- Saurabh Arya:** Okay you would say that bidding parameter from our side is more or less similar. It is not decrease in pricing.
- Paresh Mehta:** No, no decrease in pricing.
- Saurabh Arya:** What was the reason of cancelation actually?
- Paresh Mehta:** Earlier their estimates were older and they could not sanction of entire process because they were 30%-40% above the estimate so we revised entire scope now and revised their estimates and now they are able to award because within the range of their estimates now.
- Saurabh Arya:** But who is funding all these projects in Bihar, Bihar government?
- Paresh Mehta:** This is all centrally funded projects.
- Saurabh Arya:** Sir I wanted to understand traffic increase has been as you said 1 or 2%, do we expect from meaningful improvement in this particular year or it kind of once again or may be in already one-half months have passed after the quarter, first quarter have you seen further explanation or still we are at similar level?
- Paresh Mehta:** We expect further acceleration no doubt and this is completely functioning of GDP growth, if country grows definitely traffic has to grow, whatever this is the bottom level we have seen now.
- Saurabh Arya:** But said apart from the country's GDP growth, I would say that state GDP would be in different shape, so would we expect?
- Paresh Mehta:** Yes both of roads also cater for through and through traffics for various states. Related traffics may be around 30% of the entire state, 70% normally commercial traffic is through-an-through.
- Saurabh Arya:** Thank you Sir. All the best Sir.
- Moderator:** Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

- Vinay Rohit:** Good afternoon Sir. Just couple of questions, first one is could you just help me with EPC revenue from Power T&D in this quarter.
- Satish Parakh:** This quarter includes approximately 60 Crores.
- Vinay Rohit:** 60 Crores. Okay and nothing from road EPC wise.
- Satish Parakh:** You want?
- Vinay Rohit:** I want for power road EPC and road BOT separate EPC revenue because we had three rights, we have external roads and we have power and we have road, which we are doing in BOT.
- Satish Parakh:** Right, on external roads we do not have anything on the road. What is the balance is totally on the road for captive.
- Vinay Rohit:** Okay and just what is the debt for Pimpalgaon-Nasik project?
- Satish Parakh:** Pimpalgaon-Nasik project would be approximately 1100.
- Vinay Rohit:** Just one thing this toll revenue from others has gone out from 5 Crores to 10 Crores and now close to 14 Crores. So what is the reason for that?
- Paresh Mehta:** This is basically it includes one toll collection contract, which we got from NHAI which is toll connection contract at Kognoli in Karnataka so that is added in others to toll collection revenue. It is more of a toll connection contract, which is only for one year, which started in the Q4 so if you see Q1 and Q2 that gap is there basically.
- Vinay Rohit:** Okay and I think we have filed with exchange that you are looking to seeking board approval for preferential allotments so are we looking to raise funds, any near term plan?
- Paresh Mehta:** It is board enabling resolution. It all depends on if we get some project in the near future may be in the next two quarters, I think so this is enabling resolution will help in going to that process faster.
- Vinay Rohit:** Thank you. That is all.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Good afternoon. Sir I missed your guidance from this EPC revenues for the year, could you help me with that again Sir?
- Satish Parakh:** Can you just repeat?

- Ashish Shah:** Actually I just missed the guidance which you gave for the EPC revenues for the year and there was some disconnect I missed it?
- Satish Parakh:** It was around 20% above the last year definitely, we will achieve that.
- Ashish Shah:** So also in your KSHIP project, is there any cost escalation from what you would have originally envisaged at the time of bidding because at this cost of over 71 Crores, IRR which I am getting is significantly lower than what I would have originally looked at. So do you share that view or there is something I am missing?
- Satish Parakh:** For structuring position, I believe IRR you can still manage because the equity envisaged for this project is 55 Crores only so I think you will have a good return on the project and the cost escalation there could be small rise definitely because there was a bit of delay up to six or seven months, but I think we can absorb that and do some value engineering to maintain the initial costing.
- Paresh Mehta:** We have also grant component of 136 Crores in this.
- Ashish Shah:** Right Sir. What is the IRR, we are looking at now for KSHIP?
- Satish Parakh:** Around 16 and 17.
- Ashish Shah:** 16 and 17 is still possible. Right Sir, lastly on your T&D business so you think that in terms of either margins are work-in-capital this would be very different from your other road EPC business because of which as you put a lot of these T&D projects in execution you might see some pressure on working capital or margins.
- Paresh Mehta:** Yes working capital normally in this projects higher and they are not capex intensive so in other EPC projects capex is high, in these projects working capital is high. We are going ahead and seeing at the orders of Bihar here we do not see any working capital requirements much because they have 15% of mobilization we have done, mobilization advance paid and even payment terms are better than Maharashtra projects.
- Ashish Shah:** Okay so one should not be probably expecting deterioration in the margin profile or the working capital levels of just because share of T&D might increase a bit in the times to come. I mean do you will be able to still largely I mean maintain the current levels of working capital and debt levels in the standalone company?
- Satish Parakh:** Reasonably we will be able to manage because there is mix of MSEDCL sales, Chennai that is Tamil Nadu projects as well as Bihar so MSEDCL projects are in the similar lines so they may probably require a bit of working capital but it will not be a big strain because go substantially margin in the high.
- Ashish Shah:** Right Sir. Okay. Thank you very much.

- Moderator:** Thank you. The next question is from the line of Naveen Jain from JM Financial. Please go ahead.
- Naveen Jain:** Good afternoon Sir. My first question is on given the fact that second half is going to see a lot of boarding activity from NHAI side and may be even some state government, do we have any specific targets for adding BOT projects let us say some this much project cost of anything in mind or is it going to be purely opportunity based and depends upon the project?
- Paresh Mehta:** It is more of opportunity based but we have good appetite to take up new projects.
- Naveen Jain:** Based on our current balance sheet given the fact that we also taken enabling solution for raising more money if required so based on the existing balance sheet, what worth project we can potentially take for rough estimate?
- Paresh Mehta:** As a business plan we are looking at over the next three to four years building up portfolio of around 6000 to 7000 Crores of projects in HEL (ph) so we believe that could be achieved with internal accruals as well as capital raising, which we get an opportunity today from capital market.
- Naveen Jain:** Sir, second thing so did we contribute any equity any of our projects in this quarter in June quarter at all?
- Paresh Mehta:** I think it is small portion I would not quarter wise I would not decrease (ph) immediately.
- Naveen Jain:** Sure. No problems Sir. Sir Dhankuni what is the kind of EPC contract that is less value?
- Paresh Mehta:** Dhankuni EPC value term fees is 600 Crores.
- Naveen Jain:** 600 Crores Sir. T&D projects particularly let us say in case of Bihar you mentioned that you have got 15% as mobilization advance. What is the kind of interest rate that they are charging on that mobilization advance?
- Paresh Mehta:** We are interest free.
- Naveen Jain:** Sir finally last question through this toll collection contract that we had which is going on right now, which is one year contract, what was the amount of toll collection during the quarter in this contract?
- Paresh Mehta:** Approximately 8 Crores.
- Naveen Jain:** Sorry how much.
- Paresh Mehta:** 8 Crores.
- Naveen Jain:** 8 Crores. Okay. Sure Sir. Thank you.

- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.
- Parvez Akhtar:** Good afternoon Sir. Sir just one question from my side. I am sorry if you have repeated this earlier but of the total toll hike that we have got in PNG project, you said 5.5% because of the normal toll hike so what is the percentage of toll hike because of completion of the entire project?
- Paresh Mehta:** Toll hike has happened almost to the tune of if I am not mistaken around 200% because of the structures as well as the 100% completion of the project. So I believe it is around but we will come back separately on what is the exact percentage hike in the toll collection rates.
- Parvez Akhtar:** You said 200%?
- Paresh Mehta:** Right.
- Parvez Akhtar:** Sure Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Achint Bhagat from Ambit Capital. Please go ahead.
- Achint Bhagat:** Sir my questions got done in other participant's questions. Thanks.
- Moderator:** Thank you. The next question is from the line of Viral Shah from SBI CAP Securities. Please go ahead.
- Viral Shah:** Sir the last question Sir just as we had done in the past one Nagar-Karmala, we had taken expense in FY'13 and FY'14. Are we looking to those same similar things for Pune-Shirur as well or not?
- Paresh Mehta:** Yes this will completely depend upon the results of district court, which we are expecting within months time.
- Viral Shah:** Thanks you. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Can you just clarify the PNG toll hike was 200% or 100%?
- Satish Parakh:** I think so 200% as let me come back again.
- Paresh Mehta:** It is the hike including the regular hike comes around 200% so earlier we were collecting around 10 or 11 lakhs, now we are collecting around 27 to 28 lakhs per day.

Rakesh Vyas: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Nitin Arora of Emkay Global for closing comments.

Nitin Arora: Well on behalf of Emkay, I would once again like to thank you all for joining the call today. Have a great day. Thank you everybody.

Moderator: Thank you Sir. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.