

IRB Infrastructure Developers Limited
Conference call
(3 November, 2009, 4.15 P.M.)

Rajkamal Bajaj: Good evening friends. I am Rajkamal Bajaj, Advisor to the Board of IRB. On behalf of IRB I welcome you all to the IRB Infrastructure Developers Limited conference call hosted by the company on the occasion of the results for the quarter ended September 2009. As you all know IRB is premier BOT Company and the largest toll collectors in the country and the focus continues to be on the BOT segment.

Let me know introduce you to the people that we have on the call from the company. We have with us the entire IRB team, Mr. Virendra Mhaiskar, Chairman and Managing Director; Mr. M.H Kale, Head – Cooperate Strategic Planning; Mr. Dhananjay Joshi, who is the Chief Operating Officer; Mr. Anil Yadav, Chief Financial Officer; Mr. Mehul Patel, Group Company Secretary. After Mr. Mhaiskar gives you an overview of the company, we will have a brief question and answer session. I now request Mr. Virendra Mhaiskar Chairman and Managing Director of IRB to give you the overview on the company and the developments during the September 2009 quarter, thank you.

Virendra Mhaiskar: Thank you Mr. Bajaj. At the outset let me welcome you all on the call. Before we present the results to you, let me first give you an overview of some of the significant developments that have happened during the September 2009 quarter.

First being successful upward revision in the toll rates on the Surat-Dahisar project with effect from September 1, 2009, by around 8.4%. This is one of the significant contributors of revenue to the company's portfolio of toll roads. Also toll connection from the Bharuch - Surat BOT project has commenced from 25th of September 2009. On project finance, the IRDP Kolhapur project has achieved financial closure by tying up debt of Rs. 258 Crores from public sector banks. We have been selected for the development of Greenfield Airport in the district of Sindhudurg in Maharashtra. The concession agreement with Maharashtra Industrial Development Corporation (MIDC) was signed on 25th September, 2009. The estimated project cost is approximately Rs.150 Crore with a concession period of 95 years. As a part of the agreement, the company will get around 650 acres of land from MIDC for this project. I foresee that Sindhudurg district will be a good tourist destination in comparison to Goa. In the road BOT segment, we have received letter of acceptance from NHA for the Amritsar-Pathankot four laning project, to Talegaon-Amaravati four laning project and the Jaipur – Deoli BOT project that is also a four laning project. The LOA on the Goa project is still awaited. SPV formation for these projects is in advance stage. At present, IRB is well capitalized to undertake its existing projects. The company also stands qualified to bid for additional project to be bit out by NHA and other state undertaking. The financial bid for these projects are likely to be called in the next six to eight months.

Now, Mr. Yadav who has been recently promoted as CFO, will highlight the company's financial result for September quarter and developments about company's existing BOT projects.

Anil Yadav: Thank you sir. Now let me present the consolidated financial number and their analysis for Q2 of FY10. Total consolidated income for Q2 of FY10 has gone up to Rs.363 Crore from Rs.210 Crores registering a growth of 73% over Q2 last year. Consolidated total toll revenue for Q2 have registered a growth of 50% and are at Rs.160 Crore from Rs.107 Crore in Q2 of earlier year and construction revenue during the Q2 has gone up from Rs.95 Crores in Q2 of last year to Rs.196 Crores registering a growth of 106%. EBITDA margin for Q2 of current financial year increased to 182 Crore from 108 Crore of Q2 of last year registering a growth of 69%. EBITDA margins in construction have improved from 17% of total income for Q2 of last year to 21% of total income of Q2 of current financial year. However, PAT margin is lower at 7.17% versus 8.65% of Q2 of last year due to higher depreciation and tax. Further, there is also improvement in EBITDA margin of BOT business which is increased from 84% to 87% for Q2 of last year versus Q2 of current year and PAT before minority interest margin is also increased from 30% to 37% for the same period . PBT has gone up to Rs.95 Crores in current Q2 from Rs.49 Crores registering a growth of 93% over corresponding quarter of previous year. The PAT for current Q2 is Rs. 74 Crores has increased by 80% from 41 Crores in Q2 of last year. Post minority interest, the PAT for Q2 FY 10 stands a Rs.71

Crores as compared to Rs.41 Crores in Q2 of FY 09 registering a growth of 72%. I would now like to update you on the development on the order book of the company with four new BOT contracts and airport project, the order book stands at Rs.9,900 Crores which comprises of EPC order book of Rs.7,600 Crores and O&M order book of Rs. 2,300 Crores, thank you.

Rajkamal Bajaj: Thank you Anil Yadav for giving highlights of the company's financial performance and development on the existing BOT projects. Now I request Dhananjay Joshi to inform you about the company's overall developments and our perspective on the sector outlook.

Dhananjay Joshi: Thank you sir. I would like to inform you that with addition of new four BOT projects of NHAI, the BOT portfolio is now comprised of 16 projects with total length of around 1124 kilometers and the company would remain to be one of the largest operational portfolios of BOT projects in the country. The share of IRB in the golden quadrilateral would be at 7.56%. With the commencement of toll collection from Bharuch -Surat project, the daily toll income has been increased to around Rs. 2.5 Crores on gross basis from all the operational BOT projects.

As far as sector is concerned, I would like to add that NHAI is going ahead which is NHDP program. Also the 11th five year plan of planning commission across priority to speedy completion of balance work under various stages of NHDP, also with the ministry ambition to complete 20 Kilometers roads per day all projects under NHDP phase I, II, III and V are likely to be come up for bidding soon. The company is pre-qualified for various highway project called on BOT or OMT basis aggregating to around Rs. 25,000 Crores. These bids have been called by various government agencies like NHAI, MSRDC, GSRDC and others. Bids for these projects are likely to be submitted over next six to eight months. The company will definitely bid for projects which are found viable. Overall, the pipeline of project at bidding stage is very strong and we will be participating for the same, thank you.

Rajkamal Bajaj: Friends, now I open the call for the question and answer session and we can start the Q and A session.

Virendra Mhaiskar: We would request you to limit your questions to two questions per person and please introduce yourself before asking the question. Thank you.

Moderator: Ladies and gentleman, we will now begin the question and answer session. If you have the question, please press * and 1 on your push button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdrawal your request, you may do so by pressing the hash key. Our first question comes from Mr. Shashikiran from SCB, please go ahead sir.

Shashikiran: Thanks for taking my question sir. Can you spell out which are the projects right now which are under LOA stage. .

Virendra Mhaiskar: Yes, as we mentioned, there are three projects, that is Amritsar - Pathankot, then Jaipur- Tonk- Deoli, and Talegaon- Amravati for which we have received the LOA and Panaji to Goa-Karnataka border we have emerged as the lowest bidder and are awaiting the LOA to come.

Shashikiran: Okay, and for which of the projects have you submitted Bid and are you awaiting results.

Virendra Mhaiskar: No, we have not submitted any bid where result is awaited. We have qualified for projects as we mentioned.

Shashikiran: Okay, and of the 25,000 Crores of prequalification that you have mentioned, can you just mention name of those projects and which are NHDP projects and state projects.

Virendra Mhaiskar: Yes, I will give you but we have put an entire list of these projects on the website giving the details of phase wise distribution of these projects.

Shashikiran: Okay.

Virendra Mhaiskar: I request you to refer to that because it's an elaborated list and there is a complete breakdown detail into the individual projects as well in the presentation.

Shashikiran: Okay sir that will be very helpful. Thanks.

Virendra Mhaiskar: The Presentation is already on the website of the Company.

Moderator: Thank you for your question Mr. Shashikiran. Our next question comes from Mr. Ajit from MK Global. Please go ahead sir.

Ajit: Yeah, good afternoon sir.

Virendra Mhaiskar: Good afternoon.

Ajit: Sir, just wanted to know, you said that during September, toll rates are hiked in Surat-Dahisar by 8%.

Dhanjay Joshi: Yeah by 8.4%, that is right.

Ajit: So this was the toll rate hike.

Virendra Mhaiskar: That is right.

Ajit: Yeah, so you know if I look at your per day collections on Surat -Dahisar then you know even after the toll hike, there seems to be a sequential decline you know from roughly about 85.5 Lakhs, it is about 84.7 even after a hike of 8% in the month of September. So, you know just wanted to know how has been the traffic flow in it. There seems to be decline even on a sequential basis.

Virendra Mhaiskar: No, there is no decline in the flow of the traffic on sequential basis in the project. On the contrary, if you see the rise has happened only from September 1 of that for only one month is factored into this.... but what is important is that during the monsoon, there is always a little bit of slow down in the traffic and if we compare that with other projects, I think we have seen a good amount of growth in the traffic in this project and beyond September also, we are seeing considerably good traffic flow. I mean what we started on 20th February from there if we look at it, there has been a growth in the traffic on the project.

Ajit: What is the current run rate daily collections.

Virendra Mhaiskar: We are collecting between 95 lacs to 1 Crore.

Ajit: Okay and on Bharuch-Surat, when is the total hike due.

Virendra Mhaiskar: Total hike due on Bharuch Surat will be next July.

Ajit: Next July.

Virendra Mhaiskar: Its a yearly reset every July.

Ajit: Okay fine, that is it from my side.

Moderator: Thank you for your question Mr. Ajit. Our next question comes from Mr. Devank Patel from Aventis Capital, please go ahead sir.

Devank Patel: Good afternoon sir. You have taken an enabling resolution to the 1200 Crores worth of funds, how much would be the equity portion within this?

Virendra Mhaiskar: We have just taken a board approval and we are yet to take the share holder's approval which is likely to happen at the end of this month and the enabling resolution allows the company to raise capital up to 1200 Crores but we have not firmed up anything as regards the instrument or the quantum and this is just an enabling resolution at this point.

Devank Patel: Sir, all the projects under development, what will be the total equity requirement and what is the cash you would have currently.

Virendra Mhaiskar: Our internal assessment suggest that for the projects which we have already won, we are comfortably funded and have strong cash flows to fund the equity infusion required for all these five projects which we have already won and going forward also, I think one or two more projects we can fund out of our internal accruals. The equity requirements for the five new projects that we have bagged would be in the range of around 1000 Crores over next three to four years.

Devank Patel: Okay, sir on the Goa project the LOA has been delayed, is there any particular reason.

Virendra Mhaiskar: No, there is no particular reason, it is just a matter of time I think any time we should get it now. It is a systemic issue that is all.

Devank Patel: Thank you sir.

Moderator: Thank you for your questions Mr. Devank. Our next question comes from Mr. Vaibhav Jain from Brics Securities, please go ahead sir.

Vaibhav Jain: Sir, regarding these four new projects, what are the indications that you are getting from Banks in terms of debt cost that you are likely to incur. I know it is little early but still I mean, what is the likely you know cost of interest debt.

Virendra Mhaiskar: See I think we should be able to close the debt at around 11% that is what we get as of now.

Vaibhav Jain: Okay and sir are you planning to you know are you exploring the option of take of financing by IIFCL I mean is there anything on those lines.

Virendra Mhaiskar: Yeah, as the projects have been bid beyond April 1, 2009, these projects are one of the first few projects which are eligible under the window offered by IIFCL but at this point, we have not thought of anything on that line.

Vaibhav Jain: Okay and sir in case of Bharuch-Surat, what are the toll collections per day?

Virendra Mhaiskar: Now, we are collecting close to 35 to 40 Lakhs on per day basis but I would still say that these are early days because it is still getting stabilized.

Vaibhav Jain: Okay sir, thank you. I will come back if I have more questions.

Moderator: Thank you for your question Mr. Vaibhav. Ladies and gentleman, if you have any questions, I request you to press * and 1 on your press button phone. Our next question comes from Mr. Saion from Nomura. Please go ahead sir.

Saion: Hi, thanks for taking my question. Sir, can you share the traffic estimates that you have for the new projects, the four new BOT projects that you have won.

Virendra Mhaiskar: It would be difficult because we are yet to tie up the finance for it, so it will be too early to give out that. . But once the financial closure is achieved may be after that we can share that with you.

Saion: Okay, so in terms of your capital structure for these projects post-grant what is the kind of debt equity you are looking for and your expectation on equity IRR for all these projects?

Virendra Mhaiskar: The four projects on the highway front, all put together, the total project cost should be around 4,300 Crores of which around 800 Crores will come in as way of NHAI grant, 1000 odd Crores will be equity on it and 2500 Crores would be the debt.

Saion: Okay sir, so this is the overall cost, sir not only the EPC cost. This is...

Virendra Mhaiskar: No this is project cost.

Saion: This will be project cost. Okay, okay sir, thanks a lot.

Moderator: Thank you for your question Mr. Saion. Our next question comes from Mr. Gautam from BNK Securities. Please go ahead sir.

Gautam: Good afternoon sir.

Virendra Mhaiskar: Yes afternoon.

Gautam: Sir, I wanted to know what will be the time frame for further milestone on the new projects won like concession agreement signing date and financial closure date.

Virendra Mhaiskar: The SPVs have been formed, and it is likely to happen that two of the concessions may be signed in this month and the balance one may be end of this month or early next month and financial closure we have kept time line up to end of March 2010, by April 2010 is when we expect the construction to begin.

Gautam: Okay, and sir secondly I wanted to clarify one thing regarding the new projects. You mentioned Rs. 43 Billion as the total project cost. Sir, similar amount is included in the EPC also. So sir, if I removed IDC then amount should be lower so it would be great if you could please highlight the thing.

Virendra Mhaiskar: Yeah, this is expected that total cost may be 100 Crores up, once the models are finalized with lenders, we will let you know on that.

Gautam: Fine sir, thank you very much.

Moderator: Thank you for your question Mr. Gautam. Our next question comes from Mr. Devank Patel from Aventis Capital, please go ahead sir.

Devank Patel: Sir, I wanted to take a quick update on the real estate project, the presentation mentions that 150 to 200 Acres will be acquired in the next 6 to 8 months, so are we moving on that project?

Virendra Mhaiskar: We have received 63-2A permission and balance permissions, we are hopeful to get in the next 6 to 8 months, so post that yes we will start moving on that.

Devank Patel: So, we will have all the lands acquired in the next 6 to 8 months and start.

Virendra Mhaiskar: May not be but with the land already in hand, we will be able to move forward on the project.

Devank Patel: And when you say move forward, are you looking to start construction.

Virendra Mhaiskar: It has to be developed in a phased manner and may be we will be in a position to start first phase on it after 6 to 8 months.

Devank Patel: Sir and broadly when are you expecting new orders to flow from NHAI.

Virendra Mhaiskar: See if you go to the NHAI website, there is a whole list of projects which gives the exact date for each bid submission and this varies from as early as 15th of this month going right up to March.

Devank Patel: Right, sir and just sir quick update, how much cash would you have, surplus cash across the group.

Virendra Mhaiskar: By September end we are having cash of Rs. 468 Crores.

Devank Patel: And you would this still hoping in meeting the 1000 Crores of equity that you would need.

Virendra Mhaiskar: Yeah, it will form part of it.

Devank Patel: And how much would you need for the real estate projects.

Virendra Mhaiskar: For Real estate, we would not be needing much because the route that we will be adopting will be a joint development, so we will be roping -in a joint developer as and when the opportunity arises.

Devank Patel: Sure, thank you so much.

Moderator: Thank you for your question Mr. Devank. Our next question comes from Mr. Ankush from Kantilal Securities. Please go ahead sir.

Ankush: Hello. Sir, I need to ask what the total CAPEX was for this quarter and your debt equity ratio, current.

Virendra Mhaiskar: The debt equity ratio is around 1.4:1 and the CAPEX was very nominal this quarter hardly around 5 to 10 Crores.

Ankush: Okay, thank you sir.

Moderator: Thank you for your question Mr. Ankush. Our next question comes from Mr. Hardik Shah from Religare, please go ahead sir.

Hardik Shah: Yeah sir, how much worth of projects that we are planning to add in our portfolio over next 3 to 4 years and second question is that on the existing balance sheet strength how much worth of project that we can take up without any fund raising.

Virendra Mhaiskar: I think without any fund raising if we look at the time cycle of around 4 years as execution time cycle, we can do projects worth around 6000 Crores out of our internal accruals of which around 4500 Crores worth projects we have already bagged.

Hardik Shah: So pending 1500 Crores worth of projects.

Virendra Mhaiskar: Yeah, around 1500 to 2000 Crores is the head room that we still have on our hand.

Hardik Shah: And sir, overall how much we are expecting to add in our portfolio over 3 to 4 years down the line.

Virendra Mhaiskar: We as a leading player would surely be targeting to keep our lead in the race but point is that it is a complete open question and as I said as on this point in time, we are qualified for around 25000 Crores of project and it will have to be really seen as to what number of projects we are able to win.

Hardik Shah: Okay and sir one more question is that, do we have any plan to diversify our business portfolio say in the power or wind power or sort of projects?

Virendra Mhaiskar: As of wind power, we do have 20 Megawatts of wind power in our books which are already operational but beyond that we do not have any plans to diversify except for the airport project that we have now bagged.

Hardik Shah: Okay, so focus will be continue on the BOT apart from these two small projects.

Virendra Mhaiskar: Yes, BOT toll roads will be the core sector focus of the company.

Hardik Shah: Okay sir, thanks a lot that is it from my side.

Virendra Mhaiskar: Thank you.

Moderator: Thank you for your question Mr. Hardik. Our next question comes from Mr. Srinivas Rao from HDFC, please go ahead sir.

Srinivas: Good evening sir.

Virendra Mhaiskar: Very good evening.

Srinivas: I just wanted to get a sense from you on how is the traffic you know whether it is in terms of PCUs for the month of October, you know I know some projects you cannot compare YOY but can you still give us some sense for the three key project.

Virendra Mhaiskar: Yes, Srin, we are seeing a definite growth on Mumbai - Pune, Surat -Dahisar as well as Bharuch- Surat.

Srinivas: Is it possible to quantify it?

Virendra Mhaiskar: Quantifying at this time will be difficult but sure shot growth is seen.

Rajkamal Bajaj: But if you see Mumbai -Pune, Srin, compare September 2009 with September 2008 quarter, so there you can easily see a growth of in excess of 5% actually.

Srinivas: Okay, I was trying to understand similar numbers say for October and volume you know there was.

Virendra Mhaiskar: I think we will have comparables ready within a year because Surat- Dahisar as I said, now we are plugging in around 95 lacs to 1 Crore a day which we started from 85 lacs to 90 lacs instead.

Srinivas: Okay, but this is also includes toll rate increase, that is what I was thinking in terms of volumes.....

Virendra Mhaiskar: Then it should logically go to 92 to 93 Lakhs but we are collecting between 95 and 1, we have crossed 1 Crores also on few days.

Srinivas: Okay and what is the current interest rate sir on the Surat-Dahisar project. Interest rate that we are paying on the debt.

Virendra Mhaiskar: Interest rate is at around 12 - 12.5%.

Srinivas: Okay and last question from my side you know what is the total CAPEX now we are expecting to be in FY10 and next year based on current projects.

Virendra Mhaiskar: Based on current projects as I said the CAPEX for the new construction equipment, I do not think, there is any large CAPEX to happen at best around 25 to 40 Crores.

Srinivas: Okay and other project wise, if you can give me consolidated you know capital expenditure this year and next year.

Virendra Mhaiskar: Capital expenditure in terms of equipment as I said will be 25 to 40 Crores and as far as equity infusion in to SPVs is concerned for Surat- Dahisar, we do not have equity investment coming up until next September, then for Bharuch- Surat, we have already done, Kolhapur, we have another 100 odd Crores of equity to go into it and for this new four projects we would be requiring equity of around 1000 Crores which would be required over a period of next three to three and a half years.

Srinivas: You mentioned, sorry okay, I think I was referring to project cost not just the equity cost that you would spend over the next FY10 and FY11.

Virendra Mhaiskar: Yeah project cost, the outstanding order book EPC would be around 7700 Crores which is to be executed over next three and a half years.

Srinivas: Okay, for the current year, any approximate number you can share.

Virendra Mhaiskar: I will not be able to give any guidance on that. For current year, Srini, the you know the CAPEX would be only on account on Surat-Dahisar and Kolhapur project because the four new BOT projects would start from the financial year FY10 and FY11 actually.

Srinivas: And one more question, can you tell us the reason for increase in margins in construction business.

Virendra Mhaiskar: That is primarily due to reduction in the raw material cost.

Srinivas: Okay great, thank you.

Virendra Mhaiskar: Thank you Srinivas.

Moderator: Thank you. Our next question comes from Mr. Abhinav Bhandari from Elara Capital. Please go ahead sir.

Abhinav Bhandari: First of all congratulation sir for a strong quarter. Couple of questions, Surat-Dahisar just wanted to know the stretch, what is the percentage we have completed on the stretch, what amount of equity have gone in and what is the debt that we have drawn.

Virendra Mhaiskar: We have completed construction was around 200 odd Crores that is around 10% and as the equity was brought upfront almost 50% of it, so balance equity infusion is not happening now, it would only happen next September.

Abhinav Bhandari: What about debt sir.

Virendra Mhaiskar: Roughly 170 Crores of debt has invested on the project.

Abhinav Bhandari: This equity portion 50% which you said is so the equal amount has been chipped in by Deutsche Bank also?

Virendra Mhaiskar: No, Deutsche Bank only have 10% stake in that.

Abhinav Bhandari: No, I mean of this 50 is there a proportionate amount of there also?

Virendra Mhaiskar: Yes, equity in there proportion of 10%, they already have got it.

Abhinav Bhandari: Okay and can you provide the same status for Kolhapur, I guess you started the construction of the stretch earlier only prior to financial closure. So, how much has that been completed.

Rajkamal bajaj: Yeah, Kolhapur the total project expenditure which is incurred up to September is roughly about 122 Crores and essential out of which now we have taken a disbursement of about 70 odd Crores from the bank and the balance about 55 Crores is bought in by way of equity.

Abhinav Bhandari: Right, and here what would be total equity and debt sir?

Virendra Mhaiskar: Total debt is 258 Crores, total project cost is 430 Crores and balance is equity. So, 430 minus 258 is the equity component.

Abhinav Bhandari: And this include the hotel project cost also or that will.

Virendra Mhaiskar: No, hotel project cost will be different.

Abhinav Bhandari: So, what is the progress on that front sir?

Virendra Mhaikar: See there is a milestone that after 25% completion of the IRDP project the land will be handed over, now we are nearing that milestone so that lease agreements is at an advance stage of being signed between Kolhapur Municipal Corporation and the company and once that is done then the development on that can be taken up.

Abhinav Bhandari: Okay, and one last question sir what would be our consolidated debt on books IRB?

Virendra Mhaikar: Around 2600 crores.

Abhinav Bhandari: Okay, thanks a lot sir that is it from my side.

Virendra Mhaikar: Thank you.

Moderator: Thank you for your question Mr. Abhinav. Our next question comes from Mr. Naveen Jain from Reliance Equities, please go ahead sir.

Naveen Jain: Good afternoon sir.

Virendra Mhaikar: Good afternoon.

Naveen Jain: Sir, your Kolhapur project on which you achieved the Financial Closure very recently, what is the cost of debt on that project?

Virendra Mhaikar: The cost of debt over there is presently 12%.

Naveen Jain: 12%, and sir while look at the debt equity mix in this project its pretty high in favor of equity, so generally its at least about 70-30 for this kind of projects so any specific reason is this project?

Virendra Mhaikar: You are right but the point is that Indian debt market the debt normally the banks are not comfortable giving the debt for a period of more than 15 years and one has to structure the debt equity depending on the repayment ability in 15 years. Now this particular concession is for 30 years and for such long concession periods funding lines are not available for a period beyond 15 years, so keep a comfortable debt service coverage ratio whatever is the reliable debt that has been taken.

Naveen Jain: Okay, so this is repayable over what period.

Virendra Mhaikar: Repayable over almost about 15 years.

Naveen Jain: 15 years, okay and sir your construction business this quarter was a particularly good quarter in terms of margins, was it because the Bharuch- Surat project got completed in this project so there may be some extra profit booking that might have happened because of this you know just an accounting effect or is it something that you are looking at as a consistent trend going forward?

Virendra Mhaikar: We believe that it will be a consistent trend going forward.

Naveen Jain: Okay and sir your now your Surat- Dahisar project what is the project cost that you are looking at right now because earlier we were thinking about some saving or some.

Virendra Mhaikar: We should be able to close the project in around 2400 odd Crores.

Naveen Jain: That is the construction component or overall?

Virendra Mhaikar: No, overall project cost.

Naveen Jain: Okay and what is the given exact EPC contract to our construction arm or more is it like?

Virendra Mhaikar: EPC contract is of the construction arm.

Naveen Jain: That 2400 Crores

Virendra Mhaikar: Yeah.

Naveen Jain: So, there will be some IDC over and above that.

Virendra Mhaikar: There is no IDC getting capitalized because what happens is this project that tolling has already started, so, IDC is directly debited to P&L account.

Naveen Jain: Okay, but sir your, I mean you are not providing for depreciation or aromatization on this project because that will happen only after the construction.

Virendra Mhaikar: Yes, it is right now being capitalized and it will have to aromatized once the construction is completed.

Naveen Jain: Okay and sir this 8.4% hike that happened that was how, what was our basis of calculation was it purely to.

Virendra Mhaikar: It will be linked to WPI so average WPI increase over the last one year is what the effect has been.

Naveen Jain: Okay sir.

Virendra Mhaikar: In terms of rise in the toll rate.

Naveen Jain: Okay and sir my last question on your construction business, can you give me the level of debt in MRM book right now?

Virendra Mhaikar: Around 250 Crores.

Naveen Jain: 250 Crores, this is all external debt?

Virendra Mhaikar: No, it includes internal debt as well.

Naveen Jain: Okay, so could you will you be able to.

Virendra Mhaikar: The debt would be close to 100 Crore.

Naveen Jain: Okay, sure sir.

Virendra Mhaikar: It is all primarily construction equipment finance, there is otherwise no debt on the book.

Naveen Jain: Okay, sure sir thanks a lot.

Rajkamal Bajaj: Thank you for your question Mr. Naveen. Our next question comes from Mr. Vishal Sharma from BNP Paribas, please go ahead sir.

Vishal Sharma: Yes good afternoon sir.

Virendra Mhaikar: Good afternoon.

Vishal Sharma: My question is on your average interest cost overall, what is your average interest cost, interest rate?

Virendra Mhaikar: the average interest rate at this point would be close to 12% but the reset for Mumbai -Pune project as well as Bharuch- Surat is at the moment under negotiation, so only after that we will be able to give you a correct average interest cost for the near future.

Vishal Sharma: Okay, is it possible for I mean even for the other debts for you to go and negotiate lower interest at this point of time?

Virendra Mhaikar: That could be possible as on the reset date which for Bharuch- Surat and Mumbai -Pune are under way but it will be only after around next February.

Vishal Sharma: Okay, my second question is on the 1000 Crores of equity that you are talking about infusion in the new project, approximately how much will be you infusion between now and March end?

Virendra Mhaikar: Between now and March end, there is a very little equity requirement that would primarily for the initial mobilization but we expect the project actually to kick start only from April 10th.

Vishal Sharma: Okay and typical road construction time frame is not that somewhere about 30 months because I feel like you mentioned three to four years of completion time frame.

Virendra Mhaikar: Yeah, because why we said that was because now six months goes in the financial closure after that 30 months for construction. So, it normally goes to 3 and the time line from when we got the tender if you look into the total time line it comes to around three and a half year.

Vishal Sharma: But the physical construction somewhere about 30 months, okay all right sir thank you so much.

Moderator: Thank you for your question Mr. Vishal. Our next question comes from Ms. Divya from Arihant Capital Market, please go ahead ma'am.

Divya: Good evening sir congratulations for good set of numbers. Most of my questions had answered, I just wanted to know what has been the reason for the growth in the effective tax rate.

Virendra Mhaikar: That is because of the MAT going up. MAT has gone up now the effective MAT rate comes to around 17%.

Divya: Okay, so for full year what will be debt?

Virendra Mhaikar: If all are having 80 IA benefit result of which we have only MAT fully paid on those profit, so as the MAT has gone up to almost 17% that is why increase on the tax side.

Divya: Okay, and for construction you will be paying full tax.

Virendra Mhaikar: Yes, we will pay full tax.

Divya: Okay fine fair enough, thank you sir.

Rajkamal Bajaj: Thank you for your question Ms. Divya. Our next question comes from Mr. Sandeep from UBS, please go ahead sir.

Sandeep: Sir, good afternoon, on this tax rate is there any way that we are going to get reimbursed for the projects which are already operation on which MAT has changed?

Virendra Mhaikar: Sandeep I do not think that it will happen because there are different interpretations in the industry on this but the point is that if I am right on what I am saying the tender clauses says if there is any change of law then we are entitled for reimbursement on account of those. So, here what is happened is MAT already existed on the effective rate has gone up, so there has be no change of law. So, what will happen only is that MAT credit that we get that additional credit we will be able to get and offset it over the next two more years, but I do not think there will be any reimbursement happening only the credit can be taken as I just said in the further year.

Sandeep: Okay, sir my second question is that it seems that traffic on some of the very smallest stretches like Kaman, Kharpada, Pune, Sholapur has gone down is that correct, there has been a degrowth in traffic?

Virendra Mhaikar: few projects we have seen over the last one or two quarter but if you see even there you will find that de-growth is reducing very rapidly.

Sandeep: Right.

Virendra Mhaikar: May be because of the effect of the last year which is still being felt and likely to vanish soon.

Sandeep: Okay thank you sir.

Moderator: Thank you for your question Mr. Sandeep. Our next question comes from Mr. Vaibhav Jain from Brics Securities, please go ahead sir.

Vaibhav Jain: Sir, I just wanted to know the interest rate applicable interest rate on the Mumbai project right now?

Virendra Mhaikar: Mumbai-Pune project, we are paying around 12.5% at this time that the reset was due from October 1, 2009 and whereas at advanced stage on renegotiating that interest rate with the banker and we will be able to come out on the final rate that we are able to negotiate by end of this month.

Vaibhav Jain: Sir, can you give any indication it would be like reset will be lower or more than that?

Virendra Mhaikar: No, it is likely to be lower.

Vaibhav Jain: Okay, somewhere around 11%, is that.

Virendra Mhaikar: Let see wait for the final things what the banks agree, what we expect that you know the reset would be lower than the current rates especially.

Vaibhav Jain: Okay sir, thank you.

Moderator: Thank you for your question Mr. Vaibhav. Our next question comes from Mr. Balaji from DBS, please go ahead sir.

Balaji: Hi sir, sir as you mentioned in the last concall that the regarding Surat, there is a project that your cost is likely to be down by 20% which means around as you mentioned 2400 crores for the project and as you mentioned that it will be part SPV, capitalized cost will be 2400 Crores for the project or it will be 2850?

Virendra Mhaikar: No, the project cost is likely to end at 2400 Crores.

Balaji: Yes sir, so the capitalized cost will be 2400 Crores.

Virendra Mhaikar: Yeah.

Balaji: Okay sir, so your equity portion will remain 879 Crores or equity will be lower.

Virendra Mhaikar: No equity will remain same.

Balaji: Okay, so you will draw less debt .

Virendra Mhaikar: We will draw less debt.

Balaji: Okay sir, that is it.

Moderator: Thank you for your question Mr. Balaji. Our next question comes from Mr. Ajith from MK Global. Please go ahead sir.

Ajith: Yeah, just you know had a follow up question, sir if like look at your like to like you know revenue growth you know for projects which are operational now and for last year it is about 6.1%.

Virendra Mhaikar: I did not get you.

Ajith: Like, I said look at revenue growth for BOT projects in on a like-to-like basis excluding the projects which have ended ie Bhiwadi Wada & Khambatki and excluding the two projects Surat-Dahisar and Bharuch- Surat, your revenue growth is about 6.1% on a submission basis if I do the sum of revenue collection, so you know can you throw some light on how much of this has come from volume and how much has come from rate hike.

Virendra Mhaikar: Most of it has come by way of volume only where as there is no rate. revision that has come.

Dhanjay Joshi: Sir if you see Mumbai -Pune is significant, Mumbai -Pune, there has been no rate revision actually, so that contributes significant portion of the revenue.

Ajith: Yeah because you know couple of projects like one is Surat, even the Thane- Bhiwandi by pass seen some rate hike, the revenue growth is 14% there.

Dhanjay Joshi: Yeah, that is around 7% is rate hike,15% is the traffic growth.

Ajith: Okay and on the four new projects sir if I look at you know you said about 4300 Crores, the total project cost out of which you know equity and you know grant is roughly about 1800 Crores, so even if I consider both of them.

Virendra Mhaikar: Grant is 800 Crores.

Ajith: Yeah, equity is 1000 Crores, grant is roughly about 800 Crores, balance 2500 Crores debt. So, you know even then you know the project seems to be you know sub-optimally leverage showed about 58 odd percent debt equity, so you know do you think that you know there is some scope of you know increasing the leverage in this project or it is done now.

Virendra mhaikar: I think I would put it again this in logic that the successions for this project range from 20 years to 30 years whereas the debt availability in India the period not more than 15 year. So one has to look at that if remain time and structure the debt equity portion.

Ajith: Okay.

Virendra Mhaikar: So, where it has been structured, the debt should be off the books in 15 years for all the four projects vis-à-vis the construction which ranges between 20 years and 30 years.

Ajith: Okay, thank you sir.

Virendra Mhaikar : And that technically if you see you know if you remove the grant portion from the project cost and then if you calculate the debt and equity, I do not think it is suboptimally leverage you know. The lenders would always consider you know that debt is about equity portion only.

Ajith: Okay, thanks a lot sir.

Moderator: Thank you for your question Mr. Ajith. Our next question comes from Ms. Prachi from Indsec Securities. Please go ahead ma'am.

Prachi: Good evening sir. Sir for the four new projects by when the revenues are expected to flow in.

Virendra Mhaikar: We believe that we will be able to start the construction by April 2010 and 30 months is the construction period so it ends September 2012, so the revenues will come in the second half of financial year 2012-2013.

Prachi: Okay and sir out of the balanced 12 projects are all projects contributing to revenue or there are some projects are yet too...

Virendra Mhaikar: Except Kolhapur all other projects are bringing in revenue by October.

Prachi: Okay except Kolahpur.

Virendra Mhaikar: Yeah except Kolhapur that is right.

Prachi: Okay and by when Kolhapur would start contributing.

Virendra Mhaikar: Kolahpur, I think January 2011.

Prachi: Okay, thank you sir.

Moderator: Thank you for your question, Ms. Prachi. Our next question comes from Mr. Ankush from Kantilal Securities. Please go ahead sir.

Ankush: Hello.

Virendra Mhaikar: Hello.

Ankush: Sir, most of our question has been answered. Thank you sir.

Moderator: Mr. Ankush are you through with your question.

Ankush: Yeah, I have told most of the questions have been answered.

Moderator: Thank you for your questions sir. Thank you. Our next question comes from Mr. Sandeep from UBS, please go ahead sir.

Sandeep: Sir, I have two more questions; one is what is the expectation in terms of the stabilized revenue from Bharuch- Surat per day?

Virendra Mhaikar: Stabilized revenue should be in the range of around 40 Lakhs is what we believe.

Sandeep: Okay fine and sir secondly what is the outlook for CAPEX in the construction business in FY11 given that you would be having four additional projects under construction during that time.

Virendra Mhaikar: Not more than 50 Crores.

Sandeep: Okay, thank you sir.

Moderator: Thank you for your question Mr. Sandeep. Our next question comes from Mr. Shailesh Shah from CKP Securities. Please go ahead sir.

Shailesh Shah: Hello Mr. Mhaikar.

Virendra Mhaikar: Hello.

Shailesh Shah: Hi, you said that you have passed an enabling resolution, so how much that was total 1200 Crores if I have not mistaken. Sir how much would you need to raise.

Virendra Mhaikar: As I mentioned for the existing projects, we are well capitalized and this is an enabling resolution at this point which we still have to get through with the share holders.

Shailesh Shah: Okay, and what about the closure of these four projects, when do you expect them to happen.

Virendra Mhaikar: Confident of closing it before March.

Shailesh Shah: Okay, thanks a lot.

Moderator: Thank you for your question Mr. Shailesh. Our next question comes from Mr. Shashikiran from SCB, please go ahead sir.

Shashikiran: Thank you for taking my question again. I have two questions; one is on Kolahpur, what is your revenue expectation per day once the project commences.

Virendra Mhaikar: We will not be able to give that projection now.

Shashikiran: Okay, but what ROE have you targeted for that project.

Virendra Mhaikar: The average ROE, we expect to be in the range of around 18%.

Shashikiran: Okay, other question is on when is the next toll hike due for Mumbai-Pune project.

Virendra Mhaikar: It will be in April 2011.

Shashikiran: Okay, Mumbai- Pune express way does not follow NHA's toll hike policy or is it.

Virendra Mhaikar: It is a state subject and they have 18% growth in tariff in every third year.

Shashikiran: Okay, thanks a lot sir.

Moderator: Thank you for your question Mr. Shashikiran. Our next question comes from Mr. Suryakant from Sunidhi Securities, please go ahead sir.

Suryakant: Good evening sir. I have just one question. We have already from the SPV projects so going ahead what would be our strategy I mean we are looking for ethnic time or financial closure, we are looking for the technical tie-up with any party and what exactly is the strategy behind this Airport projects.

Virendra Mhaikar: See the airport project is a niche project, because we believe that as we understand the geography well, it's closeness to the Goa is something which interested us in the project because Goa existing airport is naval airport and airport in the same vicinity makes it strategically very important according to us.

Suryakant: We also have like 350 odd acres of land which is not going to be used for the airport, so how you are going to use those areas.

Virendra Mhaikar: the bid conditions provide and allow us to use it for commercial purposes.

Suryakant: Okay, so we already have in plans for that.

Virendra Mhaikar: The business plan is being drawn. The concession agreement has been signed and we are yet to firm up that.

Suryakant: Okay, thank you.

Moderator: Thank you for your question, Mr. Suryakant. Our next question comes from Mr. Saion from Nomura. Please go ahead sir.

Saion: Yeah, my question, sir just wanted to know if you can share what kind of you know construction revenue that you are targeting this year.

Virendra Mhaikar: It would be difficult to give a specific number but as I said, Surat- Dahisar and Kolhapur together if you look the total order book to be executed is around 3000 Crores and that has to be executed over 3 years, so that can give you some sense may be.

Saion: Okay great and sir the other thing I wanted to check was what is the outstanding debt on Bharuch -Surat as of now and since the project is operational you have started expensing interest cost now.

Virendra Mhaikar: Yes.

Saion: Yeah, what is the outstanding debt sir on this.

Virendra Mhaikar: Around 1200 Crores.

Saion: So, 10% would be the cost, so around 120 Crores run rate we will have the interest expense on this project.

Virendra Mhaikar: Yes.

Saion: Okay and we will have the full quarter impact next quarter, that is Q3 onwards .

Virendra Mhaikar: Yeah.

Saion: Okay, got it, thanks a lot.

Moderator: Thank you for your question Mr. Saion. Our next question comes from Mr. Naveen Jain from Reliance Equities, please go ahead sir.

Naveen Jain: Sir just had a couple of follow up questions. You know just is to understand your Surat- Dahisar project and this is more clearly you know since you have already started generating internal accruals from this project in terms of you started collecting tolls and all, so how will this debt equity makes you know shaped by the end of the construction of this project. What exactly will likely be the scenario for this project.

Virendra Mhaikar: The likely scenario will be around 544 Crores of equity around 300 odd Crores of internal accruals and balance would be debt.

Naveen Jain: Okay, about 300 Crores of internal accrual is what you are targeting. Okay, and is there a maximum amount of debt over cap on the debt that you can draw on this project, I mean for what amount it is closed.

Virendra Mhaikar: See, in terms of the bank tie up what we have we have tie up to 1956 Crores of debt that we can draw but as we mention we are likely to close the project at a lesser cost which would result in a draw down of a lesser debt.

Naveen Jain: Okay, sure, the second question was on MRM, you know can you give me the figure of capital employed in MRM.

Virendra Mhaikar: Capital employed in MRM one second, I will just try and give it to you.

Virendra Mhaikar: Yeah, it is around 197 Crores .including reserves.

Naveen Jain: Okay, that is the share capital plus debt of about 250 Crores.

Virendra Mhaikar: Yeah.

Naveen Jain: Okay sir, sure, thanks.

Moderator: Thank you for your question Mr. Naveen. Our next question comes from Mr. Abhinav Bhandari from Elara Capital, please go ahead sir.

Abhinav Bhandari: Sir, just a follow up question, one is how much debt would be there as of now outstanding on Mumbai- Pune expressway and the second one is MRMPL what would be the current gross block.

Virendra Mhaikar: The MIPL outstanding debt would be around 1030 Crores and MRM, the gross block would be around 384 Crores.

Abhinav Bhandari: Right thanks a lot sir.

Moderator: Mr. Abhinav are you through with your question.

Abhinav Bhandari: Yeah.

Moderator: Thank you for your question sir. Ladies and gentleman, if you have any question, please press * and 1 on your push button phone. Our next question comes from Mr. Parvez Akhtar from Edelwise, please go ahead sir.

Parvez Akhtar: Good afternoon sir.

Virendra Mhaikar: Good afternoon.

Parvez Akhtar: Sir, I have just one question with regards to MRM for the tax rate do we still have some benefits from the depending that we had purchased.

Virendra Mhaikar: Yes. Some depreciation is still is on hand.

Parvez Akhtar: Okay sir, that would be from my side. Thank you.

Moderator: Thank you for your question Mr. Parvez. Ladies and gentleman, if you have any question, please press * and 1 on your push button phone. As there are no more questions, I would now like to handover the conference to you sir. Please go ahead.

Virendra Mhaikar: Yes, we would like to thank all of you for attending this analyst call hosted by the company and we request you same support going forward for the company. Thank you.

Anil Yadav: Thank you all.

Virendra Mhaikar: Thank you every body.

Moderator: Ladies and gentlemen, this concludes the conference for today. We thank you for your participation and for using Tata Indicom Conferencing Services. You may please disconnect your lines now. Thank you.