



IRB Infrastructure Developers Limited
Annual Earnings Conference Call – Financial Year 2008
June 18, 2008

- Moderator: Good afternoon Ladies and Gentlemen. I am Manjula, the moderator for this conference. Welcome to the IRB Infrastructure Developers Conference Call hosted by Kotak Institutional Equities. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to international bridge. After that, the question and answer session will be conducted for participants in India bridge. I would like to hand over to Mr. Lokesh Garg. Thank you and over to you sir. Mr. Lokesh, please go ahead.
- Lokesh Garg: Myself and Sandeep on behalf of Kotak Institutional Equities welcome the IRB management team as well as participants on the call. We would now like to invite Mr. M. H. Kale, Chief Financial Officer of IRB Infrastructure Developers for introducing the IRB team present on the call. Over to you Mr. Kale.
- Madhav H. Kale: Thank you Lokesh. Good day Ladies and Gentlemen. On behalf of IRB Group, I welcome you all to this conference call. We at IRB remain to be the premier BOT player in road sector, and we are committed to being the leader and reputed player in this sector. We have with us Mr. Virendra D. Mhaiskar, Chairman and Managing Director of IRB; Mr. Raj Kamal Bajaj, Advisor to the Board of IRB; Mr. Mehul Patel, Company Secretary; and Mr. Dhananjay Joshi, Chief Operating Officer of the Company. I now request our CMD, Mr. Virendra D. Mhaiskar to give you an overview of the Company's performance for financial year 08 and significant developments during the year. Over to you Mr. Mhaiskar.
- Virendra D. Mhaiskar: At the outset, I welcome all the participants and investors to this conference call of IRB Infrastructure Developers Limited. Before I present the results to you all, let me first give you an overview of some of the significant developments and achievements within IRB during the year. As you all are aware that IRB has been successful in bagging the Dahisar to Surat BOT project for four to six laning of national highway number eight, 240 kilometers from Dahisar to Surat in consortium with Deutsche Bank. The concession agreement for this project has been signed on April 30, 2008, with NHAI, and the financial closure for this project is expected to be completed by October 2008. The toll revenues for

this project will start from the day of achieving the financial closure. The project cost is estimated at rupees 2500 crores which is proposed to be funded by a debt of 1800 crores and equity and internal accruals put together of around 700 crores. I have pleasure in informing you all that the toll rates on the Mumbai-Pune corridor have been revised upwards by 18% with effect from 1st April 2008, in accordance with the concession agreement. With this, the daily toll revenues on the Mumbai -Pune corridor has increased to approximately 80 lakhs per day from 65 lakhs per day with effect from April 2008. I have also pleasure in informing you all that the Company has backed the Kolhapur City integrated road development project on BOT basis during this current year. The concession period for this project would be 30 years. The letter of award has been received from MSRDC and the concession agreement is in the process of being executed. In addition to the tolling rights on the nine-entry points to the Kolhapur City, the company would also be given a plot measuring 30,000 square meters on a 99-year lease for commercial exploitation and development of the same.

Now, let me present consolidated financial numbers and their analysis for FY '08. Before I start with the numbers, let me inform you that the FY '07 numbers are not comparable with FY '08 audited numbers as the numbers for FY '07 do not reflect full consolidation of all subsidiaries while FY '08 reflects full consolidation. As such, the right way to compare the results of FY '08 is with the pro forma consolidated numbers of FY '07, which are prepared assuming full consolidation has taken place on April 1, 2006. All references therefore to FY '07 in this call are based on the pro forma numbers for FY '07 and not with the audited numbers of FY '07. The total consolidated income for FY '08 has gone up to rupees 785 crores from rupees 548 crores registering a growth of 43% over FY '07. The consolidated toll revenue for FY '08 has registered a growth of 28% to rupees 370 crores from rupees 289 crores while the consolidated construction revenues have gone up from rupees 236 crores in FY '07 to rupees 363 crores in FY '08, registering a growth of 46%.

EBITDA margins, EBITDA has gone up to rupees 464 crores from rupees 303 crores in FY '07, registering a quantum growth of 63%. The whole overall EBITDA margins for FY '08 are at 59% as compared to 55% in FY '07.

The PBT have gone up to rupees 167 crores from rupees 78 crores, registering a growth of 113% over FY '07.

The PAT after prior period adjustment for FY '08 at rupees 127 crores has been more than doubled from rupees 52 crores in FY '07. Post minority interest the PAT for FY '08 stands at rupees 114 crores as compared to 61 crores in FY '07 registering a growth of almost 86% in FY '08.

I would now like to update you all on the current order book position and the progress on the Bharuch-Surat BOT project which is under construction. The Bharuch-Surat project of four to six laning of 65 kilometer section NHAI is progressing as per

schedule, and we expect to complete this work by June 09. As of date, we have already spent more than 50% at rupees 485.96 crores on the construction of the project as against the estimated cost of 905.07 crores. This cost includes the interest during construction.

With the Dahisar-Surat project and the Kolhapur project, the current order book position has gone to rupees 6500 crores which comprises of EPC of 3800 crores executable over next 30 months and O&M of rupees 2700 crores executable over next 8 to 10 years period. With the three BOT projects going on stream, the BOT portfolio comprising of 14 BOT projects would comprise of a total length of 800 kilometers and would be one of the largest portfolio of BOT projects in the country. The share of IRB in the Golden Quadrilateral would be 7%. The daily toll income which is presently at rupees approximate 1.25 crores would increase to almost 3 crores per day in FY '10.

On the real estate front, we have acquired 1150 odd acres of land till now and the balance acquisition process is on. The Company is awaiting locational clearance from the government on the project which is expected shortly.

As far as the industry overview is concerned, I would like to add that NHAI is going ahead with the prequalification for large number of projects on road sector and the Company is actively submitting its bid for prequalification purpose. There are several bids which are happening at the state level as well and IRB is participating in the prequalification for the same as well. So, this is the general industry overview and now I hand over to Mr. Bajaj, Advisor to the Board to take it up from here.

Raj Kamal Bajaj: This is Bajaj here. Thank you Virendra. So, now we will open the floor for the question and answers. Over to the moderator.

Moderator: Thank you very much sir. At this moment, I would like to hand over the proceedings to international moderator to conduct the Q&A for participants connected to the international bridge. After this, we will have a question and answer session for participants at India bridge. Thank you and over to you Katrina.

International Moderator: Thank you moderator. We will now begin the question and answer session for participants connected to the WebEx international bridge. Please press *1 to ask a question. At this moment, there are no questions from the participants at WebEx International Center. I would like to hand over the proceedings back to India moderator.

Moderator: Thank you very much Katrina. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to

use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Ajay from India Capital. Over to you sir.

Mr. Ajay: Hi, good afternoon and congratulations on a good set of numbers.

Virendra D. Mhaiskar: Thank you.

Mr. Ajay: I just wanted to, you know, you brief-listed it up, but I think I missed it. How much is your construction business revenue in this, in FY '08?

Madhav H. Kale: The construction business revenues in FY '08 are 363 crores.

Mr. Ajay: And last year it was 270 crores you said?

Madhav H. Kale: Last year was 236 crores.

Mr. Ajay: And among your toll collection, could you please specify contribution of different roads?

Virendra D. Mhaiskar: Different roads, yes, we can give you a brief detail.

Mr. Ajay: Yeah.

Virendra D. Mhaiskar: You want the toll collection details if I have you understood you rightly in terms of different projects, is it not?

Mr. Ajay: That's right.

Virendra D. Mhaiskar: Okay. Revenue collected during 07-08, Thane Bhiwandi Bypass contributed around 33.45 crores.

Mr. Ajay: Okay, this is Thane...

Virendra D. Mhaiskar: Thane Bhiwandi Bypass...

Mr. Ajay: Okay.

Virendra D. Mhaiskar: Thane Bhiwandi Bypass ...has contributed around 33.45 crores, Bhiwandi Wada project has contributed close to 3.04 crores. Kaman Paygon has contributed 3.62 crores. Then, Khambatki Ghat project has contributed close to 12.83 crores. Kharpada Bridge project has contributed ie the Patalganga Bridge has contributed close to 7.5 crores.

Mr. Ajay: Yeah.

Virendra D. Mhaiskar: Nagar- Karmala Tembuni has contributed close to 11 crores.

Mr. Ajay: Sorry, I missed the part, which one?

Virendra D. Mhaiskar: Nagar-Karmala Tembhorni project...

Mr. Ajay: Okay.

Virendra D. Mhaiskar: Nagar Karmala Tembhorni project...has contributed close to 11 crores. Mohol – Mandrup Kamti project has contributed close to 6 crores. Pune-Solapur Highway has contributed close to 13.64 crores. Pune-Nasik BOT project has contributed close to 15.99, almost 16 crores. Mumbai-Pune Expressway plus NH4 together, it would be 1, one sec...

Madhav H. Kale: 235 crores.

Mr. Ajay: Okay, and here the increase was applicable only during the last...I feel there was no increase in FY '08 right?

Virendra D. Mhaiskar: No, there was no increase on Mumbai-Pune corridor in terms of toll rates during the last year.

Mr. Ajay: Yeah.

Virendra D. Mhaiskar: But if you are comparing it with the revenues of 06 -07, I would like to specifically mention that during the year FY '06-FY '07 , NH4 corridor part was only operational from September 06 to March 07 because that is when we completed the construction on NH4 and started collecting toll on that.

Mr. Ajay: Yeah.

Virendra D. Mhaiskar: So, that is how it is. And Thane Ghodbunder project contributed 26.95 crores. That is the rough breakup of revenue in terms of project-wise revenues.

Mr. Ajay: Perfect. Thank you so much.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Saion Mukherjee from Lehman Brothers. Over to you sir.

Saion Mukherjee: Yeah. Hi, good afternoon and thanks for taking my question. This is just a, you know, industry-related question. I mean in terms of NHA award activity, I mean can you throw some timeline when do you see the next set of awards for various national highway projects to be awarded by NHA and the quantum if you can mention.

Dhananjay Joshi: Yeah, actually, I mean the next phase is coming up, I mean already open by the NHA and the request for qualifications, I mean NHA is inviting the RFQ and post RFQ, the actual bidding

will take place, but roughly as of date if we can say, then around 29,000 crores of DBFO projects are announced for the bidding and that would take place during the next 8 to 10 months.

Saion Mukherjee: Okay, okay. And what kind of activity you are seeing at the state level, which are the states and what is the quantum?

Virendra D. Mhaiskar: No, as far as states are concerned, I think across the states projects are being announced and this 29,000 odd crores of projects which Dhananjay just mentioned are across the country.

Saion Mukherjee: Okay. On the...

Virendra D. Mhaiskar: The projects which are announced are on the Golden Quadrilateral.

Saion Mukherjee: So, this on the NHAI project you are mentioning..

Virendra D. Mhaiskar: These are all NHAI projects. Primarily on the phase V and phase IIIA.

Saion Mukherjee: Okay.

Virendra D. Mhaiskar: These are the two phases on which most of the contracts what Dhananjay mentioned have been announced so far.

Saion Mukherjee: Okay. And internally at IRB, I mean are you looking at any target like how much crore worth of project you would be taking, how much investments you would be making every year going forward for the next two-three years in these projects? Hello...Hello...

Rajkamal R Bajaj : Definitely IRB is looking at quite a good number of projects in time to come.

Saion Mukherjee: Can you, can you like quantify the kind of investments that you are planning, at least for the next two years?

Virendra D. Mhaiskar: If you look at the capability of investment is concerned, I think in terms of cash plus, may be raising money by securitizing few of the cash flows and something if there is a large size of opportunity coming up, I think we can get invest not less than 500 million dollars over the next two-three years.

Saion Mukherjee: And what is your cash position currently?

Virendra D. Mhaiskar: We should be holding cash of close to 500 crores.

Saion Mukherjee: 500 crores. And one last question on this Bombay-Pune Expressway, have you...you mentioned that there is an increase in toll rate in the Bombay-Pune Expressway, is it also applicable to NH4?

Virendra D. Mhaiskar: Yes, yes, it is both the same.

Saion Mukherjee: And is this like, you would get this increase every three years I guess, right?

Virendra D. Mhaiskar: That's right.

Saion Mukherjee: Every three years, it will be 18%?

Virendra D. Mhaiskar: Yes.

Saion Mukherjee: And other thing is what is the kind of volume growth you are seeing in this road?

Virendra D. Mhaiskar: I think in the range of around 8%, 6% to 8%.

Saion Mukherjee: 6% to 8%. Thanks a lot and all the very best.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Jaspreet from Anand Rathi. Over to you sir.

Mr. Jaspreet: Hi sir and good afternoon. This is related to the recent regulation wherein the NHAI is now allowing only the top six bidders for the new contracts that they are coming up with. So, just wanted to check what is the latest with regards to that and how much do we get affected because of this?

Virendra D. Mhaiskar: We will not be able to say with surety what will happen on that because to the best of our knowledge, National Highway Builders Federation has gone against this particular concept in the court, and I am also told that some of the construction companies on an individual basis also had gone against this concept in the court and they are...it is being said that they have succeeded in getting some kind of stay against this.

Mr. Jaspreet: Okay.

Virendra D. Mhaiskar: So, what we feel might happen is they will have to...they may have to reconsider this criteria is what our feeling is, particularly restraining the bidders who have already crossed the threshold criteria, limiting them to three or six or ten may be difficult is what our understanding is.

Mr. Jaspreet: Okay, okay. And secondly with regards to the recent hikes in kind of all the raw materials, so the new projects that are going to come up in the future, obviously that shouldn't be much of an issue because, you know, you will not use the hikes, they have already been done, but with regards to the last two projects that we have

recently backed, do you think that you would need to, you know, kind of revise the terms and agreements with the government in order to address that?

Virendra D. Mhaiskar: No, I think that there is no question of revising with the agreement with the government as far as that is concerned, but as far as the pricing is concerned, I think they are fairly priced while considering the EPC cost of both these projects, and we should be able to deliver on the margins as what we have delivered now. I think the escalation factor has been fairly considered in our EPC costing.

Mr. Jaspreet: To the extent that the actual, I mean to the extent that the actual hikes have been there in the raw materials?

Virendra D. Mhaiskar: Yes, yes.

Mr. Jaspreet: Okay. So, you don't see much of a dent over there?

Virendra D. Mhaiskar: No, we don't see a dent.

Mr. Jaspreet: Fair enough. Thanks a lot.

Virendra D. Mhaiskar: Positive side what might happen on this particular front is now both, I mean particularly Surat-Dahisar project, the toll rates are linked with the WPI.

Mr. Jaspreet: Okay.

Virendra D. Mhaiskar: So, going forward, the base of the WPI itself will jump with the high inflation moving around as a result of which we will be able to collect the toll, I mean the toll rates effective will be higher.

Mr. Jaspreet: Right, right, but...

Virendra D. Mhaiskar: So, in a way, there is a pass-through mechanism also which is built as far as the factor is concerned.

Mr. Jaspreet: Surely. That relates to the 31st March inflation figures of every year, am I right?

Virendra D. Mhaiskar: That's right. It is, you know, the average annual inflation for the year...

Mr. Jaspreet: Okay.

Virendra D. Mhaiskar: ...what the toll rates are indexed to.

Mr. Jaspreet: Okay, okay. So, if it is...the band is say 6 to 10 for the current year, then it is going to be somewhere around 8%.

Virendra D. Mhaiskar: Yeah, that is precisely what is possible.

Mr. Jaspreet: Fair enough, fair enough. Thanks a lot, I will get back if there is anything else.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Rahul from Lucky Securities. Over to you sir.

Mr. Rahul: Yeah. Thank you sir for taking my question. I just needed two or three data points. Could you give me the figure for the traffic per day on your Mumbai-Pune Expressway and NH4 together?

Virendra D. Mhaiskar: Traffic number on each of the SPV might not be possible right now, but we have given you the revenue number.

Mr. Rahul: Okay. So, 80 lakhs per day is what you said for expressway plus NH4 together, right?

Virendra D. Mhaiskar: That's correct.

Mr. Rahul: And would it be possible to have some kind of this thing on the Surat-Dahisar and Bharuch-Surat thing, the similar number, what do you expect as and when you start tolling?

Virendra D. Mhaiskar: Bharuch-Surat should be close to around 60 lakhs.

Mr. Rahul: Okay.

Virendra D. Mhaiskar: And Dahisar-Surat should be close to a crore of rupees post revenue share.

Mr. Rahul: Dahisar-Surat 1 crore post revenue share.

Virendra D. Mhaiskar: That's correct.

Mr. Rahul: Post revenue share, okay. That's it sir, that is what I wanted. I will come back if I have more questions. Thank you very much.

Moderator: Thank you very much sir. Participants who wish to ask questions may kindly press *1 on your telephone keypad. Next in line, we have Mr. Ajit from Emkay Shares. Over to you sir.

Mr. Ajit: Good afternoon sir. Congratulations on good set of numbers. Hello...

Virendra D. Mhaiskar: Yes, thank you.

Mr. Ajit: Sir, just wanted to have a breakup of EBITDA or EBIT for your BOT and E&C business, if you have it.

Virendra D. Mhaskar: On the construction side, out of the 732 crores...

Mr. Ajit: Okay.

Virendra D. Mhaskar: ...the construction income would be around 363 crores, toll would be 370 crores...

Mr. Ajit: Yeah.

Virendra D. Mhaskar: ...and on the EBIT side, 73 crores would be construction.

Mr. Ajit: Yeah.

Virendra D. Mhaskar: 238 odd crores would be on the tolling side.

Mr. Ajit: Yeah. And sir just wanted to know what is the 31st March yearend debt position of the Company.

Madhav H. Kale: Yes, yes, one second. The total debt position as on 31st March is 2021 crores.

Mr. Ajit: Okay. And also sir, when is the reset for interest rate for Bombay-Pune Expressway if you can tell us.

Virendra D. Mhaskar: I think another year to go.

Mr. Ajit: Another year to go. And what is the interest rate as of now on that project?

Virendra D. Mhaskar: Around...it ranges between project to project and within the range of 10% to 11%.

Mr. Ajit: Particular for Bombay-Pune Expressway if you can tell us, the main scale infrastructure.

Virendra D. Mhaskar: It is I think 10.5%.

Mr. Ajit: 10.5%. And sir once the Bharuch-Surat project starts, you know, revenue somewhere in June 2009, when would the interest rates be reset there?

Virendra D. Mhaskar: Yes, at that point.

Mr. Ajit: At that point itself?

Virendra D. Mhaskar: Yeah.

Mr. Ajit: Okay, that's it, that's it from my side.

Virendra D. Mhaskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Parag Jariwala from Anand Rathi. Over to you sir.

Parag Jariwala: Yes sir. If you see your portfolio of BOTs, mostly...all the BOTs are being concentrated in Western region, so any particular reason as regard to such concentration and is the Company looking for such concentration going forward also?

Virendra D. Mhaskar: Yeah, if you look into just the sector as such, initially this sector there was no viability gap funding coming in and so on a standalone basis whatever contracts were more viable, only those got tendered.

Parag Jariwala: Okay.

Virendra D. Mhaskar: Because of Gujarat and Maharashtra having high traffic growth and higher GDP contribution, definitely these regions were more viable.

Parag Jariwala: Okay.

Virendra D. Mhaskar: And the acceptability of a user pay was also more in these states. As such, more contracts got tendered in these regions and that is why we have more contracts in these regions. Now, what is happening is there is a provision of having a viability gap funding as well.

Parag Jariwala: Okay.

Virendra D. Mhaskar: There is no question of, I mean it has either to be a revenue sharing or you are given a viability gap fund. Now, NHAI is coming out with projects all across and we are putting up bids for prequalification on all of these regions, most of these highways.

Parag Jariwala: Okay.

Virendra D. Mhaskar: So, going forward, it need not necessarily be that we will be only restricting ourselves on the Western Maharashtra side.

Parag Jariwala: Okay. And sir as regards to...if you see most of the projects are highly, I mean 80% to 85% of debt. So, increase in the rate of debt would be very negative for the Company.

Virendra D. Mhaskar: There is always a reset clause and we can always prepay because see these are all long-term contracts which will have a definite interest rate cycle upwards and downwards both.

Parag Jariwala: Okay.

Virendra D. Mhaskar: So, over a long-term period, I don't think the total IRR would get impacted as a result of interim spike.

Dhananjay Joshi: And what has happened is that out of the IPO proceeds, we have repaid almost close to about...

Virendra D. Mhaskar: 600 crores of debt.

Parag Jariwala: Okay, okay. And sir can you throw some light on your real estate project?

Virendra D. Mhaskar: Close to 1150 acres of land, as I said, we have already acquired...

Parag Jariwala: Okay.

Virendra D. Mhaskar: ...and the balance acquisition is still going on.

Parag Jariwala: And sir when the construction is expected to begin?

Virendra D. Mhaskar: No, we don't expect any revenues, as we had said earlier, to begin before March 2010.

Parag Jariwala: Okay. Thank you, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Sumit Agarwal from HSBC. Over to you sir.

Sumit Agarwal: Hi. Congratulations on good set of numbers. Sir, I just wanted to know, you said that your toll revenues have grown by 28%, can you just state into it how much was because of the toll rate increase and how much was because of the passenger traffic?

Virendra D. Mhaskar: I think Sumit the toll rate increase, if you just see the breakup of the toll revenue, the major breakup has come in, I mean major revenue has come in from the Bombay-Pune. There, we have not seen any toll rate rise, but as I said earlier, in the earlier year, on Mumbai-Pune project, the NH4 corridor has contributed revenue only from September 06 to March 07, whereas in this year, the full year we have revenues from both these segments and the other places the toll rates, particularly Thane Bhiwandi Bypass, there was around 6% toll rate revision and couple of more, but otherwise there was no toll rate revision on the other projects.

Sumit Agarwal: Sir, what was...if I have to look at in terms of the traffic growth, what was the traffic growth across...

Virendra D. Mhaskar: Around 6% to 8% varying between the projects.

Sumit Agarwal: Okay, it was 6% to 8% varying between the projects, okay. That's all from my side. Thanks a lot sir.

Virendra D. Mhaskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Aditya from HSBC Mutual Fund. Over to you sir.

Mr. Aditya: Good afternoon sir.

Virendra D. Mhaiskar: Good afternoon.

Mr. Aditya: Sir, firstly on the Surat-Dahisar project, we have got the project in January sir and post that some of the material costs have also gone up and the interest rate expectations have also gone up. So, expectations on the return of the project, has it gone down?

Virendra D. Mhaiskar: No, not at all because when we bid for the projects we normally take into consideration next three years escalation situation and then taking a call on that, we actually decide upon the EPC cost when we bid for the project. So, when we had bid in November and said that we would be constructing it at 2500 odd crores of construction cost, that's had a good amount of escalation in it.

Mr. Aditya: Okay. So, the costing remains the same.

Virendra D. Mhaiskar: Yes, yes.

Mr. Aditya: Okay. And on the interest rate sir like we haven't financially closed this project, so what are the rates we are currently talking to bankers on this project and how much is that over, the Surat - Bharuch project?

Virendra D. Mhaiskar: No, Surat-Bharuch was a different regime and today we are at, you know, different interest rate market. So, when we bid around in November itself, we had considered that it will be purely a higher interest rate game and accordingly we had factored that in our working, we should be able to contract the bid close to 11% to 11.5%.

Mr. Aditya: 11-11.5.

Virendra D. Mhaiskar: Yes.

Mr. Aditya: Is that the same what we had expected at the time of bidding in November?

Virendra D. Mhaiskar: Yes, yes, very much.

Mr. Aditya: And on this sir, Surat-Bharuch, what is the current interest rate?

Virendra D. Mhaiskar: Surat-Bharuch was contracted two years back at around 9.5.

Mr. Aditya: 9.5.

Virendra D. Mhaiskar: Yes and we are still continuing at 9.5 because we have a reset till 09.

Mr. Aditya: Okay. And sir, normally most of your BOT projects, does it have a three-year reset clause on your interest rate?

Virendra D. Mhaiskar: No, it depends on project to project because now after the debt repayment out of the IPO proceeds, primarily there is debt only on the Bombay-Pune and Bharuch-Surat projects. Rest of the projects, we have already repaid the entire debt.

Mr. Aditya: Okay, okay. Sir, question on the real estate land, you said we had acquired around 1150 acres of land.

Virendra D. Mhaiskar: Yes.

Mr. Aditya: At what price have you bought this land?

Virendra D. Mhaiskar: I think the average price should come around 15 to 18 lakh rupees an acre.

Mr. Aditya: 15 to 18 lakhs. And we have already paid for entire amount?

Virendra D. Mhaiskar: This is a fully paid situation.

Mr. Aditya: And sir, for the remaining 300 acres, I think we have been waiting for around five-six months and we are not getting any land, so any reason for such a delay?

Virendra D. Mhaiskar: No, I think if we look into the journey, when we filed the DRHP, we had declared around 750 odd acres. At the time of RHP situation, we had updated it to close to 900 odd acres and since IPO in the last three months, we are now seeing around 1150 acres. I think we have moved quite well.

Mr. Aditya: Okay. Land acquisition won't be a problem?

Virendra D. Mhaiskar: I don't think so.

Mr. Aditya: And what are the current rates going over there?

Virendra D. Mhaiskar: Around 15 to 20 lakh rupees an acre.

Mr. Aditya: Current rate also?

Virendra D. Mhaiskar: Yes, yes.

Mr. Aditya: And sir...

Virendra D. Mhaiskar: We had understanding with the people, so we are still able to get it at that price.

Mr. Aditya: Okay. And sir when could we expect, I believe this is an agri land.

Virendra D. Mhaskar: Yes, yes.

Mr. Aditya: So, when could we expect some clearances on this site?

Virendra D. Mhaskar: See the way it moves is we have to apply to the Urban Development Ministry for getting a locational clearance for which we have already made application. There are three NOCs required. As far as Environment Ministry is concerned, we have to just give an affidavit that before we sign a clearance, we will submit the, I mean we will have the proper environment assessment impact done and get the clearance.

Mr. Aditya: Okay.

Virendra D. Mhaskar: We have got the NOC from Irrigation Department and the third is from the town planning. They are right now evaluating. Once their NOC is in place, then these applications move to the Urban Development Ministry for final locational clearance.

Mr. Aditya: Okay. So, by what time do you feel that...

Virendra D. Mhaskar: We are trying our best to get it as soon as possible, but cannot commit a timeline for that.

Mr. Aditya: Still it would be about six months, one year, two years, like any tentative timeline on this front.

Virendra D. Mhaskar: No, see as far as the revenue on the project is concerned, as I said we don't expect any revenue to come in before March 2010. The acquisition should be over within a year's time at the best, at the worst I would say.

Mr. Aditya: Sir, just last question. Any guidance on the construction revenues, construction division revenue and margins going forward?

Virendra D. Mhaskar: I think the overall...hello...

Mr. Aditya: Hello...yes.

Virendra D. Mhaskar: Yeah, I think on the construction side, we should be able to do close to 800 crores and on the tolling side, without Surat-Dahisar revenue that is likely to begin from 1st November, without that, we should be able to clock close to 400 odd crores.

Mr. Aditya: Okay.

Virendra D. Mhaiskar: So, around 1200 crores of top line and around 300 crores of PAT is what guidance we would like to give.

Mr. Aditya: And what kind of EBITDA margins are you expecting on the construction?

Virendra D. Mhaiskar: The EBITDA margins would fairly remain the same as far as construction is concerned at around 20%.

Mr. Aditya: Okay.

Virendra D. Mhaiskar: And on the BOT business, close to 90%.

Mr. Aditya: But sir in case we see the other companies, all of these construction companies have a margin which is much lower. So ...

Virendra D. Mhaiskar: I think the reason would be more subcontracting than what we do. So, that might be the differentiator.

Mr. Aditya: So, according to you, this margin is sustainable.

Virendra D. Mhaiskar: Yes, I think so.

Mr. Aditya: Okay. Okay sir, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Amit Jain from Antique Stock Broking. Over to you sir.

Amit Jain: Good afternoon sir. Congratulations on a good set of numbers.

Virendra D. Mhaiskar: Thank you.

Amit Jain: Just one single question. Sir, could you give me some update on our Kolhapur project?

Virendra D. Mhaiskar: Yes, Kolhapur project involves the city development which will involve around 50 kilometer of road length which will be concretized and there would be toll on all nine entry points of the city for a 30-year period. The toll notification for the entire 30-year period has been stipulated. Concession agreement is likely to be signed within this month itself and by October or mid, we should be able to start this project as far as the construction is concerned. And with regard to the 30,000 square meter of plot which the Municipal Corporation has given as a part of the sweetner, will be developed commercially and we have appointed consultants and we are looking at alternatives as to the way in which this can be exploited and once we are having that final report, we will progress on the development accordingly.

Amit Jain: Okay, thank you sir.

Virendra D. Mhaskar: Thank you.

Amit Jain: That's it from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Piyush from HSBC. Over to you sir.

Mr. Piyush: Sir, good afternoon, just a couple of questions. You said that the EBIT you have made on the construction business during the year is 73 crores on 363 crores of revenues.

Moderator: Sorry to interrupt. Mr. Piyush, can you just use your handset.

Mr. Piyush: Yeah, I am using my handset only.

Moderator: There is noise from your end.

Mr. Piyush: I am using handset, just a moment. Hello...

Moderator: Yes, you can go ahead.

Mr. Piyush: Hello...

Virendra D. Mhaskar: Yes.

Mr. Piyush: Yes sir. Sir, you said that you have made an EBIT of 73 crores on a revenue of 363 crores on the construction business.

Virendra D. Mhaskar: Yes.

Mr. Piyush: That means your EBIT margin had been 20% for the year instead of your EBITDA margin.

Virendra D. Mhaskar: Yes.

Mr. Piyush: So, the EBITDA margin must be higher, much more than...around 24% to 25% then?

Virendra D. Mhaskar: No, EBITDA margins only I am saying no.

Mr. Piyush: No, you said the EBIT the construction business made is 73 crores, is it the EBIT or EBITDA?

Virendra D. Mhaskar: EBITDA.

Madhav H. Kale: EBITDA.

Mr. Piyush: This is the EBITDA.

Virendra D. Mhaskar: Yes, yes.

Mr. Piyush: Okay. And sir, further...okay, Surat-Dahisar you are saying that you have well anticipated the cost escalation and you have built in...

Virendra D. Mhaiskar: Yes.

Mr. Piyush: ...but sir what about Bharuch-Surat, you have spent 50% of the cost.

Virendra D. Mhaiskar: No, Bharuch-Surat also we are not taking any because even in that contract, we have given good amount of escalation.

Mr. Piyush: Sir, the type of cost increase that we have seen of 30% to 40% in this scale particularly and this toll road must have consumed still in the good quantum...

Virendra D. Mhaiskar: Yes.

Mr. Piyush: ...so are that costs...

Virendra D. Mhaiskar: On this 400 odd...the total construction cost is around 600 odd crores...

Mr. Piyush: Yes.

Virendra D. Mhaiskar: ...of which 350 odd crores is already spent.

Mr. Piyush: Yeah.

Virendra D. Mhaiskar: So, the balance is 300 crores and on that, in the initial moment, we had no movement of the material cost. So, we are not affected and ...the total escalation provision that we had on the contract still holds good in taking care of the movement that has happened of late.

Mr. Piyush: Okay. Okay sir, thank you.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Prachi from Indsec Securities. Over to you ma'am.

Ms. Prachi: Hello...

Virendra D. Mhaiskar: Hello.

Ms. Prachi: Good afternoon sir.

Virendra D. Mhaiskar: Good afternoon.

Ms. Prachi: Sir, regarding the debenture and share issue expenses with the Company...

Virendra D. Mhaiskar: Yes.

Ms. Prachi: ...what is the amount which is adjusted in the share premium for March 2008?

Virendra D. Mhaiskar: Mr. Kale, can you throw light on it.

Madhav H. Kale: Yeah sure. It was 16.12 crores.

Ms. Prachi: Sorry.

Madhav H. Kale: Debenture issue expenses...

Ms. Prachi: Yeah.

Madhav H. Kale: ...adjusted was 16.12 crores...

Ms. Prachi: Okay.

Madhav H. Kale: ...and the entire IPO issue expenses...

Ms. Prachi: Yeah.

Madhav H. Kale: ...were adjusted against the securities premium account.

Ms. Prachi: Okay. Share issue expenses what was the amount?

Madhav H. Kale: That was 100.25 to be precise.

Ms. Prachi: 100.25, okay. Sir, in the Surat-Dahisar SPV...

Virendra D. Mhaiskar: Yes.

Ms. Prachi: ...what will be the stake of IRB?

Virendra D. Mhaiskar: Would be around 80%.

Ms. Prachi: 80% and the balance would be...

Virendra D. Mhaiskar: Deutsche Bank.

Ms. Prachi: ...by Deutsche Bank.

Virendra D. Mhaiskar: Yes.

Ms. Prachi: Okay. And what would be the basic design capacity of this SPV?

Virendra D. Mhaiskar: Pardon.

Ms. Prachi: Basic design capacity?

Virendra D. Mhaskar: Design capacity at a 100 kmph speed would be 90,000 PCU.

Ms. Prachi: Okay.

Virendra D. Mhaskar: Yeah.

Ms. Prachi: Okay sir. Sir, regarding the order book of Surat-Dahisar and Kolhapur project, can I just get the breakup between the O&M and EPC.

Virendra D. Mhaskar: EPC on Surat-Dahisar would be 2500 odd crores.

Ms. Prachi: Okay.

Virendra D. Mhaskar: And on Kolhapur would be 360 crores.

Ms. Prachi: Okay.

Virendra D. Mhaskar: And the maintenance cost in Surat-Dahisar is close to 800 crores and on Kolhapur would be how much, Dhananjay, you have that figure ready?

Dhananjay Joshi: Yeah, yeah, just a minute.

Virendra D. Mhaskar: That is a 30-year cost, but I think some 700 odd crores.

Dhananjay Joshi: Yeah, around 700 crores.

Virendra D. Mhaskar: 700 crores, yes.

Ms. Prachi: Okay sir. So, inclusive of this, what would be the total order book size?

Virendra D. Mhaskar: 6500 crores.

Ms. Prachi: 6500, okay. Sir, regarding the construction for the BOT projects, they normally, it is done by MRM, but for the real estate construction, like who would do the construction part?

Virendra D. Mhaskar: No, we intend to do the infrastructure development.

Ms. Prachi: Okay.

Virendra D. Mhaskar: And then we will be roping in a joint developer to do the rest.

Ms. Prachi: Okay. So, that is not yet finalized as to whom the...

Virendra D. Mhaskar: No, no.

Ms. Prachi: Okay, okay. And sir, regarding the Gurgaon – Kotputli – Jaipur for which we had submitted the bids...

Virendra D. Mhaskar: Yes.

Ms. Prachi: ...has there been any progress on that side?

Virendra D. Mhaskar: To the best of my knowledge, I think the concession agreement has been signed with the successful bidder...

Ms. Prachi: Okay.

Virendra D. Mhaskar: ...but beyond that, I am not aware of.

Ms. Prachi: Okay. So, the details are not yet out as such.

Virendra D. Mhaskar: At least, I don't have it.

Ms. Prachi: Okay sir. And sir, regarding MRM for the margins which we are currently having, so going forward also, in spite of the raw material increases, would we be able to sustain that margins?

Virendra D. Mhaskar: Yes, we think so.

Ms. Prachi: So, for...like we have the escalation clauses and place for the same?

Virendra D. Mhaskar: The point is that on a BOT project, we have to presume and in-build the escalation when we bid for the project itself...

Ms. Prachi: Okay.

Virendra D. Mhaskar: ...which we have done, and we have a fairly good amount of escalation that has been built into it.

Ms. Prachi: Okay, great sir. Thank you, that's from my side.

Virendra D. Mhaskar: Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Abhinav Bhandari from PINC Research. Over to you sir.

Abhinav Bhandari: Good evening sir. Congratulations on a good set of numbers.

Virendra D. Mhaskar: Thank you.

Abhinav Bhandari: Sir, can we get a breakup of the other income of 52 crores for this year, FY '08.

Virendra D. Mhaskar: Yes, Mr. Kale can you help us.

Madhav H. Kale: Yes, yes, one second, I will do that.

Virendra D. Mhaiskar: I think it is more of interest income on...

Madhav H. Kale: Interest income out of that 52 crores is around 36 crores.

Abhinav Bhandari: Right.

Madhav H. Kale: It is around 46 crores to be precise.

Abhinav Bhandari: 46 is the interest income?

Madhav H. Kale: Yes.

Abhinav Bhandari: Okay.

Madhav H. Kale: And the balance is dividend income...

Abhinav Bhandari: Right.

Madhav H. Kale: ...from group companies and the mutual funds and there is a small foreign exchange gain of around 86 lakhs.

Abhinav Bhandari: Okay.

Madhav H. Kale: That is the component.

Abhinav Bhandari: Okay. Sir, you have any foreign currency exposure, in the sense this 86 lakhs, how much is the...how this figure has come.

Virendra D. Mhaiskar: This is I think we had a small loan in one of the projects in Thane-Bhiwandi Bypass.

Abhinav Bhandari: Right.

Virendra D. Mhaiskar: It was contracted some six-eight years back, so the rupee was I think 46 level at that time.

Abhinav Bhandari: How much is the total loan?

Virendra D. Mhaiskar: Total loan was some 20 odd crores.

Abhinav Bhandari: Okay.

Virendra D. Mhaiskar: And the loan gets over by September this year. We have already prepaid that loan to a great extent.

Abhinav Bhandari: Okay. So, going forward, there won't be any I mean foreign exchange....

Virendra D. Mhaiskar: No, no.

Abhinav Bhandari: Right, right, right. And sir, this year FY '08 figures are consolidated figures, I mean in terms of all the SPVs that have been consolidated with the companies. So, the minority interest figure, this is for Aryan Constructions or what?

Virendra D. Mhaiskar: No, this is because some of the balance acquisition was during the year.

Abhinav Bhandari: Okay.

Virendra D. Mhaiskar: That is why this minority number comes in. In 08-09, I think the minority interest would be down to zero.

Abhinav Bhandari: Yeah, right because the other one would be IDA, that is Bharuch - Surat.

Virendra D. Mhaiskar: Yes, yes.

Abhinav Bhandari: Okay, fine.

Virendra D. Mhaiskar: Bharuch-Surat I think there will be some amount of minority interest because of Deutsche Bank holding 20% stake.

Abhinav Bhandari: Right. Sir, this 20% has been raised now, earlier we heard that it was 10% and 90% was with you?

Virendra D. Mhaiskar: No, they have a right up to 20%, but they are looking at exploring the whole 20%, so that is being negotiated with them at this point.

Abhinav Bhandari: Right sir. Sir, on the real estate front, what kind of investments can we see going forward next two years, FY '09-10 and what investments have been made in this year on the township project, township project.

Virendra D. Mhaiskar: I think capital employed is close to 80 crores.

Abhinav Bhandari: 80 crores this year?

Virendra D. Mhaiskar: Yes.

Abhinav Bhandari: Right. And going forward next two years?

Virendra D. Mhaiskar: At least another 30 to 50 crores would be invested on the project for the balance land.

Abhinav Bhandari: This is for balance land or I mean basic infrastructure facilities and all that.

Virendra D. Mhaiskar: Infrastructure would be different, but that would start not in 08 -09, I think it would be little late part of 08 -09.

Abhinav Bhandari: Okay, okay, fine. And sir about Kolhapur real estate project, what kind of investments can we see in that?

Virendra D. Mhaiskar: We are just working on the feasibility, once we have the report ready with us, only then we will be able to give you those details.

Abhinav Bhandari: Okay.

Virendra D. Mhaiskar: Because as to what we develop there, the entire investment plan will depend upon that.

Abhinav Bhandari: Right, right.

Virendra D. Mhaiskar: Because we have to keep in mind that this plot has been given not for 30 years but for a 99-year concession...

Abhinav Bhandari: Right.

Virendra D. Mhaiskar: ...so we have to look at the feasibility in putting up something which will give us a steady return for long periods to come.

Abhinav Bhandari: But what is the expected IRR that we are looking from this project?

Virendra D. Mhaiskar: I think the IRR would be pretty high.

Abhinav Bhandari: Any ballpark figure sir that you may want to give.

Virendra D. Mhaiskar: It would be surplus of 20%.

Abhinav Bhandari: Including the real estate one?

Virendra D. Mhaiskar: No, without the real estate.

Abhinav Bhandari: It would be 20%.

Virendra D. Mhaiskar: Yes.

Abhinav Bhandari: Sir, and one more question, a broad major guideline that anything you want to I mean give in terms of what has been the difference, major difference between the new concession agreement that has been given out in Feb and between the old ones, in terms of toll rates I wanted to know, how these are being linked now to WPI.

Virendra D. Mhaiskar: I think that it is with WPI. There was a discussion going on and they had even issued us some of the documents which they had again revised. Now, at the moment, the inflation is completely

pass through because the toll rates would be increased to the extent of WPI. Dhananjay, am I right.

Dhananjay Joshi: Yes, yes.

Abhinav Bhandari: Earlier, it was what, some 40% of WPI or I mean before these six new projects were being given.

Virendra D. Mhaskar: Dhananjay, some old contracts had that no?

Dhananjay Joshi: No, old contract but actually the contract whatever we signed, that is actually the latest contract for which this provision is there.

Virendra D. Mhaskar: I think there was a call where they said there will be a fixed plate and a moving plate, but that never happened because even Surat-Dahisar what we have bid, there is a full inflation-linked toll rate provision in it.

Abhinav Bhandari: Okay. So, both Bharuch-Surat and Surat-Dahisar, you have fully linked to, I mean the inflation, the toll rates.

Virendra D. Mhaskar: Correct.

Abhinav Bhandari: And what about the MSRDC project that are due, there also it is being fully linked or how it is?

Virendra D. Mhaskar: There is a fixed escalation applicable every three years.

Abhinav Bhandari: Okay.

Virendra D. Mhaskar: Of 18% every three years.

Abhinav Bhandari: 18% every three years.

Virendra D. Mhaskar: Every three years, that's right.

Abhinav Bhandari: This is for only Mumbai-Pune or all the MSRDC projects?

Virendra D. Mhaskar: Thane Ghodbunder also, it is more or less similar.

Abhinav Bhandari: Okay, okay. And sir just a last part on the land acquisition front, I mean the new, under the new concession agreement, how it is, like 60% of the land would be acquired at the time of handling over of the project or how it is? Hello....

Virendra D. Mhaskar: Yes, that's correct.

Abhinav Bhandari: 60%.

Virendra D. Mhaskar: Yes, yes.

Abhinav Bhandari: Okay, fine. That will do sir, thank you very much.

Virendra D. Mhaikar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Girish from Reliance Money. Over to you sir.

Mr. Sirish: Hello...hello...

Virendra D. Mhaikar: Yes.

Mr. Sirish: Good afternoon sir. This is Sirish.

Virendra D. Mhaikar: Yeah, good afternoon.

Mr. Sirish: Sir, just want to check on two things. As you have told that raw material prices are already inbuilt in the...when you bid for the project.

Virendra D. Mhaikar: That's right.

Mr. Sirish: So, you don't have...there is no escalation clause in the...if the raw material prices go beyond whatever you had bid to that time of awarding the projects?

Virendra D. Mhaikar: No, there is no...there is no any sort of specific escalation being paid by the government...

Male Speaker: Not in BOT projects.

Virendra D. Mhaikar: Not in BOT projects.

Male Speaker: Funded projects it is there.

Virendra D. Mhaikar: Yes.

Mr. Sirish: Okay. And...yeah, sir in this election year, normally we see that the awards being given by NHAH slows down, so will that impact the Company?

Virendra D. Mhaikar: No, actually not to my knowledge.

Mr. Sirish: Hello...

Virendra D. Mhaikar: Not to my knowledge.

Mr. Sirish: No, my question is like in...during the election years, normally the awards which have been awarded by NHAH slows down. So...

Virendra D. Mhaikar: I don't know when the elections are. So, because....

Mr. Sirish: No, if it happens this year...

Virendra D. Mhaskar: If it happens, I cannot speculate on that today.

Mr. Sirish: Okay, okay, that's it.

Virendra D. Mhaskar: Thank you.

Mr. Sirish: Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Karthikeyan from TDA Capital. Over to you sir.

Mr. Karthikeyan: Good afternoon Mr. Mhaskar.

Virendra D. Mhaskar: Very good afternoon.

Mr. Karthikeyan: Yeah. Just a couple of clarifications. One, I didn't get exactly what the toll numbers you mentioned is. Could you share with us the toll trend in the last quarter of this year, FY '08 that is.

Virendra D. Mhaskar: I don't have the quarterly number, but fairly stable growth has been seen.

Mr. Karthikeyan: Okay.

Virendra D. Mhaskar: And there are, I mean you will have to go through the detail individual balance sheet of each company to see that growth which takes a long time, but we have seen a 6% to 8% growth on a fair manner.

Mr. Karthikeyan: The only reason I asked you this is I heard you mention 1.35 crores going up 3 crores, would that be correct?

Virendra D. Mhaskar: Yes. That is because of two more projects coming in, that would be Surat-Dahisar and Baruch-Surat.

Mr. Karthikeyan: Yes, yes, yes, right, but you said 1.35 crore for FY '08?

Virendra D. Mhaskar: We are collecting 1.35 crores, yes.

Mr. Karthikeyan: Okay, okay, okay, that is what. Secondly, just in case you would have the detail handy...

Virendra D. Mhaskar: Yes.

Mr. Karthikeyan: ...you know, you had mentioned about building a certain amount of cost escalation in your projects, would you be able to quantify, you know, based on the time at which you bid for these projects versus, you know, when you are actually constructing Surat -

Bharuch now and Surat-Dahisar when you would be constructing, the likely cost escalation in absolute terms?

Virendra D. Mhaskar: We don't do it that way. The way we do is when we build the bill of quantities, we build it with a specific raw material price...

Mr. Karthikeyan: Right.

Virendra D. Mhaskar: ...and arrive at the total cost.

Mr. Karthikeyan: Fair enough.

Virendra D. Mhaskar: So, the total raw material prices for individual materials what we had presumed, we had presumed a fairly good rate for those materials which protects us even today.

Mr. Karthikeyan: Got that. I mean, what you are also telling is in case costs go down, the margins could be better.

Virendra D. Mhaskar: Of course, yes.

Mr. Karthikeyan: Okay, okay, fair enough. Thanks very much and best of luck.

Virendra D. Mhaskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Saravana from Deutsche Bank. Over to you sir. Mr. Saravana, please go ahead with your questions.

Mr. Ravikiran: Hello, this is Ravikiran from Deutsche Bank. Good afternoon Mr. Mhaskar.

Virendra D. Mhaskar: Good afternoon.

Mr. Ravikiran: Yeah. Can you tell me the amount of investment in the real estate subsidiary in rupees terms?

Virendra D. Mhaskar: About close to 80 crores as of 31st March.

Mr. Ravikiran: Sorry.

Virendra D. Mhaskar: The capital employed as of 31st March is close to 80 crores.

Mr. Ravikiran: Okay, okay. And are you also looking at bidding in some non-NHAI projects as in the state level projects by MSRDC or in Gujarat State?

Virendra D. Mhaskar: Yes, yes.

Mr. Ravikiran: Okay. Can you identify those and the developments on that front?

Virendra D. Mhaskar: MSRDC, they have declared a couple of projects.

Mr. Ravikiran: Okay.

Virendra D. Mhaskar: Particularly, close to Mumbai which we will be bidding.

Mr. Ravikiran: Okay.

Virendra D. Mhaskar: GSRDC also has come out with couple of projects and that we are evaluating at this time whether we would like to go for those or not.

Mr. Ravikiran: Okay. And what are the CAPEX plans going forward for the next two years?

Virendra D. Mhaskar: I think the CAPEX plan as I said, Surat-Dahisar and Kolhapur will be the two projects where capital will be deployed...

Mr. Ravikiran: Okay.

Virendra D. Mhaskar: ...and capital plus internal accruals or through the projects, close to 700 crores would be invested on Surat-Dahisar.

Mr. Ravikiran: No, I am not asking about the construction cost of these roads. I am asking about the normal CAPEX plan as in your equipment.

Virendra D. Mhaskar: Equipment, over the next 1-1/2 years, we should be buying equipments of at least 100 crores.

Mr. Ravikiran: 100 crores, okay, okay. That's it, thanks a lot.

Virendra D. Mhaskar: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Aditya from HSBC Mutual Funds. Over to you sir.

Mr. Aditya: Sir, has the RFQs for Pune-Solapur and Pune-Satara projects been invited?

Virendra D. Mhaskar: Pune-Solapur, I think....Dhananjay, you have the list.

Dhananjay Joshi: For Pune-Solapur and Pune-Nasik?

Mr. Ravikiran: Pune-Satara and which are the other main projects in the Western region where you all would be interested in?

Virendra D. Mhaskar: Definitely on the Delhi-Bombay and Bombay-Chennai corridor, we will be active. And I think as you said Pune-Solapur and Pune-Satara RFQs have come out, yes, you are right.

Mr. Ravikiran: It is come out?

Virendra D. Mhaskar: Yes.

Dhananjay Joshi: For Pune-Solapur, it will be bidding in the next month.

Mr. Ravikiran: Bidding next month.

Dhananjay Joshi: Yeah.

Virendra D. Mhaskar: Bidding in the sense, Dhananjay, it is request for qualification...

Dhananjay Joshi: Yeah, yeah, yeah, it will be request for qualification only.

Mr. Ravikiran: Okay. So when would we bid?

Virendra D. Mhaskar: It will depend because as I was mentioning earlier, the particular provisioning of whether to qualify only six or only ten or only three, that is going on. So, NHA will have to actually take a call on as to how they want to qualify because they are just accepting the request for qualification, many of the projects we have seen that the request for qualification submission date is getting delayed.

Mr. Ravikiran: Okay.

Virendra D. Mhaskar: So, once I think...but what the documents specifically mention, ___ so they are going on collecting the request for qualification, maybe their plan would be to qualify and keep the things ready and if they decide to relook at those number at which they want to qualify, they may then declare it accordingly. We are not clearly having any insight into that.

Mr. Ravikiran: But can we qualify on our own or we will be going with a partner?

Virendra D. Mhaskar: No, at the moment we have submitted bids on our own.

Mr. Ravikiran: Okay.

Virendra D. Mhaskar: With our group company consortium.

Mr. Ravikiran: Both for Solapur and Satara.

Virendra D. Mhaskar: But if the situation so comes that they are not ready to realize that and if the marking only is going to be the prequalification criteria, then we will think of tying up with large players so as to stand up to the required competition.

Mr. Ravikiran: And sir, what kind of...like where would we stand in case we go on our own because we have already have constructed, like Mumbai-Pune was a big project and this currently Surat-Dahisar and Surat-Bharuch we are doing, so we cannot qualify on our own?

Virendra D. Mhaiskar: The point is the marking system is quite tricky to say that even core sector experience is sufficient to give you mark. Now, suppose somebody who has a core sector experience other than roads come in and he gets huge markings because of his other core sector business like building up a refinery or telecom revenues or something like that.

Mr. Ravikiran: Okay.

Virendra D. Mhaiskar: Then, those numbers can be fairly different than what in the road sector may be.

Mr. Ravikiran: Okay.

Virendra D. Mhaiskar: So, they have to be looked into in more detail and so far NHAI has not declared a single result, so there is no way we can know how we stand in that market.

Mr. Ravikiran: Okay. So sir, would it have been better had we gone with a foreign or any other partner apart from going on our own or is it a strategy we are employing that we will go on all the projects on our own.

Virendra D. Mhaiskar: Ideally, we would surely like to go on our own because we have the ability to deliver the project and this marking system is something which we don't agree to. So, we will have to actually see how it stands out.

Mr. Ravikiran: Okay, okay. Okay sir, thank you.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Vaibhav Jain from CLSA India. Over to you sir.

Vaibhav Jain: Hello sir, this is Vaibhav Jain from CLSA.

Virendra D. Mhaiskar: Yes.

Vaibhav Jain: Sir, just wanted to know your debt position of 2021 crores in FY '08 and is this gross position or net of cash.

Madhav H. Kale: It is gross loan position.

Vaibhav Jain: Right. Sir, and second question on Surat-Dahisar project, you mentioned 25 billion rupees is the total project cost.

Virendra D. Mhaiskar: Yes.

Vaibhav Jain: Sir, what would be the EPC project part in this?

Virendra D. Mhaiskar: EPC is 2500.

Vaibhav Jain: EPC is 2500?

Virendra D. Mhaiskar: Yes, yes.

Vaibhav Jain: And sir, what would be the broad expenditure on bitumen in this total project cost?

Virendra D. Mhaiskar: Broad cost on?

Vaibhav Jain: On Bitumen.

Virendra D. Mhaiskar: Bitumen?

Vaibhav Jain: Yeah.

Virendra D. Mhaiskar: I think close to 1.3 lakh tons of bitumen, I am not having the numbers ready here, one sec, one sec...

Vaibhav Jain: Okay.

Virendra D. Mhaiskar: 1.3 lakh tons of bitumen is what would be required for the project.

Vaibhav Jain: 1.3 lakh...

Virendra D. Mhaiskar: Tons.

Vaibhav Jain: Okay. Sir, considering that bitumen cost has moved up like some 28% to 30% since November...

Virendra D. Mhaiskar: Yes.

Vaibhav Jain: And you would have submitted your bid, I mean still you are confident about maintaining your margins as well as profitability and...

Virendra D. Mhaiskar: Yes.

Vaibhav Jain: And sir, same is the case with steel, cement, I mean not cement...

Virendra D. Mhaiskar: The unit price what we had considered in our internal evaluation was fairly decent number.

Vaibhav Jain: Sir, bitumen accounts for almost 20% of project-cost in roads and if you look at the extent of increase in the last few months, it has taken most people by surprise and even the construction companies which have taken up these contracts at fixed prices, most of them are guiding for reduction in margins wherever they are fixed price contract and, you know, given that...people do

consider escalations while bidding for these projects, but these escalations are usually in the range of 5% to 10%, but the moment...and commodity prices have been far steeper in the recent past, so considering such steep movements, despite of that, you maintain that ROE...IRR will not get impacted on that which is a bit surprising because most other companies which we cover where they have fixed price contracts, they are guiding for a reduction in margins.

Virendra D. Mhaiskar: I think this is a call which we had taken many years back because we have been working on these kind projects on BOT since 1995 and this is a common phenomena where the prices continue to move up and just to give you some of the new numbers, I would like to say bitumen was factored at 40,000 rupees as a base cost per ton. Cement was considered at a base cost of 300 rupees a bag. I will just give you two numbers because I cannot share the whole breakup of the costing. So, I am saying these are the kind of rate numbers we have presumed in our working, over and above which there is a normal 5% to 10% escalation provision that we have. In our costing of EPC, when we say we are doing 2500, these are the numbers with which we had worked out and that is why we are saying confidently that we will be able to achieve the margins.

Vaibhav Jain: Okay. Sir, had it not been for this steep movement, you would have made much more.

Virendra D. Mhaiskar: Yes.

Vaibhav Jain: Fair enough sir.

Virendra D. Mhaiskar: I mean even going forward next 2-1/2 years' time, if the prices soften, then there is a good scope of margin being improved.

Vaibhav Jain: Okay sir.

Moderator: Are you done with your question sir?

Vaibhav Jain: Yeah.

Moderator: Thank you very much. Next in line, we have Ms. Nidhi from Wealth Management. Overt to you ma'am.

Ms. Nidhi: Good afternoon sir and congratulations on a good set of numbers.

Virendra D. Mhaiskar: Thank you.

Ms. Nidhi: Sir, can you just give a breakup of the order book once again, the 6500 crores, how much is O&M and how much is EPC?

Virendra D. Mhaiskar: 3800 would be EPC, 2700 crores would be O&M.

Ms. Nidhi: Okay. Sir, and how much money, like what is the gross block number as of now on March 31, 2008.

Madhav H. Kale: Gross block of the fixed assets?

Ms. Nidhi: Yeah.

Madhav H. Kale: It is 22,188 crores.

Virendra D. Mhaiskar: Pardon.

Madhav H. Kale: Gross block...

Virendra D. Mhaiskar: No, I think you are referring to some wrong number.

Madhav H. Kale: Gross block of the fixed assets is 2218 crores, not 22,000.

Dhananjay Joshi: This includes the BOT project.

Virendra D. Mhaiskar: This includes the BOT project no.

Madhav H. Kale: Yes. This includes the intangible assets of the BOT projects.

Virendra D. Mhaiskar: Not written off.

Madhav H. Kale: No, this is the gross block, this is at the cost level.

Virendra D. Mhaiskar: You can give what is the fixed asset for the equipment if you have.

Madhav H. Kale: 148 crores is the tangible assets. Tangible gross block is 148 crores.

Ms. Nidhi: Okay. And sir, what is the cash position as of now?

Madhav H. Kale: The cash balance position you mean?

Virendra D. Mhaiskar: I said around 500 crores is the total cash as of date.

Ms. Nidhi: Okay. Sir, how much is the investment are you looking at putting in the subsidies in FY '09 and FY '10?

Virendra D. Mhaiskar: I think Bharuch-Surat would be another 70-75 crores of invest.

Ms. Nidhi: Okay.

Virendra D. Mhaiskar: And Surat-Dahisar, the total investment over next 2-1/2 years would be 700 crores which would be met out of internal accruals plus fresh equities. Equity would be close to 350 crores and Kolhapur project would be 150 crores.

Ms. Nidhi: Okay. Thank you sir.

Moderator: Thank you very much ma'am. I repeat, participants who wish to ask questions may kindly press *1 on your telephone keypad. Next in line, we have Mr. Ajit from Emkay Shares. Over to you sir.

Naveen Jain: Hello sir. This is Naveen Jain from Emkay.

Virendra D. Mhaskar: Yes.

Naveen Jain: Sir, you said the volume growth last year was 6% to 8% across all your projects. Can you just tell us what was the volume growth in Mumbai-Pune Expressway as well as NH4. Hello...

Virendra D. Mhaskar: Yes, just a second.

Naveen Jain: Yeah.

Virendra D. Mhaskar: NH4 as I said may not be comparative because as I said we started collection in September...

Naveen Jain: True, yeah.

Virendra D. Mhaskar: ...and collected only for half year in the last financial year, but if you look at this present year on expressway, we had a growth of almost 13%.

Naveen Jain: 13%. And sir what is the kind of growth that we are looking in say in next two...say FY '09 for example.

Virendra D. Mhaskar: As far as the guidance is concerned, we will like to retain it at 6% to 8%.

Naveen Jain: 6% to 8%. And sir your road...cost of building a road, you said about 20% of the total project cost is bitumen, what are the other major component of cost...

Virendra D. Mhaskar: One of the analysts said that.

Naveen Jain: Yeah...

Virendra D. Mhaskar: I did not say it is 20% of the project cost...

Naveen Jain: Okay.

Virendra D. Mhaskar: ...one of the analysts said that. I said the total bitumen requirement for Surat-Dahisar could be around 1.35 to 1.5 lakh tons.

Naveen Jain: Right sir. Sir, can you give us the broad component of cost that is there for the project?

Virendra D. Mhaiskar: It should be more or less the same percentage.

Naveen Jain: Apart from bitumen, what are the other major components?

Virendra D. Mhaiskar: Bitumen, cement, steel, and crushed aggregate would be the core main key constitutes.

Naveen Jain: Okay, fair enough. Thanks a lot sir.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next, we have a followup question from Mr. Abhinav Bhandari from PINC Research. Over to you sir.

Abhinav Bhandari: Sir, just wanted to get a sense of what kind of orders are on offer by MSRDC?

Virendra D. Mhaiskar: As I said, there are couple of projects which have been advertised by MSRDC...

Abhinav Bhandari: Right.

Virendra D. Mhaiskar: ...and we are looking at those.

Abhinav Bhandari: Okay. And sir, are we bidding for this thing, Sion -Panvel Expressway?

Virendra D. Mhaiskar: I would not be able to give any specific as to whether we are bidding for the project or not, but yes, we are fairly optimistic on bidding for this.

Abhinav Bhandari: Okay, fine sir. Thank you.

Moderator: Thank you very much sir. Next, we have a followup question from Mr. Rahul from Lucky Securities. Over to you sir.

Mr. Rahul: Yes. I just wanted to understand, you said the order book of 6500 crores, out of which 3800 crores is for EPC. Now, all of...what percentage of or a big of chunk of this 3800 crores would come from your own BOT, is that correct?

Virendra D. Mhaiskar: 400 crores is funded, rest of it is in captive projects.

Mr. Rahul: Yeah, so 400 crores is not one of your BOT, everything else is your own BOT, right?

Virendra D. Mhaiskar: Correct, correct.

Mr. Rahul: Okay. And when you said that 3700 of O&M

Virendra D. Mhaiskar: 2700.

Mr. Rahul: 3700 crores

Virendra D. Mhaiskar: 2700 crores.

Mr. Rahul: Sorry, 2700 crores of O&M, not this 2700 figure is the total revenue that you will manage or the revenue that you will get or you get a cut out of his revenue, how do we understand that?

Virendra D. Mhaiskar: No, no, this is a fixed O&M contract which the construction company has with the SPVs.

Mr. Rahul: Okay.

Virendra D. Mhaiskar: It will be the maintenance amount that they will be paid year on year for maintaining the highways.

Mr. Rahul: 2700 crores?

Virendra D. Mhaiskar: Yes, yes. This is not the gross revenue that the SPV will collect. The gross revenue that SPV will be collecting would be much more.

Mr. Rahul: No, but this O&M contracts you have signed with your own SPVs who will maintain...

Virendra D. Mhaiskar: Yes, yes, this is a captive order.

Mr. Rahul: This is all captive orders right?

Virendra D. Mhaiskar: Yes, yes.

Mr. Rahul: But this 2700 crores, are we saying per annum or this is over a period of 20-25 years as per...

Virendra D. Mhaiskar: 8 years to 10 years period.

Mr. Rahul: Whatever, as per the tenure of the SPV, right?

Virendra D. Mhaiskar: Depending on the tenure of the concession, that's right.

Mr. Rahul: And roughly how much would this be as a percentage of the turnover of the SPV.

Virendra D. Mhaiskar: Percentage of...

Dhananjay Joshi: Normally, 10% is the O&M cost.

Mr. Rahul: Okay.

Virendra D. Mhaiskar: So, whatever is the toll revenue, we can presume around 10% to be the O&M cost.

Mr. Rahul: Okay. So, to put it in short, 2700 crores as you said is the O&M order book, that will be roughly the O&M turnover or 10% of the total cost over a period of various tenures of your BOTs.

Virendra D. Mhaiskar: Yes, in a way right.

Mr. Rahul: Yeah, that is the way it is to be looked at, right?

Virendra D. Mhaiskar: Yes.

Mr. Rahul: Yeah, okay. Thank you, thank you very much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Kenneth Jain from Voyager Capital. Over to you sir.

Kenneth Jain: Sir...

Virendra D. Mhaiskar: Yes.

Kenneth Jain: On your Surat-Dahisar road project, you know, there are many flyovers, so are you intending to do the entire work on your own or you will think of outsourcing some part to some guys also?

Virendra D. Mhaiskar: No, we are working out options and point is there are multiple ways by which we are looking at executing those. One, we may go for casting yards and supply girders to people who will then come in and do the rest of the work or we may subcontract a few of the flyovers and in which case we will supply the concrete and they will do the labor work and couple of flyovers we may subcontract, which is being negotiated at this time.

Kenneth Jain: Because as I understand, the faster we complete the earlier we will be able to collect the toll, right?

Virendra D. Mhaiskar: No, no, no, here that funda doesn't work because here the tolling right comes to us from day one.

Kenneth Jain: Okay.

Virendra D. Mhaiskar: From November 2008, the moment we achieve the financial closure, we will be in a position to start collecting toll.

Kenneth Jain: Okay. Thanks sir, thanks a lot.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. Next, we have a followup question from Mr. Saion Mukherjee from Lehman Brothers. Over to you sir.

Saion Mukherjee: Sir can you share what is the steel proportion on your roads?

Virendra D. Mhaiskar: Can you please repeat the question.

Saion Mukherjee: Proportion of steel, let's say for the Bharuch-Surat or Surat-Dahisar...

Virendra D. Mhaiskar: Surat-Dahisar, what you said?

Saion Mukherjee: The proportion of steel that is consumed.

Virendra D. Mhaiskar: Steel is likely to be close to around 40,000 to 50,000 tons of steel. This is for the Surat-Dahisar.

Saion Mukherjee: Surat-Dahisar, 40,000 to 50,000 tons.

Virendra D. Mhaiskar: Yes.

Saion Mukherjee: Okay. And sir what is the equity IRR you look for when you bid for these BOT projects? Around 18% to 20%?

Virendra D. Mhaiskar: 16, one six to 20%.

Saion Mukherjee: 16% to 18%?

Virendra D. Mhaiskar: 16% to 20%.

Saion Mukherjee: 16 to 20.

Virendra D. Mhaiskar: 16 to 20.

Saion Mukherjee: Okay sir, thanks.

Virendra D. Mhaiskar: Thank you.

Moderator: Thank you very much sir. At this moment, there are no further questions from participants. I would like hand over the floor back to Mr. Lokesh Garg for final remarks. Mr. Lokesh, please go ahead.

Virendra Mhaiskar: Yeah. I thank everybody for joining in on this call on behalf of team IRB and I also thank Kotak Securities for organizing this call for us. We are thankful to everybody for it. Thank you.

Moderator: Ladies and Gentlemen, thank you for choosing WebEx Conference Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
