

**Operator**

Ladies and gentlemen good day and welcome to the Gammon Infrastructure Projects Q4 FY'12 Earnings Conference Call, hosted by IDFC Securities Limited. As a reminder, for the duration of this conference, all participants lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Shirish Rane from IDFC Securities. Thank you and over to you, sir.

**Shirish Rane**

Good morning, everybody. Welcome to Gammon Infrastructure Projects fourth quarter FY12 financial year '12 earnings conference call. We have with us today Mr. Parag Parikh, CFO of GIPL. To start the call, he will give us brief remarks on the quarterly and the yearly performance, followed by that we'll have a question-and-answer session.

Over to you Parag.

**Parag Parikh, Chief Financial Officer**

Thanks, Shirish. Thank you and welcome everybody. Welcome to our Annual Audited financials concall coupled with earnings on specifically the fourth quarter. If you look at our annual financials we've closed our financials at consolidated top-line of 422 crores. This has been a rise compared to our comparative last year's revenue of 335 crores. This is primarily due to the Mumbai-Nasik Expressway Limited project which saw full commissioning in the month of September.

And therefore for a period of close to seven months, we've seen a revenue on the entire stretch of the road unlike partially till then.

Second, the revenues have also seen a rise due to a limited recognition of the annuity income for our Kosi project which got inaugurated on the 8th of February. And therefore income has been booked on the project from there. One of the other things that we have mentioned during the second quarter of our financial year, we have also accounted for a change of accounting treatment primarily in two areas. A, in relation to do with the treatment of periodic maintenance which was earlier being capitalized and depreciated over a period of five years. Since then we have changed and we have expensed the entire periodic maintenance for the previous years in to our P&L. As well as we have now started providing periodic maintenance provision for the immediate maintenance due at the next five years.

Therefore you see also periodic maintenance provision coming in fir both our annuity projects as well as our Mumbai-Nasik Expressway Limited and in a smaller manner to Kosi bridge. At this point of time, the recognition of this also gets read into our expense statement and therefore correspondingly the higher expense. The second treatment that we chased over this year was in terms of recognition of developer fees, which traditionally were being eliminated on a consolidated basis. And since then we have taken views, opinions and to that extend we've no longer eliminated developer fees.

That brings us to our EBITDA at 274 crore compared to 219 crore for the last year. At this EBITDAs are reading at 53%. Then if you look at our our interest cost, our interest cost have significantly gone up from last year to this year, 155 crores for this year compared to 99 for last year. And this is primarily to do with I mean once again interest cost which get impacted. A, due to projects moving into a revenue phase from a capitalization phase. And B, the growing debt that maybe right on different entities.

Interest cost also have gone up over a period of time and therefore those impacts have been taken.

Three, if you look at our standalone books, our standalone books whilst our debt levels have remained more or less the same from last year to this year of about 176 crores. The debts were being taken only during the latter part of last year. And since it has continued for the entire period of the current year, therefore the interest cost have interest expense is reading high.

Moving from down to our profit before tax, therefore it reads at a negative of practically zero or negative 81 lakhs for the financial year. And then there have been some exceptional items of 9.70 crores which I just explained in relation to do with the backlog of periodic maintenance provision and developer fees.

So that's a onetime impact that one should consider when you look at it for the previous years, and this results in to a PAT at 25.5 crore negative for the current year. I'd also like to caution that clearly some of these aberration which have happened in relation to do with periodic maintenance provisions, then there have been projects of biomass that we have decided not to continue, and therefore the impacts of providing for those investments have also been taken in our books. So one needs to look at our P&L in that

light.

A brief snapshot of of also our balance-sheet, our net worth stands at 744 crore and our long-term borrowings are at a little over 3,000 crore, and coupled with that our overall consolidated debt is around 3,600 crore. The classification is inline with the new revised schedule fixed where liability is coming immediately over the next year are being reflected than current liabilities rather than long-term borrowings. The other exciting things that we've seen over the last immediate quarter as of now has being avoided due to our projects where things have moved in terms of the letter of awards being given to us and some of them concession agreements have also been signed.

And in the meanwhile, our Nasik project which got commissioned over this financial year followed by Kosi which got inaugurated in February. Our Gorakhpur project also has got inaugurated on 31st March, we are waiting for the formalities in relation to do with the completion certificate. And we continue to have exciting times over this year with at least a couple of projects likely to be commissioned over this financial year.

I'll like to close my comments here, and would open the floor for question answers.

## Questions And Answers

Thank you very much sir. Ladies and gentlemen, we will now begin with our question-and-answer session. [Operator Instructions]. Our first question is from the line of H R Gala from Quest Investment Advisor. Please go ahead.

### H R Gala

Hello, Mr. Parikh.

### Parag Parikh, Chief Financial Officer

Hi, Mr. Gala. How are you?

### H R Gala

Yeah, I am fine. Thank you. I just wanted to know couple of things. By going by the presentation which we have put up in our website in September. There are quite a number of projects which are likely to be commissioned in this financial year FY13. You already mentioned that Kosi has been done and Gorakhpur also you are awaiting the completion certificate.

I think the next three which we know is can correct is the Rajahmundry-Godavari bridge, Indira Container Terminal and Patna highway.

### Parag Parikh, Chief Financial Officer

Absolutely correct.

### H R Gala

Correct? So when these get added to the revenue field, what kind of incremental revenues do you expect from these and now Mumbai-Nashik again will be for the full year, Kosi bridge will be for the full year.

### Parag Parikh, Chief Financial Officer

Right. Just to give you a snapshot, clearly there maybe some constrains in terms of giving future guidances, but some maybe very obvious for all of us to collaborate and compute.

### H R Gala

Okay.

**Parag Parikh, Chief Financial Officer**

Kosi bridge, we have our annuity of 64 crores, 32 crores semi-annually. So yes it will come to an annual revenue number of 64. Similarly, on Gorakhpur our annual annuity will be close 97 crores. That will get added depending on whenever we get our process of completion certificate. So those two are immediate add-ons. For last year, Kosi has been recognized barely for two months.

**H R Gala**

Right.

**Parag Parikh, Chief Financial Officer**

So these three are rock solid revenues in the form of annuities.

**H R Gala**

Right.

**Parag Parikh, Chief Financial Officer**

It is easy for us to collaborate of how they would adding to a revenue.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

FY'13 and even more so for FY'14 where you will have a full year of revenues of even these projects.

**H R Gala**

Absolutely.

**Parag Parikh, Chief Financial Officer**

To add-on to that, we have Rajamundry-Godavari toll bridge, which is expected to be completed around the month of December. And that is in the initial years to begin with a combination of toll revenues along with grant.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And this grant is followed for the period of first six years where in the first year we are getting approximately a grant of 20 crore.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And along with that 20 crore, we'll also have a toll collection rights on the bridge.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And so that, you should see that revenues getting added on the project.

**H R Gala**

Okay. This 20 crore will be constant for six years?

**Parag Parikh, Chief Financial Officer**

No. The overall grant that we've been awarded is at 217 crore. Of the 217 crore, 120 is being 120 is being disbursed by the government during the construction phase. It is going more in to directly subsidizing the project cost. Balance 97 crore is being spread over a period of six years it is not equal.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

But I do remember that the first year is around 19 crore to 20 crore.

**H R Gala**

Okay, fine.

**Parag Parikh, Chief Financial Officer**

And along with that also toll collection will happen on the bridge.

**H R Gala Parag Parikh, Chief Financial Officer**

No. The entire revenues are being collected by us.

**H R Gala**

Okay, fine.

**Parag Parikh, Chief Financial Officer**

If you see the bridge is strategically placed from our current scheme of things.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

We already have the two road annuity jobs of Rajahmundry in Andhra. And this is a bridge which caters to as a bypass to the Rajahmundry town.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

Connects them to these two highways that I just mentioned.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And it's on the state highway which cuts across nearly a distance of 40 kilometers. And just before the state highway starts, which is not entirely ours, which is a state government road before our bridge commences, we have a recently awarded project of Vijaywada-Gundugolanu. So in a sense, it's a large belt for us except for the state highway road. The bridge of course caters to as a decongesting for trade travelers who may not wish to stop by and may want to pass on to the highway.

**H R Gala Parag Parikh, Chief Financial Officer**

So this bridge will get commenced and as I said along with the grant, there will be the toll collection revenues which will get added. Whilst of course we have our numbers, I'm slightly just constraint in terms of giving the future guidance in the current scenario.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

Then beyond Godavari, we have the Indira Container Terminal Port project at Ballard Estate Mumbai which is under construction. We are constructing two offshore berth terminals.

**H R Gala**

Correct.

**Parag Parikh, Chief Financial Officer**

And both put together we'll have a capacity of handling 1.2 million TUs. 12 lakh boxes will get handled and if one were to if one word to sort out put out a benchmark of approx would cost us anywhere in the range of about Rs.4,500. There we have a revenue share which is close to 36%.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

We need to shares a top-line of 36% on that.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And so.

**H R Gala Parag Parikh, Chief Financial Officer**

Sorry.

**H R Gala**

64% will belong to us.

**Parag Parikh, Chief Financial Officer**

That's right.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And whilst of course when it comes to port project you may not handle 12 lakh boxes on day one and it will gradually ramp up over the first three to four years.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

We do expect to do a substantive volume nevertheless.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

And really that as a product with the per container box that we are going to be charging will become a revenue for Bombay report.

**H R Gala**

Okay.

So as I was mentioning Mr. Gala clearly exciting times with all these projects coming up for commissioning this year.

**H R Gala**

Correct.

**Parag Parikh, Chief Financial Officer**

Our focus clearly is into getting them to complete it this year. So for FY'14 we see a full year of revenue of these assets.

**H R Gala**

I understand. This Indira Container Terminal, do you think it will be over by December 2012?

**Parag Parikh, Chief Financial Officer**

It is clearly challenging at this point of time. There are certain thoughts that we are trying to put out in terms of trying to commission one birth and then gradually ramping up on the other birth.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

Such thoughts which are going on right now.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

But clearly about energies are that we should trying to finish over this financial year.

**H R Gala**

Okay. And in all these projects which are getting over, I think we can safely presume your EBITDA margin of around say 53%, 54% type?

**Parag Parikh, Chief Financial Officer H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And if I were to look at providing for the periodic maintenance which we just mentioned. To that extend then EBITDA margins may come down to around 70%. This is for road jobs.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

For the port project, it will slightly be different especially recognizing the fact that nearly 36% is there as a revenue share, and to add

on that, there will be operating expenses which will be anywhere in the range of close to 25% to 30%. So EBITDA for that project will be more towards 35% to 40%.

**H R Gala**

Okay. Yeah. Just two more questions. How much revenue did we have from this Mumbai-Nasik Expressway in this year.

**Parag Parikh, Chief Financial Officer**

Our annual revenue for this year was 97 crore.

**H R Gala**

That was from the seven months operations?

**Parag Parikh, Chief Financial Officer**

That was for the entire year of operations of which from April to September, we were collecting only on close to a little over 60% of the stretch.

**H R Gala**

Okay.  
So we had already completed a part of the stretch and we were permitted to collect toll.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

April to September saw 60% of the road being on for collection of toll. September onwards we collected toll for the entire stretch.

**H R Gala**

So the entire thing is 97 crore?

**Parag Parikh, Chief Financial Officer**

That's right. So the entire thing is 97 crore.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

If I have to slightly to give you a more appropriate perspective of how toll collection has been post completion of the road, at this point of time we are anywhere collecting a daily collection at an average of about 33.5 lakhs to 34 lakhs per day.

**H R Gala**



34 lakh.

**Parag Parikh, Chief Financial Officer**

This is our daily collection, post the entire stretch.

**H R Gala**

34 Lakh?

**Parag Parikh, Chief Financial Officer H R Gala**

Okay, okay.

**Parag Parikh, Chief Financial Officer**

If you were to really collaborate 34 lakhs per day, it would mean that we are clearly likely to collect toll for the full financial year at around 120 crore plus.

**H R Gala**

That's right, that's right.

**Parag Parikh, Chief Financial Officer**

That's there. Along with that, there is also a small recognition of a grant that is coming up from NHAI. Even out here, we had some grant coming in the initial years of operations. So along with 97 crores, there is a recognition of 17 crores of grant income. So all-in-all, our income is 115. The current financial year, along similarly with this 33.5 lakh to 34 lakh that we are referring to in terms of toll collection.

You'll need to at least put two perspectives over and above that. A, there is again a grant coming this year which as far as I recollect it is somewhere in the range of about 20 crores, 21 crores.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

That will get added to that 33 lakh and 34 lakh per day. And there is an annual escalation in terms of toll rates which gets effected on the 1st of July every year.

**H R Gala**

Okay. That is WPI related?

**Parag Parikh, Chief Financial Officer**

It is WPI related.

**H R Gala**

Okay, okay.

So, On 1st July our rates will further go up to the extent of WPI that we've seen on 31st March. And therefore we should expect around 7% to 8% rise in terms of revenue.

**H R Gala**

I understand. And this grant will continue for how many years?

**Parag Parikh, Chief Financial Officer**

The overall grant that we've bid for was to the tune of about 108 crores. Of the 108 crores, so far what has already got recognized is close to about 30 crores.

**H R Gala**

Okay

**Parag Parikh, Chief Financial Officer**

The balance 78 crores comes over to next four to five years.

**H R Gala**

Okay. Fine. And just last question from my side, all these projects, I was just roughly calculating again from that presentation, have debt element of about 3,000 odd crores.

**Parag Parikh, Chief Financial Officer**

Yes.

**H R Gala**

So, in respect there the entire interest amount will now get charged to P&L from FY'13 onwards. Am I right?

**Parag Parikh, Chief Financial Officer**

No. That is not correct at this point of time, because even today as I mentioned to you A, firstly all these projects that are under construction.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

Godawari, Patna, Bombay port are practically during the latter part to the gas end of the year.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

So, you may not have any interest cost coming into the P&L from these projects. Plus when you see the debt gross log, gross log is not only related to these projects, there are other projects which are coming up for construction.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And for example, we have the Sikkim Hydro Power project which is right now taking up for construction.

**H R Gala**

Right.

**Parag Parikh, Chief Financial Officer**

The debt levels of some of these projects are today coming under our consolidation and which may still continue to be capitalized.

**H R Gala**

I understand, okay. Any thought process on how will you reduce our debt equity ratio which is now currently around 4.5 times.

**Parag Parikh, Chief Financial Officer**

I think there are two things on how I would sort of suggest that one should look at when it comes to these leverages. A, the leverage which is there at the holding company.

Right.

**Parag Parikh, Chief Financial Officer**

Because that is primarily being used at a holding company and used as investments in equity or equity like form in to the SPVs.

**H R Gala**

True.

**Parag Parikh, Chief Financial Officer**

And therefore it is very important to see how debt levels are being sustained there. The debt levels which are coming at a project level.

**H R Gala**

Yes.

**Parag Parikh, Chief Financial Officer**

As a more of an industry norm, most of these projects that financed at 72% maybe 90% of debt, the balance 10% to 30% is coming in the form of equity.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

What maybe pertaining for all of us to satisfy is really to say that the revenues that are likely to be generated in that projects, is that adequate to, is it well, well covered and adequate to meet the debt obligations of the project. Because finally our aim is to enhance returns at the equity level which is being infused from GIPL into these SPVs.

**H R Gala**

Right.

**Parag Parikh, Chief Financial Officer**

And if you are able to raise debt money at the SPVs, corresponding to the revenues which are being generated at the project, it not only reduces the infusion of equity from GIPL, further in turn it give us an ability to enhance our returns.  
Okay.

**Parag Parikh, Chief Financial Officer**

So I would slightly break it up into saying that the debt at an SPV level, and my desire would be always to keep raising as higher debt as possible. As long it is meets the test of saying that the revenues are well, well covering those levels. Minimizing my equity infusion and in turn enhancing by IRRs or returns on the equity.

**H R Gala**

I understand.

**Parag Parikh, Chief Financial Officer**

On the standalone, we today do have a debt of about 176 crore odd and something which has not happened and in fact been delayed for sometime. We filed our draft letter of offer for a rights issue with SEBI for an amount of 200 crore.

**H R Gala**

Yeah.

**Parag Parikh, Chief Financial Officer**

And one of the primary objectives of this 200 crore is to retire the debt at the holding company.

**H R Gala**

Okay, okay, okay. Fine. Okay. Thank you very much Mr. Parikh and wish you all the best.

**Parag Parikh, Chief Financial Officer**

Thank you very much Mr. Gala.

## **H R Gala**

Thanks.

## **Operator**

Thank you very much. [Operator Instructions]. Our next question is from the line of Vineesha Sheth of ITI Securities. Please go ahead.

## **Analyst Parag Parikh, Chief Financial Officer**

Good morning.

## **Analyst**

Basically first question is like I want to know the revenue break up quarterly as well as yearly divided among your operational projects as of now like the Vizag, Andhra, Rajahmundry and Cochin and developer fees probably.

## **Parag Parikh, Chief Financial Officer**

Just a quick number, if I could give you an idea, Rajahmundry and Andhra are our annuity projects, So, more or less our annuity income remains the same.

## **Analyst**

Right.

## **Parag Parikh, Chief Financial Officer**

So, it's about 60 crores in Andhra and an about 67 crores in Rajahmundry. Along with that, we have a revenue of 115 crores in Nasik which was broken up as I just explained between toll collection and the recognition of the operational grant. And Vizag clocked a top-line of about 124 crores.

## **Analyst**

Okay.

## **Parag Parikh, Chief Financial Officer**

So between these four entities, that covers nearly 360 crores of our 420.

## **Analyst**

Right.

## **Parag Parikh, Chief Financial Officer**

The balance 60 crores, revenue recognition will be in terms of the other projects like Kosi, Cochin, ICTPL. And to add on to that the non-elimination of developer fee and one-off O&M contracts of Rajahmundry in Andhra.

## **Analyst Parag Parikh, Chief Financial Officer**

See as I was just mentioning earlier also, the desire for us is to continue to keep debts and use the free cash flows which are being

generated in the project for servicing my equity rather than debt. So that's how I would look at it as a CFO. But as long as I am able to sustain a debt which is well well covered in terms of debt service coverage ratios, interest coverage ratios. My aim would be to keep pushing the debt as behind and use that cash flows which are getting generated as surplus to service the returns on my equity. So that's how I would primarily look at it. At this point of time, across most of our projects, we have a debt door-to-door tenure anywhere in the range of around 15 years to 16 years.

## **Analyst**

Okay.

## **Parag Parikh, Chief Financial Officer**

That's the door-to-door tenures of each of these projects. And compared to this, of course when you look at the concession period, concession periods maybe anywhere from 17 years, 18 years to may be 30 years.

## **Analyst**

Fine. Sir, another thing is that what is the status on our projects that we have like in Bihar and one which we won in Andhra for 16 million.

## **Parag Parikh, Chief Financial Officer**

Yes I think we've signed the concession agreement for both the Patna-Buxar as well as for the Vijaywada-Gundugolanu project. So concession agreements have been signed. We are in the process of our financial closure. And we still have some time before the project starts. Patna-Buxar of course is a project four laning, and therefore revenues only start post construction. In Vijayawada,-Gundugolanu, its a four laning to six laning project and therefore not only toll collection start on day one, so our revenue shares.

## **Analyst**

Okay. So when are you expecting this to materialize?

## **Parag Parikh, Chief Financial Officer**

Vijayawada-Gundugolanu is expected to commence anywhere in the month of September or October.

## **Analyst Parag Parikh, Chief Financial Officer**

Patna-Buxar starts in August.

## **Analyst**

Okay.

## **Parag Parikh, Chief Financial Officer**

And the period for Patna-Buxar is two and a half years from the time we start.

## **Analyst**

Right.

**Parag Parikh, Chief Financial Officer**

So you've to add in another 2.5 years for construction and completion before revenue starts getting generated.

**Analyst**

That's right. Okay, thank you sir.

**Parag Parikh, Chief Financial Officer**

Thank you.

**Operator**

Thank you very much. Our next question is from the line of Nikhil Salvi of IDFC Securities. Please go ahead.

**Ashish Shah**

Yeah, hi sir. This is Ashish.

**Parag Parikh, Chief Financial Officer**

Good morning, Ashish.

**Ashish Shah**

Yeah, good morning sir. Could you help me with the volumes and realizations for the Vizag Seaport?

**Parag Parikh, Chief Financial Officer**

I think in terms of volumes, this year we may have not done great. I think our focus has been more in terms of seeing if we're able to realize a better per tonne revenue for our project. So, if you look at it, our revenues have remain flat practically from last year to this year. However in terms of volumes, compared to about 6.5 million, this year I think we've done about 5.5 million.

**Ashish Shah**

Okay. So, realization to that extent would have gone up?

**Parag Parikh, Chief Financial Officer**

That's right.

**Ashish Shah**

Sir, any particular reason why the volumes have come down?

**Parag Parikh, Chief Financial Officer**

No particular reason. Of course there is overall a slightly macro global downturn like we all of us have seen. And to that extent in terms of import, export volume have slightly come down.

**Ashish Shah**

Right. And any expectations how it could be over the next 12 months or so?

## **Parag Parikh, Chief Financial Officer**

We are again focusing in trying to increase this volume. What we will, though of course we may not have been very happy on the volumes, but what has been satisfying for us is we've actually tried to extract a better per tonne revenue generator by bringing our revenues practically to the same number with a volume of 5.5 million.

## **Ashish Shah**

Sir, that happens by way of increase in interest and charges or that happens by mix.

## **Parag Parikh, Chief Financial Officer**

Increase in tariff.

## **Ashish Shah Parag Parikh, Chief Financial Officer**

That's right.

## **Ashish Shah**

So that would again, you would be again taking an increase for this financial year FY'13?

## **Parag Parikh, Chief Financial Officer**

Yes. It will be that we've tried to increase our tariff and we may able to sustain it at a higher tariff. We'll focus again in keeping our volumes higher, so that in turn it generates in to a better revenue number.

## **Ashish Shah**

So but is there a damp restriction on how much you can increase the realization?

## **Parag Parikh, Chief Financial Officer**

Yes. There is a restriction in terms of the maximum tariff rate that I can charge at that time. That's more like a sealed rate and I'm free to charge anything below the sealed rate.

## **Ashish Shah**

So your realization right now would that be inline with the ceiling rate or slightly lower? Is there a head room for increasing to the ceiling limit?

## **Parag Parikh, Chief Financial Officer**

Yes. There maybe a marginal possibility of still increasing the tariff rate compared to the temp rate.

## **Ashish Shah**

Okay. Okay sir, thank you very much.

## **Operator**

Thank you very much. [Operator Instructions]. We have a follow-up question from the line of H R Gala. Please go ahead.



## **H R Gala**

Yeah. Mr. Parikh, just wanted to know under the new this in FY2013, NHAI is planning to add say 8,800 kilometers. Yes.

## **H R Gala**

Roads. Now are it entirely going to be under BOT or as it was reported in the paper that around 2,000-3,000 kilometer will be on cash basis?

## **Parag Parikh, Chief Financial Officer**

That's right. This year, in terms of BOT projects coming up, the amount of work which is expected in this year is slightly lesser. And as you rightly pointed out, the thought process at NHAI is to avoid a quite a few cash contracts. In the thought process at this juncture is to practically minimize to diminish annuity projects and work between a combination of what may truly work on a traffic base BOT.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

Or on the other side of cash contracts.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

There are plans of nearly 2,000 to 2,500 kilometers coming on cash contracts and to that extent activity from a BOT perspective will be less.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

Most of the activity is likely to again start from June, July.

## **H R Gala**

Alright.  
In terms of newer bids.

## **H R Gala**

Okay

## **Parag Parikh, Chief Financial Officer**

And maybe it might follow around the third to the fourth quarter.

## **H R Gala**

Okay. Is there any stipulation by NHA energy for this new projects that any developer which currently is spending three projects cannot bid for the fourth one?

## **Parag Parikh, Chief Financial Officer**

That's right. That's absolutely correct.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

There is a norm where you can't bid in case financial closure is not achieved. More than three projects or four projects depending upon the size of the projects. So, there is a norm of whether the aggregate size of this project is less than or more than 3,000 crores.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

Based on that there is a criteria that if your financial closure is open for three projects, you are not permitted bid till you have achieved financial closure.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer H R Gala**

Absolutely yeah.

## **Parag Parikh, Chief Financial Officer**

To that extent, there is slightly a diluted wording on what they mean by financial closure, from a perspective of bidding for newer projects to what our financial closure would truly mean the way we'll interpret in terms of really tying up with banks and being able to draw down.

## **H R Gala**

Okay. But can a developer say circumvent these things by formation of SPV with some other developer or something like that?

## **Parag Parikh, Chief Financial Officer**

There is a minimum requirement that as long as you know any of the bidders are holding more than 10% in the SPV, then the law still applies. To that extent the very little one is able to circumvent because any bidder even in a consortium certainly would want to hold more than that.

## **H R Gala**

Yeah. Absolutely. Okay, okay, okay. So under that scenario, how do you see the competitive scenario coming up in the BOT project amongst the large people?

## **Parag Parikh, Chief Financial Officer**

Well, I think clearly we have been hoping, expecting that this should rationalize a process of bids even when we have one projects in the last six months.

## **H R Gala**

Yeah.

## **Parag Parikh, Chief Financial Officer**

It mean slightly at better times.

## **H R Gala Parag Parikh, Chief Financial Officer**

Most of our projects are around grant business, in fact not most, all of them except for one, one on a grant basis.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

Which effectively not only subsidizes our project cost, also brings down the needs of debt and equity on the project.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

And there is only Vijayawada which we've won on a revenue share mechanism.

## **H R Gala**

Okay.

## **Parag Parikh, Chief Financial Officer**

We've also been waiting to see that with others gradually winning projects, I think it's not just to do with the criteria of three but finally I think the appetite also in terms of entities.

## **H R Gala**

Yeah.

## **Parag Parikh, Chief Financial Officer**

Will come down as people win projects.

**H R Gala**

That's true.

**Parag Parikh, Chief Financial Officer H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

But honestly we have been waiting.

**H R Gala**

And another point which we learnt was that some of the projects have gone under a negative grant also.

**Parag Parikh, Chief Financial Officer**

That's right.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

There were very few projects in the initial times that have gone on a negative grant. The negative grant has then been changed in to what we call as the revenue share now.

**H R Gala**

Oh, I see that has been converted in to revenue share.

**Parag Parikh, Chief Financial Officer**

So essentially some of them interchangeably use the words.

**H R Gala**

Okay, okay.

**Parag Parikh, Chief Financial Officer**

Truly, I think the way things were earlier there was a grant mechanism, there was a negative grant where you had to pay something either upfront to the government.

Okay.

**Parag Parikh, Chief Financial Officer**

or at the end of the concession.

**H R Gala**

That's right.

**Parag Parikh, Chief Financial Officer**

So that mechanism is no longer there. The mechanism now is since after that the mechanism changed to a percentage of your top-line as a revenue share.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

And then from percentage at this point of time the mechanism is in absolute amount to share year-on-year and that grows by 5%.

**H R Gala**

Okay, okay.

**Parag Parikh, Chief Financial Officer**

For example in Vijayawada-Gundugolanu, our revenue share is 57 crores 57 lakhs. I need to pay this in the first year, and I have to escalate it by 5% year-on-year and pay them.

**H R Gala**

Okay. So, that's an absolute number. But it's not a percentage like 23.4% somebody was telling me?

**Parag Parikh, Chief Financial Officer**

Yes. It was earlier a percentage mechanism.

**H R Gala Parag Parikh, Chief Financial Officer**

But I think with the kind of bids that are coming of from the bidding community...

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

it has only got smarter. Why should I even take the risk of revenue. I don't know what the revenue will get realized.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

So, percentage to some extent actually the natural hedge from our perspective.

**H R Gala**

Alright.

**Parag Parikh, Chief Financial Officer**

Our revenues go down to that extent, revenue share goes down.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

NHAI has practically converted into an annuity model for them.

**H R Gala**

Okay.

**Parag Parikh, Chief Financial Officer**

It is able to accordingly plan there asset liability mismatches.

**H R Gala**

Okay, okay, okay. Fine, thank you.

**Parag Parikh, Chief Financial Officer**

Thank you.

**Operator**

Thank you very much. Our next question is from the line of Sameep Kasbekar of Almondz Global Securities. Please go ahead.

**Sundar Subramanian**

Good afternoon sir. This is Sundar here. May I know the including the new projects that we have won. What will be the equity infusion for the next three years in each of the year?

**Parag Parikh, Chief Financial Officer**

Yes. I think just to give you a broad number, all projects put together, as of now based on NHAI estimates are a little over 5,000 crores. This certainly will be slightly higher when we get down into our financial closures because NHAI estimates are not the same. But it's all around put together about 5,000 crores plus.

**Sundar Subramanian**

Over the next three years?

## **Parag Parikh, Chief Financial Officer**

That's our new projects that we've been awarded. In that 5,000 crores projects that we've been awarded, nearly 1,200 crores is the amount of grant that we are receiving from the government.

## **Sundar Subramanian**

Okay.

## **Parag Parikh, Chief Financial Officer**

Net, net if you see it is coming down to therefore 3,800. I repeat, these are NHA estimates, I'm unable to put out our estimate at this point of time.

## **Sundar Subramanian Parag Parikh, Chief Financial Officer**

And against that 3,800 crores therefore, if you really look at it on the project cost. If people were to look at our debt at a date equity ratio we even say 70-30. It would still mean on a 5,000 crore, we would need to be bringing in about 1,500 crore to 1,700 crore which 1,200 crore is grant balance 500 crore to 600 crore will come as equity.

## **Sundar Subramanian**

Okay.

## **Parag Parikh, Chief Financial Officer**

So these are in terms of equity requirements for the projects which come over the period of three years. The first year has hardly any equity requirement, we are yet as I said signing concession agreements in some of them, then you have a six month period for financial closure.

## **Sundar Subramanian**

Right.

## **Parag Parikh, Chief Financial Officer**

The immediate year will not have any large equity requirements.

## **Sundar Subramanian**

Correct.

## **Parag Parikh, Chief Financial Officer**

Certainly the following two years will have equity requirements coming in.

## **Sundar Subramanian**

Correct.

## **Parag Parikh, Chief Financial Officer**

And to that extend, that's the number that will pan out over FY'14, FY'15 and FY'16.

## **Sundar Subramanian**

How do we plan to fund this money?

Various mechanisms when we would explore across on each of them. As I said, once we are retiring our debt through the rights issue, you are a debt free company on the holding company. And more than 850 crores net worth and the ability to raise debt as a fall back mechanism if you choose to. But really our focus will be in terms of doing things, monetizing, securitizing our projects which are operational and coming up for operations very soon.

## **Sundar Subramanian**

Okay.

## **Parag Parikh, Chief Financial Officer**

And in some of them we're actually looking at even partnering with others for 49% and bringing our own equity requirement down.

## **Sundar Subramanian**

Okay. Have we tried selling some of your operational assets, what's been the response?

## **Parag Parikh, Chief Financial Officer**

We've not tried selling our assets so far, but clearly we've tried securitize our cash flows of operating assets, there the response has been quite good.

## **Sundar Subramanian**

Okay.

## **Parag Parikh, Chief Financial Officer**

So, there has been no problem from that perspective.

## **Sundar Subramanian**

Okay.

## **Parag Parikh, Chief Financial Officer**

But that is more securitization of cash flows rather than a pure stake sale.

## **Sundar Subramanian**

Okay sir. Thanks. That's it from my side.

Thank you.

## **Operator**

Thank you very much. Our next question is from the line of Parvez Akhtar of Edelweiss. Please go ahead.

## **Parvez Akhtar Qazi**



Good morning sir.

**Parag Parikh, Chief Financial Officer**

Good morning, Parvez.

**Parvez Akhtar Qazi**

Sir, we just heard today that you've been shortlisted for the trans-harbor link?

**Parag Parikh, Chief Financial Officer**

Right.

**Parvez Akhtar Qazi**

So I just wanted to get your perspective. Being a greenfield project, what kind of risk mitigation strategy you will adopt when it comes to ultimately determining the toll projects going about the whole thing because doing these things for a brownfield projects is still easy but this being large sized project on a greenfield basis. I just wanted to get your perspective.

**Parag Parikh, Chief Financial Officer**

I think firstly its very, very too early for us to get in to that not for any reason because the process of qualification is on as yet, and we have submitted for qualification. And post the qualification that has now happened still the client is circulating the documents on the parameters of the bid. Really we'll need to see firstly what kind of parameters are set in terms of toll rates, in terms of traffic, in terms of the scope of the project, and therefore cost estimations. There is also a potential where the government was looking at probably putting some sort of grant. Now these are thoughts which are still going on at the government level. I think firstly from a project perspective, what I can tell you both as a bidder as well as I think for all of us who are at least citizens of Mumbai, this clearly brings us a lot of tangible benefit in terms of traversing outside the city of Mumbai.

The way the link is structured, it is just on the Central Harbor road towards Sewri and cuts across straight to Nhava-Sheva. The entire link is close to 22 kilometers with nearly 17 kilometers of it being bridge. And this essentially is an idea for decongesting the island of Mumbai. And what it effectively means is that you should expect a lot of developments coming on the other end. Take classic cases of things like Hong Kong, where you have a Mainland island and the outskirts of - or that matter in terms of New York to a New Jersey.

So it is on those lines, the path is being created here to say that there is a significant residential capacity being built on the other end. And people are therefore able to traverse through this link on the end of the project. B, you also need to recognize and it equally applies good for us in another manner. We are developing the Bombay port out here. And obviously when you're developing a large facility with volumes coupled with as an existing port, the volumes that it is handling for other works. This provides a very easy outlet which is rare a back-end Ballrad Estate to move through this Sewri link and move to Nhava-Sheva. So in a manner it also decongests and in fact enables us a competitive advantage for the Bombay port in the future years to come.

So, risk mitigation as you just mentioned and whether it's greenfield or Brownfield, I think honestly too early to say at this point of time. still the bid parameters are getting circulated by the client. So we are even not sure today whether it's going to be a bid parameter of a grant, concession period or what. Still some time away. It's a large sized project and clearly we are quite seized of the fact that you certainly do not want to expose ourselves to a single asset in a very large manner and therefore we are in a consortium out here. And I don't see the bid happening so fast, given the nature, complexity and the size of the project.

**Parvez Akhtar Qazi**

I appreciate it. Thank you.

**Parag Parikh, Chief Financial Officer**

Thank you.

## **Operator**

Thank you very much. [Operator Instructions]. As there are no further questions from the participants, I will now like to hand the conference over to Mr. Shirish Rane for closing comments.

## **Shirish Rane**

Thank you everybody for participating in the conference call and special thank you to Parag and his team for allowing us to host the call and participating in the call. Thank you very much.

## **Parag Parikh, Chief Financial Officer**

Thank you Shirish, Thank you IDFC, thank you everybody for being on the call.

## **Operator**

Thank you very much, sir. On behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.