"IL&FS Transportation Networks Limited Earnings Conference Call"

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MR. DANNY SAMUEL – SENIOR MANAGER, IL&FS TRANSPORTATION.

Moderator: Ladies and gentlemen good day and welcome to the IL&FS Transportation Network's Limited earnings conference call. As a reminder for the duration of the conference, all participant 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. Should you need assistance during the conference call, you may signal an operator by pressing * and then 0 on your touch tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Danny Samuel, Senior Manager, IL&FS Transportation Networks Ltd. Thank you and over to you Mr. Samuel.

Danny Samuel: Hello and welcome all of you to the earnings call on the full year's results. We have notified our results and we believe we have performed to the expectation of the street. I would now hand over the conference to Mr. Mukund Sapre, Executive Director, IL&FS Transportation Networks Ltd. who will make the opening address and thereafter Mr. George Cherian, CFO, IL&FS Transportation Networks Ltd. would run you through the highlights of this year's results. Over to Mr. Mukund Sapre.

Mukund Sapre: Thank you, Danny. Let me welcome all of you on behalf of ITNL. Our numbers are already in the public domain. I think I just need to talk very shortly on how we fared and what our outlook is and how things added up throughout the year. As this was clear that this year we had to implement the projects on ground and that is one of the reasons that our revenues increased by around 40% in comparison to last year and the major contribution has come from the construction revenues contributed mainly by around 8-9 projects where implementation on ground is happening and where we could achieve significant progress. As you would know that most of these projects have around 30 months of construction period, and we could deliver on most of the projects what was targeted for the year. The other important thing to note is that few of the projects went into the operation mode and if you see our toll and annuity figure for last year, it jumped from INR 381 crores to INR 590 crores. We are practically moving on the construction front as scheduled and towards the end of last quarter, we also managed to add new orders worth around 5000 crores . So if I look back we sort of achieved our construction turnover and then again got success with around 5000 crores; so again at the closing date of the year, our order book stands at around 12,000 crores. Of all these new projects, we have achieved financial closure for one and the other two are in process. So these also will be coming on ground this year and again we will strive to perform on implementation which will be one of major contributors of revenue.

I think one or two key things which need to be noted is that the operating charges have gone up and interest has also gone up, but this is related to construction as more construction is going to happen the cost of construction and the resultant debt levels would go up adding to higher interest rates. That is why the numbers have gone up, but for us the revenue mix will be out of this 4-5 heads and depending on the mix, how the mix pans out for that year, I think we should be moving in EBITDA levels of say around 25% to around 35% and I think today on the consol level, we are at around 29% EBITDA which I believe taking the revenue mix into the account, I think we have fared very well.

Elsamex which contributes around 799 crores at top-line has shown positive PAT and though its miniscule 16 crores of positive PAT, but I think we need to share this account that the struggle for us is still on and with our help to them and working together I think we have seen to it that it keeps on performing and it is above average. We believe that whenever the european economies are going to improve, it is going to benefit Elsamex greatly. It is a value proposition already in our fold and we are utilizing it.

Additionally NHAI has also set up good targets for themselves. They are talking of around 8800 kilometers to be awarded during this year. So we believe that again we'll have lots of things to concentrate on and I think we have succeeded in putting a direction to our selection of projects and bidding strategies. Competition is settling down and we do believe that irrespective of scenarios in various infrastructure sectors, road is something which is doing well. We have the bankable propositions in front of us and I think we will keep on moving, , but at the same time I think I have to acknowledge that lumpiness is going to come. So as long as we prepare ourselves and see to it because it does call for lot of background work to be done to really bring the project for bidding, but there is already a visibility of things which are going to come. If you see last year's performance, it has not been bad as far as NHAI is concerned and states are also going to open out. I would now request George to run through the numbers and then subsequently move on to the Q&A sessions. Thank you.

George Cherian: Good afternoon everybody on the call. My name is George. Mr. Sapre just gave you a brief on the activities for the year and I will attempt to run you through the profit and loss account for the financial year both on a standalone basis as well as on a consolidated basis.

Starting with the standalone, the revenues have moved up from about 1600 crores to about 2700 crores in the current year. The big jump has been in construction and construction has moved from about 1000 crores to about double that number. O&M income and toll and annuities have continued to contribute, but that is in the consolidated. On the income from fees, there has been limited income from fee which has substantially higher margins which come to the parent company. Construction margins are somewhat limited and therefore even with increased sales, you will find that there has been a decrease in the EBITDA margins. They moved down from 36% last year to 24% this year because of the lower margins that are generated on the construction.

One other significant aspect which has reduced the profitability for the current year in the standalone is the result of the higher borrowings resulting in interest increases that have taken place during the course of the year. We have, however, tried and limited our exposure to be maximum possible and in certain cases the borrowings have become necessary in order to fund the SPVs which were awaiting draw-downs from the bank or were awaiting grants to be released from the NHAI. This has resulted in a profit before tax of about 413 crores which is something like 38 crores lower than the last year and it translates to a percentage to revenue of 14% as against 27% last year, again primarily for the reason that what has constituted the major portion of the profits is from the construction margins that have come through which have lower margins.

Tax has been higher in terms of the rate that we have provided. There is a disallowance of expenditure associated with interest cost that we pay on the borrowings availed by the company in order to fund any equity in Indian ventures. Hence you have to provide for tax on that because it is not allowed as a deduction under income tax and that has raised the effective tax rate to 39%, up from about 36.5% last year. So although there has been a reduction in the PBT, the effect of the lower taxes has not been fully taken advantage of because of the extra provision that had to be made. So we have ended the year with a profit after tax of 252 crores, down about 36 crores from last year which was 288 crores and as I had told you earlier, the margins have again been lower because of the composition of the revenues, the majority being construction revenue which has lower margins.

On the consolidated front, it is basically a reflection of what happens in the standalone in terms of revenues. Revenues have gone up to 5600 crores mainly on the back of increased construction activity, up from 2500 crores to about 4000 crores in this year. That again has its impact in terms of the margin that the company has been able to recognize. Toll and Annuity revenues have gone up from about 381 crores to about 590 crores. That is on the back of improved collections across the various projects that we have plus on account of new operational projects. Elsamex revenues have shown a dip which is consistent with the situation prevailing in most of the European countries; however, the redeeming factor has been that Elsamex has still been able to maintain a marginal level of profitability, Mukund mentioned that we will just have to buy time and ensure that Elsamex maintains at least this level of profitability and take us through this difficult time.

Interest cost in the consolidated has obviously gone up because with construction activity going on, you always have the drawdown of loans from the banks and with additional drawdown's, your borrowing increases and then your interest cost also increases; however, this is not entirely reflected in what you see in the P&L account because interest relating to projects which are toll assets are capitalized during the construction phase and annuity projects have their interest costs charged to the P&L account. So at any given point of time, the impact of interest that you see in the P&L account is a factor of how many toll projects are under construction and how many annuity projects are under construction or how many of the toll projects have actually completed construction because then the charge comes to the P&L account. So it is not entirely a factor of looking at how much business has grown and whether interest costs are commensurate in terms of such increases or decreasse.

Tax of course is an aggregation of all the taxes that you pay across the group and the year has actually resulted in a PBT which is at 785 crores as against 675 crores last year. After tax profits have also improved by about 65 crores compared to the previous year., We have ended the year with 497 crores as against 432 crores with about the same level of profitability in terms of percentage to revenues remaining more or less unchanged at about 9% to 10%.

Coming to the borrowings in the consolidated, borrowings have gone up and it is now at about 10,000 odd crores that is on the back of the draw downs that have taken place plus the borrowings relating to the new acquisition of the Chinese project company. The loans of that company have also got added on to the borrowings. So debt-to-equity is at 3.5 and in the standalone, it is 1.3. This in a nutshell is the financials for the year. If you have any questions, we will be glad to take it.

Moderator: Thank you sir. We will now begin the question and answer session. Anyone who wishes to ask a question, may press * and 1 on their touchtone phone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Our first question is from the line of Jitesh Bhanot from Emkay Global. Please go ahead.

Jitesh Bhanot: Good afternoon sir, congratulations firstly for a good set of numbers. Sir I am having three questions at mind firstly with regards to your Chinese project which is Yu-He Expressway. Sir can you help us out with where are you consolidating these top-line numbers which particular line item in your presentation which is depicting this particular revenue number?

Danny Samuel: Jitesh, we have started consolidating the balance sheet from quarter 3 onwards and from quarter 4 onwards which is the current quarter, we have also started consolidating the P&L for the Yu-He.

Jitesh Bhanot: Can you help us, in your presentation in Q4 in page number 15, you have given sub-segmental breakup of construction income and toll and annuity, which particular classification are you adding that particular income, toll and annuity from that?

Danny Samuel: Yes, it will go into toll income.

Jitesh Bhanot: And this will be 49% if I am right, only the proportionate consolidation right?

Danny Samuel: Yes, it is proportionate consolidation.

Jitesh Bhanot: And secondly would like to understand on your order book which is at 12500 odd crores like which particular new orders have already been booked into your capital work in progress?

Danny Samuel: As far as new orders are concerned, I do not think any of these orders have started contributing to capital works. There is a small portion of fee which has come in from the Kiratpur-Ner Chowk project wherein we have achieved financial closure during last financial year. For the other new projects namely the Sikar-Bikaner, the Kharagpur-Baleshwar, the Beawer-Gomti as well as two small new roads from Rajasthan which are going to come in have not contributed to any revenue in this last quarter. Last year if you ask me, Jharkhand projects the two new ones which came in have contributed to revenue on the construction as well as on the fee side.

Jitesh Bhanot: Then just wanted to understand about the outstanding order book position with this capital work remaining to be executed like have you already book these new projects in this particular outstanding order book or?

Danny Samuel: If you look at the order book position, around 8900 crores that we depicted where orders upto last quarter includes Kiratpur-Ner Chowk project. Other one around 3269 Crores includes Sikar-Bikaner, Kharagpur-Baleshwar, and the IRIDCL project which is Beawer-Gomti.

Jitesh Bhanot: Danny there is another little bit of I guess in this classification when it comes to our analysis, when we do see your state-wise breakup, we do not find any Orissa project or we do not find significant additions on your Himachal projects for us to believe that you have added KMC or Kharagpur-Baleshwar for that matter?

Danny Samuel: Yes, what has happened is in the composition that we have given in our presentation, we have given it only for projects which are already there. So the breakup is actually for the 8700 crores of order book which was there till last quarter that is given. So the Himachal project is included, but the other projects are not there. Also from the other projects there is no income booked and hence that will be 100% in the order book.

Jitesh Bhanot: Can you help us to understand with the fee income part in the last quarter, how much did it come from Kiratpur-Ner Chowk and how much did it come from Chandrapur-Warora?

Danny Samuel: I will give you some color on it. Kiratpur-Ner Chowk contributed somewhere around 35 crores and Chandrapur-Warora contributed around 37 crore and the balance was all from Jharkand and other normal supervision fee

Jitesh Bhanot: And if I take your annual number of the fee income line item, it works out to somewhere close to 570 odd crores. Can you give what will be the in-house SPV related fee income and what will be the external fee income that you have achieved from third party contract?

Danny Samuel: There is no external fee income that we have. All our revenues are from SPV.

Jitesh Bhanot: Okay, thanks a lot. That will be it from my side. Thank you.

Moderator: Our next question is from the line of Deepak Agarwal from Merrill Lynch. Please go ahead.

Deepak Agarwal: Can you help us understand what has driven the growth of such a high construction revenue in this quarter specifically top 3 or 4 projects which would have contributed to 860 crores of construction at parent and 1500 at the consol level?

Danny Samuel: Deepak what happens in road construction progress is that towards the end of the construction the pace of construction increases, I mean the financial pace. Basically we may be doing lesser work, but the financial figures increases as we are doing works which are costlier. I will give you a rough breakup on what each of the projects contributed.

Jharkhand project contributed around 18%. That is almost near completion now. Chenani-Nashri project contributed around 16%, NAMEL which is a Narkatpally project contributed around 14% and MBEL and Gurgaon metro projects contributed around 12%, Hazaribagh-Ranchi contributed around 10% and other projects were the balance.

Deepak Agarwal: This is for the quarter you are saying at the parent level?

Danny Samuel: This is for the quarter at the consol level because I am including Jharkhand as well.

Deepak Agarwal: Second thing is on the margins, like what is the sustainable level of construction margin that you expecting in FY13 and 14 because obviously it will be contingent on the kind of construction mix of the project that you are executing. What is the sustained level do you think is possible?

Danny Samuel: I think on consol basis, we should be able to do somewhere around 10 to 12% of construction margins on the consol end. On the standalone front, I think we will have on the construction; I am excluding the fee part of it.

Deepak Agarwal: Yes excluding the fee part.

Danny Samuel: So only around the construction, I think we should be able to book somewhere of between 8 to 9% EBITDA margin

Deepak Agarwal: Okay so for this 9% which we had in Q4 will further fall in FY13 right?

Mukund Sapre: It will remain fair actually. I do not see any reason that why, you take a bandwidth of, it can run into 10 to 15% also.

Deepak Agarwal: Third question is in this project, I do not understand why the share from associates have turn positive unlike in the last few quarters, we are seeing associates are making loss and the only project which is there in associate is like which is under construction is Warora-Chandrapur and you have operating Thiruvananthapuram project. So why is making profit in this quarter?

Danny Samuel: The main contribution is coming from the A4 project which Elsamex has. That is treated like an associate by Elsamex and there is a positive contribution coming which has turned the total contribution from associates into a total positive.

Deepak Agarwal: Okay thanks, that is it from my side.

Moderator: Participants to ensure the management is able to address questions from all the participants, may we request you to limit your questions to two per participant. We will take our next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks a lot. Thanks for taking my question. Actually I have a few of them. The first one is in the consolidated revenue in the presentation; there is 147 crores of other income. This number typically is in the range of 50 to 52 crores. Can you throw some light what exactly this is?

Danny Samuel: Pulkit in the other income traditionally the main component has been interest income that we have received. On the consolidated, there is no interest income. There will be interest income which is coming from associates and joint venture which are not knocked off in the consolidated, plus there will be some other income which is earned by Elsamex which will also comes in. So these are the two items which contribute the other income.

Pulkit Patni: I am not talking about other income, I am talking about in your revenue breakup in the presentation as you break construction, toll revenue, there is others line which is in the range of 50-52 crores. That number is up to 147 crores in this quarter.

Danny Samuel: There is some confusion on the number that you have said Pulkit. This you are referring to the quarter number?

Pulkit Patni: Yes that is right. The quarterly number.

Danny Samuel: On the quarterly number because all of these put together construction income, fee income, O&M income, then there is what is left is only the other income which is there.

Pulkit Patni: So I wanted to know the breakup, may be you can take this offline. Just to understand the breakup of that?

Danny Samuel: The other income is 33 crores which is coming in here. If you want again, I will give you the breakup for this. The construction income in the consolidated for this quarter was around 1439 crores. The fee income, all which is the one which has not been knocked off, is around 95 crores. O&M income is 19 crores. Elsamex revenues are 266 crores. Toll and annuity income is 181 crores and other income is 33 crores. So probably what has come in is 33 crores plus the O&M income. O&M income is the one which probably would not have got knocked off which will be pertaining to associates and joint ventures.

Pulkit Patni: The second question is when we tried to do a difference between your capital works remaining between this quarter and the previous quarter on a project by project basis, the only project that shows a decline is the Jharkhand project. So if there is execution that has happened on some of the other projects, what should be the reason why that number actually goes up?

Danny Samuel: The number has gone up only because of the Kiratpur-Ner Chowk addition which is why it is gone to 8788 crores, otherwise if we take off Kiratpur-Ner Chowk which is around at 2300 crores, then I think this number would be somewhere around 6500 crores or 6400 crores. So if you look at from last quarter, execution, you will see that, and the other thing is if construction work which is remaining to be executed has always been shown in adjusted to stake. So as far as accounting is concerned, in some projects where it is a subsidiary and where we don't own 100% we will still take full revenues whereas in this mark, this will be only shown at proportionate stakes.

Pulkit Patni: And my last question is on the Beawer-Gomti project. Given that all your other projects have shown very strong growth in terms of toll revenues, Beawer-Gomti continues to be fairly weak. Having said that, you already accepted an augmentation of this particular road project will cost about 1200 crores. So wanted to understand what exactly is the rationale of that and do you think that this project will have such a strong ramp up in traffic so that the current decline in traffic plus the augmentation can be taken care of?

Mukund Sapre: Yes Pulkit, I think we need to take two-three things into account. I do agree that in terms of toll what we are collecting today has some impact because of definitely very longer monsoon and some restriction on quarrying and things have not picked up as far as Beawer-Gomti as of today is concerned, but historically you need to take into account that NHAI before this GQ new alignment which was done through Nasiradabad, the only option available was NH-8 and everybody used to travel on this in spite of all the trouble. Now what has happened is that this complete stretch is going to be alternate to Kishangarh Chittorgarh Udaipur stretch. Recently they was a bid for Udaipur-Gomti and if you take into account the number at which Sadbhav won this which was at around 25 crores of premium and then subsequently we will be doing the four-lane in between and the next stretch which is from Beawer to Kishangarh is being done six-lane by Soma. Now if you analyze the complete movement on this segment, it offers to you around 32 kilometers of distance saving and there is every reason to believe that there will be growth and the diversion of traffic. So it is going to compete with the GMR stretch which is Ahmedabad-Udaipur. Another two or three important things were there were some issues around urban areas because of the congestion which will ease out with four-laning of Udaipur-Gomti. Second is the ghats were of very big gradients so the trucks which are overloaded or loaded to extent that they are allowed were also avoiding this NH-8. With the development of Udaipur Gomti this gradient would be improved and then the third serious issue was the Nathdhwara city which will now have a flyover. So it is going to alternate complete four-lane stretch from Udaipur to Kishangarh with the GMR stretch and we will be operating on 32 kilometers of distance saving. So obviously we do believe that this project is going to that potential which was there and which was there originally at NH-8.

Pulkit Patni: Thank you so much Sir that is very helpful.

Mukund Sapre: Thank you.

Moderator: Participants were requested to please limit your questions to 2 per participant. We will take our next question from the line of Supriya Madye from HSBC. Please go ahead.

Supriya Madye: Thank you sir. I just wanted to understand what you explained in your presentation about the tax rate which was increased to 39%, can you just help me understand it once more?

George Cherian: Yes, you see when you compute your taxable income in the normal course, there are certain expenditures that are not allowed as deduction under the income tax act plus various other adjustments are also carried out maybe under Sec 43B or any other matter. One of the primary things which affects our company is the disallowance of interest under section 14A which means that if you have borrowed funds and you are paying interest on those borrowed funds and if you were to use these borrowed funds for investments in equity of domestic companies, since the income by way of dividends from these domestic companies is exempt from tax,. the tax authorities seek to disallow the interest cost that you pay on the related borrowing. So you have to offer that for disallowance which is why the effective tax rate in that year goes up.

Supriya Madye: Okay, thank you so much.

Moderator: Our next question is from the line of Gaurav Pathak from Standard Chartered. Please go ahead.

Gaurav Pathak: Hi sir, congratulations for the good set of numbers.

Danny Samuel: Thank you.

Gaurav Pathak: I wanted to ask what is the EBITDA margin that you book on your fee income?

Mukund Sapre: I think EBITDA margin on fee income will be around 70-80% depending on the number, but you can take it around 70-80%.Gaurav, per se, there is no great cause in terms of the fee income which is coming in, but all the expenses which are like employee expenses and other expenses have to be apportioned because a large part of it is design charges which is there and if you apportion all those expenses against them, then the range would be somewhere between 70-80%

Gaurav Pathak: And sir has there been a currency impact on the Elsamex revenue in this quarter?

Danny Samuel: Yes, this quarter because of the depreciation in the Indian currency, there is some relief that we get in the notional adjustment of the currency which has come in from Elsamex.(Also relates to Vaibhav)

Gaurav Pathak: So this currency impact you book in your normal Elsamex revenue or as other income separately?

Danny Samuel: This goes into the translation reserve that is there and hence it will not have a direct impact on the profitability.

Gaurav Pathak: And sir would you like to give any guidance in terms of what would be your debt figure and earnings figure by end of FY13?

Mukund Sapre: We generally are avoiding any talk on the forward looking that is our board policy, but we would strive for healthy growth in the consol level.

Gaurav Pathak: That is it my end, thank you.

Moderator: Our next question is from the line of Abhinav Bhandari from Elara Capital. Please go ahead sir.

Abhinav Bhandari: Hi gentlemen, had a few questions. First of all what would be the total equity commitment that you have made across projects including the loans and advances and how much it is left and across which all projects?

Danny Samuel: The total equity for the existing projects, leaving out all the new projects that we have won in the recent past, then that will be somewhere around 100 crores, but if we include all the new projects, then I think the total is somewhere around 1100 crores. There will also be some amount of sub debt which is going to come in. We are entering into some commitments with some financial institutions and banks wherein they have shown willingness to take on the sub debt. So the equity commitment on our part will be under flow in the next 2-3 years would be somewhere around 1100 crores.

Abhinav Bhandari: This 1100 includes Sikar, the new Beawer project as well as the Kharagpur project. Am I right?

Mukund Sapre: Absolutely right.

Abhinav Bhandari: And Kiratpur, you have put in the entire amount?

Danny Samuel: No, Kiratpur we have financially closed and normally the terms of the financial closure are you will have to put an upfront equity of somewhere around 40-50%. So depending on the terms which have been agreed from the bank, we have to put an upfront equity only to that extent and the balance equity then goes in phases.

Abhinav Bhandari: 100 crores which is left of the existing project is pertaining to which project?

Danny Samuel: Part of it pertains to the Gurgaon project wherein there is another portion which has to go in and there are some small parts for the

Hazaribagh-Ranchi project and small contributions to other projects as well, but the major part I think is for the Gurgaon project.

Abhinav Bhandari: And could you quantify the revenues booked on the IDC and the margin which had been recognized at the consol level for full fiscal?

Danny Samuel: Come again, what is the IDC which has been...?

Abhinav Bhandari: See IDC that you have booked at the consol level for the entire fiscal, what that number would be?

Danny Samuel: That segregation will not be available.

Abhinav Bhandari: And on Elsamex, could you provide some color on what would be the EBITDA margins and net worth and debt?

Danny Samuel: On Elsamex, the EBITDA margins were around 8-9% for the full year and the total debts at Elsamex right now in euro millions is €69.6 million.

Abhinav Bhandari: How much is the net worth?

Danny Samuel: The net worth is around 39 million.

Abhinav Bhandari: And of the 12,000 crores of backlog that we have, internally how much have we targeting for execution this fiscal in FY13 on the existing projects?

Danny Samuel: It will again be forward-looking so will avoid answering that, but I think you can put a notional number estimates on how it will pan out because it is a 3-year completion, most of this order book will be completed in the next three years. So if you take that into account, on an average basis it is one-third in a year, but we don't want to commit any numbers or give any guidance on it.

Abhinav Bhandari: And any projects that you want to highlight which may be running slightly ahead of schedule or marginally behind schedule?

Mukund Sapre: As of now, we can comment that it will be generally all of them are on schedule and we will strive to complete annuity projects ahead of schedule.

Abhinav Bhandari: And on the standalone side, what would be the average interest cost that we have on the debt?

Danny Samuel: Standalone interest cost is somewhere around 11.5% to 12% and these are generally one year loan, so depending on how the interest rate movement happens, every year there could be reset which comes in.

Abhinav Bhandari: And just one last question on 590 crores of toll plus annuity income that you have booked, how much would be the contribution from Yu-He?

Danny Samuel: The contribution from Yu-He is around 36 crores.

Abhinav Bhandari: That is it from my side. Thanks.

Moderator: Our next question is from the line of Devang Patel from Avendus. Please go ahead.

Devang Patel: Hi sir, on the three recent projects that we have bagged, are there any write-off issues or any environment clearances which would be pending?

Mukund Sapre: I think the projects what we have got, one is very clear cut case where we have take the site and start on the collecting toll also for attending the work which is Orissa one. Bikaner-Sikar again is wonderful site where practically there is nothing which we need to clear off rather we need to start on ground the moment we sign concession we will be starting very early. And Kiratpur Ner Chowk I think environmental clearances is quite ahead of schedule or is on schedule. So may be we should be on ground in August-September on all of these projects and we do believe that there would not be any delays in start-up of these projects.

Devang Patel: Sir on Gurgaon metro project, would you update us on what is happening there, we hearing that DLF is now not part of that project?

Mukund Sapre: DLF as such was there as a notional partner with us and responsibility was being taken by us only. I think it is on track and may be this coming early March or February, we will see the trains running. I think trains also ready in China and going to land up in coming 2-3 months. The things are going well as far as the implementation is concerned and now they are also seeking the extension for the phase I. So it is going to add on. I think we are going well on that project also.

Devang Patel: Sir and the Yu-He Expressway, there has been lot of political troubles there in that province. Do we see any impact on our project there?

Mukund Sapre: As of now, no. As a district, they were looking for divestment and they are proceeding with further divestments which are going to come and that is also the need of the hour. Model is a little different than India that we spend starting with private sector itself and there we are trying to do the development after spending and divesting and then concentrating on the expansion again. I do not see any reason that it should have any impact on the policy being forward over there. These two models are there and it is going to continue. That is what our perception or reading on the subject.

Devang Patel: Right sir. On the Beawer project, the toll growth this quarter has tapered down. Are there any local issues to that?

Mukund Sapre: Mining is of course an issue throughout the country and this is one of the reasons that the dedicated marble blocks moving in the morning and those MAV is coming back in the evening, those have gone down, but as I said that taking into account that we need to go for Four-laning and Udaipur-Gomti also happening Four-laning with even competitors giving 25 crores of premium to start with and other part also going to be four-lane. So it is going to be a good four-lane alternate competing corridor which was the earlier NH-8 corridor with no hindrances now to the new GQ which is circuitous around 35-40 km. So I do believe that this is going to come back on track.

Devang Patel: So the mining problem is not resolved as of yet?

Mukund Sapre: It will be done. It is in Supreme Court by that time we will do four-laning, it will improve, and I think it is going to settle. Ultimately, they have some little bit of issues here and there not to that extent where you are struggling on iron ore and all. These are not that complicated issues for the marble mining.

Danny Samuel: And Devang these are local traffic which is there for the mining, but what we are looking for the Four-laning is through traffic which is longer distance traffic. So as a total impact on the project, I do not think this traffic would have a major impact.

Devang Patel: Of the standalone debt of 2700 crores, how much is on lent as sub debt to various SPVs?

Mukund Sapre: Around 500-600 crores.

Devang Patel: Total construction revenue in the consolidated books at 1844 crores, how much of this is from the Jharkhand project?

Mukund Sapre: We can provide you such detail numbers offline.

Devang Patel: Sir on the stadium project, will there be any pass of revenues from the ITNL books?

Mukund Sapre: No, we just held our guys over there. It is not going to add on anything. There will be complete pass through on it.

Danny Samuel: It will only be a pass-through from our book. I do not think we will have any numbers which will come into our bottom-line for these projects.

Devang Patel: Is it reflected in the order book and the equity investment part in the presentation?

Danny Samuel: It is reflected in the order book, but not in the equity. Anyway the equity is very small for that project, but I think it will all be back-to-back with whatever company implements the project.

Devang Patel: Right sir, thank you so much.

Moderator: Our next question from Chavi Agarwal, Ambit Capital. Please go ahead.

Chavi Agarwal: Good evening sir. Sir in your standalone accounts for FY12; can you give me a breakup of which projects have contributed to the fee income, top 2-3 projects and what is the amount?

Danny Samuel: We gave the breakup in an earlier question. I will repeat it again.

Chavi Agarwal: I need it for the full year, not for the fourth quarter?

Danny Samuel: Full year would be a long list. I think we can probably provide offline ….

Mukund Sapre: Offline we can give you.

Chavi Agarwal: Okay.

Mukund Sapre: I am Mukund Sapre this side. Thank you dear friends. I have to just push up for one of the appointments. My colleagues are attending to you. Thanks.

Chavi Agarwal: I understand IDC breakup is not available, but a broad number, can you give us. Is it possible or can we ask from you at some later time?

Danny Samuel: IDC breakup is something which is not provided anywhere because if you look at the way accounting happens, IDC is only something which is kept in the consol accounts. The consol accounts as far as construction is concerned, it does not differentiate between what has been given out as EPC or what has been incurred as IDC because as far as the SPV is concerned, the total construction for the SPV and money spent for construction for implementing the project is construction revenue. So it will be difficult to take out the number and give because I do not think in any of the schedule anywhere the IDC number comes as separately, but I think if you want to estimate it, you can always add on a percentage on whatever construction happened of around 8% to 9% on account of IDC.

Chavi Agarwal: Okay sir. Sir, that is it from my side.

Moderator: Our next question is from the line of Ajit Motwani from Emkay global. Please go ahead.

Ajit Motwani: Sir just wanted to know this number in your presentation you are saying about 280 crores of incremental equity investment. So this is related to 8800 crores order book or the entire 12000 odd crores of order book?

Danny Samuel: Sorry, which number 280. We have number of around 1100 crores. This is internal equity for existing projects.

Ajit Motwani: Yes. That is what I am saying. This is related to 8800 crores.

Danny Samuel: Sorry I think it is an error. This should be read as 1100 crores or 11,000 million. The number we have to write it up on that above line it has been written in the below line. It should be read as 11,000 million. We will correct it also.

Ajit Motwani: So you are saying once this 12,000 odd crores of order book is executed, you will have to invest about 1100 crores, right?

Danny Samuel: Yes.

Ajit Motwani: My question is regarding your standalone debt equity is already about 1.4 times. So is not that the book is too leveraged to support another 1100 crores of equity investment to your cash flows are about 200 odd crores in standalone?

Danny Samuel: Even if you consider 1100 crores to be invested, it has to be invested over the next 2-3 years and considering even that the present amount of profitability coming in the standalone which is just coming around 250 crores, you can get 750 crores in the next 3 years from the internal accruals itself. On top of that, we have two projects which are matured projects in the toll and annuity arena which can be securitized and which could yield higher amount or some amount of money in the standalone as well for putting into as equity. All of these things would drive this thing. I do not think we need to adjust them or need to dilute anything for meeting this equity requirement.

Ajit Motwani: So can we say that the current debt which is about 2700 odd crores will not go beyond something like 3100 crores over next 3 years if this order book is just to be executed?

Danny Samuel: The chances are less because even if you look at the 2700 crores of debt, you will also see that the debtors which are there in the standalone is around 1100 crores. So of the 2700 crores, 1100 crores would be taken care of by the debtors itself because all the incomes are from the SPV which owes to us and when that is met, half of the debt is gone and a large part of this total loan is also back-to-back loans or short-term loans or sub debt which has been given to the SPV. So I think in the coming years, we would strive to actually reduce the debt on the standalone through internal efficiencies which will come down and hence it will improve the headroom available for us to borrow more.

Ajit Motwani: So you are saying out of the 2700 odd crores, if the debtors were to be paid back something around 2000 crores is what the equity and sub debt invested in the SPV, is that so?

Danny Samuel: If Debtors get realized as of today then it will bring in 1100 crores. So the balance would be roughly around 1600 crores of debt in the standalone. Of which, I think there is around 500 odd crores which is given as sub debt. There is also some short-term loans and advances given to the SPV. The balance would be the one which will be probably attributable to investments. Also if you look at the order book and calculate the amount of return that we would be earning from the order book that should also be taken out. So at a point in time if you are considering that we are not going to get any new projects and this is the only thing that we look, then all the debts at the standalone can actually be taken out from the existing order book itself.

Ajit Motwani: And one is on broader question. We keep hearing about this EPC orders from NHAI which is about 3000 odd km. Can you just throw light is this like something from total 8800 crores that the NHAI is guiding for next year 3000 odd km would be EPC?

Danny Samuel: I do not think we keep track of the EPC order book from NHAI because we do not undertake any EPC orders as such. We are only interested in concessions, but even if what you say is true that 3000 crores is going to be EPC of 8800. Even the balance if they are able to meet, would be a good enough number. Even if you look at historically except for the last financial year where they were able to do somewhere around 7000 km of BOT projects. The other two years and the years before that, I think the highest ever number which we achieved was somewhere around 4000 odd km.

Ajit Motwani: But the issue really is that incrementally if 3000 odd km is going to come from NHDP Phase-IV which is just 2 to four- lanes, the opportunity size is gradually reducing for players like you?

Danny Samuel: Yes, but the packages which will come in even for 2 to 4 lanes will be larger and hence the project would be packaged as a sizable commodity and plus there are other projects also. Additionally what we are looking at is only the present NHDP programs whereas there is always new plans which keeps getting included. The 12th plan is not yet finalized. When the 12th plan comes in, you may probably see more and more phases getting added to that NHDP program

Ajit Motwani: Thanks. That is it from my side.

Moderator: Our next question is from the line of Sneha Poddar from Sharekhan. Please go ahead.

Sneha Poddar: First of all if you can just explain in the presentation it is mentioned that there are few one-time exceptional expenses and the other expense items which actually took the margins down. So if you could highlight which are the like one-time exceptional items?

Danny Samuel: These one-time exceptional items are same which were there in quarter 3. There were certain fees that we had to pay for technical services and some other fees which we had to pay for some potential bids that we were looking at outside India. Which is why if you look at the Q3 margins, these are also lower. So those would obviously have an affect on the overall full year also as well, but these are the only two such expenses

Sneha Poddar: And secondly in Q4 if you look at the Elsamex numbers, they have actually improved both sequentially as well as like when you compared with the Q4 last year, so like what has actually led to such a good improvement because earlier like you were mentioning that few of their contracts are not getting renewed, so that has actually taken a hit on the revenue front, but then all of a sudden we have seen sharp jump in their numbers?

Danny Samuel: They have got some projects recently which we announced also, like in Haiti So there were renewals of contracts which happened plus if you look at the business model of Elsamex, they are mainly a service-oriented company. So because of some reason, if there is more maintenance work on a given road, their revenues would also be high. So it does not depend actually on the number of roads that they have or the number of kilometers or roads that they have, rather on the amounts of maintenance work requirement. These may arise for many reasons, it could be weather, it could be accidental, it could be the normal wear and tear wherein the wearing has happened more than what was expected or any such situation. So it is slightly difficult to predict what could be the revenues for Elsamex because it also depends to some extent on the amount of work that they have to do for the existing portfolio as well as getting new road projects in the portfolio.

Sneha Poddar: And other thing in case of Kiratpur, financial closure was done at what rate?

Danny Samuel: It was done at 11.75% with an option that once COD is achieved, there will be a reduction of 50 bps in the interest rate.

Sneha Poddar: And if you could throw the light on RIDCOR Phase-III?

Danny Samuel: RIDCOR Phase-III is two roads which have come to us and one of the roads actually complement the Phase-II roads which is being implemented right now and of which, three roads have already become operational. So these are two roads which have come in. We are still to achieve financial closure. The detailed project report is currently underway and once that is completed, we will start with the financial closure work and then start on the work.

Sneha Poddar: And just lastly one thing, of the projects which have been bagged recently, which project is likely to achieve financial closure in next 2-3 months' time?

Danny Samuel: Am not sure how many projects will achieve financial closure in the next 2-3 months time, but I think in the next 6 months, all the projects which we have in hand should achieve financial closure.

Sneha Poddar: Okay fine, thanks a lot.

Moderator: Our next question is from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: Just a few small questions. One on Yu-He Expressway, can you please share what is the project debt for that particular project as well as what is the debt at the holding company level which was used for acquisition of the 49% stake?

George Cherian: Debt at the project level is around USD 300 million equivalent and the debt which was taken for the acquisition at the Singapore holding company level is USD 140 million. That USD 100 million which was taken as debt through the RMB bond issuance has replaced a portion of the earlier debt taken for acquisition of the project

Naveen Jain: And at Elsamex, what was the EBITDA margin for the full year?

George Cherian: Full year EBITDA margin was around 8 to 9%.

Naveen Jain: And just to understand the consol number. In your presentation if I look at the construction revenue for all the four quarters, it is close to about 4000 crores and standalone revenues is somewhere about 2700 crores. So this 1270 crores, out of that about 600 odd crores will come from Jharkhand project and the balance is basically the IDC in the margin right that is the right way to look at it right?

Danny Samuel: Yes.

Naveen Jain: Fair enough, that is it from my side. Thank you.

Moderator: Our next question is from the line of Parikshit Kandpal from Karvy Stock Broking. Please go ahead.

Parikshit Kandpal: Sir, congratulations on good set of numbers. I would like understand the fee income. This year you have booked around 572 crores. So can you give me a breakup of what is the income you have recognized on the projects you won during this year and what was from the project which was there earlier?

Danny Samuel: I will give you breakup for the last quarter which we have already given in an earlier answer, we will repeat it again. For this quarter, we have got 35 crores from the Kiratpur project. The Warora-Chandrapur project contributed around 37 crores and the balance was on Jharkhand and other supervision fees that we booked. So that is the broad breakup. For the full year, I think we can probably provide you offline the details on the fee.

Parikshit Kandpal: Danny what will be the residual fee income which is yet to be recognized because if we see over the last two years our average we take around 8000 crores and this year we had around 5000 crores. So going forward, the factors which I believe will impact the financials will be the fee income which will be reported during FY13. Since you recognize 80% EBITDA margins on this roughly which is around 458 crores for this year FY12 and in terms of profits around 320 crores versus a total profit of 500 crores so there is a sharp cut in this number, so it can impact your YoY numbers?

Danny Samuel: This fee income is mainly earned from new businesses which have come in. If you look at the new business which has come in right now which is Kiratpur-Ner Chowk, Kharagpur-Baleshwar, Sikar-Bikaner, the Beawer-Gomti and the two new roads in RIDCOR. All of these projects would obviously bring in fee income into the standalone as well as to the consolidated to the extent it is not knocked off. So from all of these projects, you can expect some percentage as fee income at the rates as we would have traditionally booked. From the Kiratpur, we already booked 35 crores, there may be slightly more income which may be coming from there. So that is for the current projects that we have in hand, but if there are new projects that are going to come in, obviously they would also be contributing to the kitty.

Parikshit Kandpal: So the projects which we won during this quarter is 2200 crores so roughly on 6% of this, 120 crores will be as of now residual income which will be booked assuming that you do not have any wins?

Danny Samuel: 2200 crores is what?

Parikshit Kandpal: The orders which you booked during this quarter, Q4?

Danny Samuel: This quarter Q4, we got projects worth more than that. If you look at Kiratpur-Ner Chowk is around 2300 crores. All the other new projects put together is around another 3000 crores. So I think this year it is around 5000 crores of orders which we have booked in. Obviously we only recognized 35 crores from Kiratpur-Ner Chowk. All the other orders would obviously provide fee income as we go by.

Parikshit Kandpal: So how much would be, that is why I am asking how much is the visibility on that? So out of 5000, 6% is what you recognized as fee income. So 300 crores is …

Danny Samuel: That will again tantamount to guidance. We can't provide that number, but what we can say is that whatever we are traditionally booking, we will book somewhere around that same number, same percentage for the current projects also.

Parikshit Kandpal: Is there any O&M supervision income still left like what you did in Jharkhand during the third quarter of FY12, is there any pending supervision income to be booked in this project fee income which you have booked?

Danny Samuel: No, because Jharkhand is a special case. There we only had fee. We didn't have any construction margins there.

Parikshit Kandpal: Is there anything residual left there besides fee income which you get from the projects. Is there anything residual left from the Jharkhand project?

Danny Samuel: Yes, to the extent the construction is not completed, there is simply income…

Parikshit Kandpal: Can you say that amount?

Danny Samuel: I don't know what the amount is. That is the monthly rate at which we get billing from the Jharkhand project and depending on how many projects continue because of the five projects that we are currently doing in Jharkhand, three are nearing completion. The two would take some more time before the completion happens. So it is depending on how long the completion goes, the fee income will also keep coming in.

Parikshit Kandpal: So fourth quarter how much they contribute?

Danny Samuel: I do not have the number in place right now.

Parikshit Kandpal: So last thing on your tax, how is the tax lower on consol basis this quarter, 23%?

Danny Samuel: That is only an aggregation of the total tax which we have provided in all the companies based on their .

Parikshit Kandpal: There is no tax credit as such which you have booked right?

Danny Samuel: No.

Parikshit Kandpal: Thanks and all the best.

Moderator: Our next question from the line of Nitin Arora from Angel Broking. Please go ahead.

Nitin Arora: Hello. Sir, firstly can you shed some light on these toll revenues from the operational projects. If you look at this quarter, the performance has been a bit subdued. So any particular reason for that?

Danny Samuel: No. I don't think the performance has been subdued because as you would know on the toll side, we have generally auctioned off most of the toll collections and hence the numbers generally remain the same for each quarter unless during that quarter, there has been either a toll rate revision or the auction itself has been renewed. So wherever you have not seen too much of a growth would be because there is some auction which is continuing in there. So we should see growth in the first quarter as the two projects in Gujarat, the Ahmedabad Mehsana and Vadodara Halol projects have toll revisions from April and in the Rajasthan project (RIDCOR), the toll auctions are renewed in April of each year.

Nitin Arora: And what about the Ahmedabad-Mehsana project because this quarter we have seen decline in these revenues. So do you think that probably next quarter once toll options happen will see some movement on that front?

Danny Samuel: The decline in revenues only happens because of the, number of days difference which happened because some quarter we will have say 91 days, some quarter will have 90 days. That is the only marginal difference which happened. Otherwise if the tolls are auctioned, then you have a straight collection, except that the toll revision dates and toll auction dates are not always in sync. For example, the toll revision for Ahmedabad, Mehsana, and Vadodara roads happens in April whereas the auction does not happen from 1st of April. They are somewhere in the middle of the year depending on when the last auction was started. So because of that, the difference comes in subsequent quarters. So in the first quarter, the difference comes in only because of toll revision and the subsequent quarters the difference comes in when the auction is renewed.

Nitin Arora: And secondly, can you please tell us about how much would be the work completed in some of the under-construction projects like Jharkhand, Hazaribagh-Ranchi and Moradabad-Bareilly?

Danny Samuel: That is coming in the presentation itself, the percentage that has been given, if you look at the amount of work which is pending and compare that to the original cost that will give you a clear idea of what is the amount of construction that has happened in that project. On a broad basis I can tell you that the first three Jharkhand projects, Hazaribagh-Ranchi projects are in advanced stages of completion. The Ranchi Ring road and the Ranchi-Patratu are in advanced stages of completion. Patratu-Ramgarh is also nearing completion. Hazaribagh-Ranchi is also in advanced stages of completion. So these are projects wherein we can expect early completion. There is only very small portions which are remaining because of some issues with regard to land or with regard to some utility shifting which has still not happened. Otherwise most of the work has already been completed.So as soon as that gets resolved, we should see these projects becoming operational.

Nitin Arora: The reason I was asking was because as per the presentation, Jharkhand is expected to be completed by October 2012 and

Hazaribagh-Ranchi by Jan 2013. So do we have any chance that we will be able to complete before these dates Sir?

Danny Samuel: These are the scheduled completion dates, but I think what we are expecting is completion much before that.

Nitin Arora: Okay, fine. That will be all from my side. Thank you.

Moderator: We have a follow up question from the line of Deepak Agarwal from Merrill Lynch. Please go ahead.

Deepak Agarwal: My question has been answered.

Moderator: Thank you. We have a question from the line of Jitesh Bhanot from Emkay Global. Please go ahead.

Jitesh Bhanot: Thanks for taking my question. Just wanted update on your abroad projects which are basically **A-4 autovia** and Yu-He Expressway. If you can throw some operating numbers, what will be the revenue EBITDA?

Danny Samuel: For the quarter from YuHe, we had around 37 crores of revenue which has come in. The EBITDA has been around, I think 29 crores. On the A4 side, I don't think we have the numbers readily available. It is only the profitability which comes into our financials as this is treated like an associate, but we can probably get those numbers from Elsamex and share it through the presentation itself.

Jitesh Bhanot: And secondly few update on your external borrowing that you raised for financing Yu-He Expressway. Can you help us out with what exactly is the term on the borrowing major terms?

Danny Samuel: We raised bonds in the RMB space which is in the offshore China market through Hong Kong and Singapore. These bonds are listed on the Hong

Kong stock exchanges. The tenure of the bond is three years and after three years, there is bullet repayment on bonds. The coupon is payable every half year and we raised $100 million equivalent in RMB terms in this market.

Jitesh Bhanot: It is, 5.75 if I am not mistaken and any hedging cost on that?

Danny Samuel: 5.75%, the coupon is payable in RMB terms but since we have hedged our obligations into USD, . our USD obligation is 4.8% per annum which is payable.

Jitesh Bhanot: Okay. Thanks a lot. That will be it from my side.

Moderator: Thank you. We will take our last question from the line of Abhinav Bhandari from Elara Capital. Please go ahead.

Abhinav Bhandari: Hi Danny. Just wanted to check on this augmentation on Beawar-Gomti. The construction work would start immediately or there would be some stabilization period pertaining to the earlier toll collection that you are collecting right now?

Danny Samuel: I don't think we are looking at it as a stabilization period, but we would target our completion with the other stage getting completed. So we would align our construction scheduling it such that by the time the Sadbhav stretch gets completed our stretch is also operational. Because unless that stretch also gets completed, we would not be able to attract diverted traffic. We would accordingly align it, but we believe that we should start construction within this year itself.

Abhinav Bhandari: And on this 40 million long term loans on the Yu-He that you have taken, that is at what interest rate?

Danny Samuel: We had taken a bridge loan initially of 140 million. That was taken at around 5%. Of which a portion of it is now getting replaced through the bond issue proceeds and the balance portion would be converted into long-term loans. So once it gets converted, we will give you the interest rates…

Abhinav Bhandari: And you are consolidating it. The consolidation is not coming by way of IIPL, I thought you might be consolidating the dividend income what you are receiving net rather than the Yu-He numbers?

Danny Samuel: No. Yu-He is consolidated as a joint venture entity and IIPL is consolidated as a 100% subsidiary, but obviously, the knock-off effect will come in. So to the extent when we consolidate IIPL accounts, any debt which is taken for investment and the investment gets knocked off.

Abhinay Bhandari: And just one last thing on the asset side when you are consolidating Yu-He, you are only taking the 49% on the gross block?

Danny Samuel: Yes.

Abhinav Bhandari: And the depreciation as usual, you are taking in the P&L since it is a toll-based project?

Danny Samuel: Yes.

Abhinav Bhandari: That is it from my side. Thanks.

Moderator: Sir, that was the last question.

Danny Samuel: Thank you everybody for having participated. Thank you.

George Cherian: Thank you and good day.

Moderator: On behalf of IL&FS Transportation Networks Ltd. that concludes this conference. Thank you for joining us. You may now disconnect your lines.