IL&FS Transportation
IL&FS Transportation Networks Ltd.

"IL&FS Transportation Networks Limited Q1 FY2019 Results Conference Call"

August 14, 2018

MANAGEMENT:	**IL&FS TRANSPORTATION NETWORKS LIMITED** **MR. K. RAMCHAND – MANAGING DIRECTOR** **MR. MUKUND SAPRE - EXECUTIVE** **MR. S.C. MITTAL – CHIEF EXECUTIVE IMPLEMENTATION** **MR. DILIP BHATIA - CHIEF FINANCIAL OFFICER** **MR. KRISHNA GHAG - VICE PRESIDENT, COMPANY SECRETARY AND HEAD OF INVESTOR RELATIONS**
ANALYST:	**MR. ASITAV SAHOO – MAYBANK KIM ENG SECURITIES**

Moderator: Good day ladies and gentlemen, and welcome to the IL&FS Transportation Networks Limited Q1 FY2019 results conference call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Asitav Sahoo from Maybank Kim Eng Securities. Thank you and over to you, Sir!

Asitav Sahoo: Thank you Malika. Good afternoon everyone. Maybank Kim Eng Securities welcome the management of IL&FS Transportation Limited to discuss the first quarter of financial year 2019 results. We have with us from the management, Mr. K. Ramchand – Managing Director, Mr. Mukund Sapre - Executive Director, Mr. S.C. Mittal – Chief Executive, Implementation, Mr. Dilip Bhatia - Chief Financial Officer, Mr. Krishna Ghag - Vice President, Company Secretary and Head of Investor Relations.

I will now handover the call to the management for their opening remarks and then we will open it up for Q&A. Over to you Sir!

K. Ramchand: Good evening everybody. First of all let me apologize for having postponed yesterday's call to today post our board meeting we needed to have another meeting on the same topic and therefore we unfortunately had to postpone yesterday's call for which I deeply apologize and I hope that we will be not in a position to do that again.

I am sure all of you have seen the results. I will discuss the performance of to our projects on ground and as you are aware, the issues and problems that we have faced particularly during the last one or two years.

We have been faced with a number of issues. Firstly, there are external issues like liquidity getting squeezed out from the market particularly for the infrastructure sector and in particular, we also have the problem due to the February 12 circular which came out and does not give any recourse or any respite to companies, which are solvent but have temporary liquidity problem. Luckily for us we have IL&FS who have been supporting us during this period and as a lot of you know they had actually increased their exposure to this company.

We have a plan of action that we want to put in place while some of it is in the public domain, let me try and give you an idea of what we are doing to actually mitigate the situation which I am sure you all are looking at in a more serious manner as much as we are.

The only money that we raised during the last one-year is probably through the RMB bond which we raised in January 2018 which basically, a large chunk of that went to repay the already existing bond and we believe that we are in good shape as far as that bond is concerned. The interest payment which was on the bond would continue to come in due course and the dividends of the asset have been sufficient to repay/ pay the interest for that. So we do not see any issue as far as the external portfolio is concerned.

On the domestic side, we have had a much closer look at all our projects and as all of us know, infrastructure projects have an initial shortfall of financing in the past when it was easy to obtain funding through outside borrowings or through refinancing of debt as it became due. Given that the situation of refinancing and the number of banks which have gone into NPA, this is becoming more and more acute, so what we have realized is that in the short-term we want to get cash and if necessary rather than wait for a long-term profitability of this project, which is uncertain as there may be difficult situations going forward. So we have actually given notice to the government on six of our projects, which we believe that our long-term viable but a short-term grey nods, so these six projects we have given an opportunity to the government to cure the defaults that we have outlined in last year that we provided to them.

The second is, as you are already aware the claim portion has not moved much as far as ITNL is concerned. We had an arbitration award given to us in last November, which was in the Pune-Sholapur Road which was almost Rs. 550 Crores, but this had gone into appeal and the appeal was supposed to be heard on July 25, now that has got postponed to September 25 because of the Honorable Court did not have sufficient time to hear that. So that is one claim which is stuck. We had claims in our Jharkhand project, which was approved and we are hopeful to get that out, we have even moved the court to execute a writ petition to get the Rs. 106-odd Crores.

We had gone for conciliation on Moradabad-Bareilly. Unfortunately we had a change at the top level in NHAI and that has now gone into a small delay we believe that it is coming back on track and once that is done we should see that amount coming back into the system.

In addition to that as we have always done in the past we continue to look for churning assets and providing some amount of cash into this system while there is nothing final about this but there are some discussions which are on which may or may not fructify and if they fructify we will definitely be informing the stock exchange and the investors would get know about that.

Lastly I think all of you are aware that we had got board approval for the proposed rights issue upto Rs. 3000 Crore, as most of you all know 73% is held by IL&FS and IL&FS has also got board approvals to a rights issue at their level and they have agreed to provide the necessary support for this issue and will continue to get 73% stake. On the balance rights, we are in discussion with our majority investors, as well as, some banks and financial institutions to look at underwriting possibilities.

Refinancing is also being discussed for our Chenani Nashri tunnel project, where we have a term sheet and which would actually refinance debt between Rs. 4000 Crores and Rs. 4400 Crores. We are waiting for the final rating of AAA (SO), for which we have got an oral conformation from the rating agency.

As far as the order book is concerned, if we remove the projects for which cure period notices have been filed, it would be around almost Rs. 10500 Crores, it is almost 50:50 between the EPC and the BOT projects. I think we have discussed this previously that we would like to go slower on the BOT project going forward and concentrate more on the EPC form of projects or a value added services business which would be through our in-house experience and expertise that we have.

I think the growth as far as traffic and toll collection is concerned, they have been fairly robust, we continue to have healthy growth rate on the traffic as well as toll hikes.

We believe that these issues are a temporary blip. There are four such circumstances as I had mentioned, which have actually driven loss in this quarter. Going forward this would be recovered at some point and like I said we have a plan put in place and we should be in a position to come back and actually look at how we improve the situation further.

With that I would like to ask Dilip Bhatia, my colleague to brief you on some of the highlights of this quarter and then we can open it up for question and answer.

Dilip Bhatia: Thank you Ram for giving us the full update on the position of the company as well as initiatives we are looking at, going forward. Coming to the numbers particularly this quarter on the revenue front if we compare with the corresponding quarter of last year June 2017, there has been a modest growth of around 6% with construction activity continuing to remain robust.

On the construction margin front there has been a slight a dip mainly because of two three reasons, one is the type of projects, which we are currently doing now have a lower margin compared to the projects that have got completed last year. This will be a difference of around 200 basis point but more importantly is the adoption of new accounting standard called Ind-AS 115 which is a revenue standard requiring ECL provisions to be created for certain type of items particularly, like, revenue which has an impact of around Rs. 40 Crores in the revenue this quarter as compared to the corresponding quarter last year and that is the reason which has impacted the construction margin in this quarter.

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Again, this is a one off and next quarter it should not be the case but as we go along we will keep evaluating the ECL provisions Q-o-Q. More importantly, there are two items in this quarter which have contributed to the loss, one, has been our strategy to continuously monetize our assets which has been a part of our business model, we look at generating revenue by liquidating our assets. This has been the trend the whole of the last year and the year before as well.

This year, particularly this quarter we have not been able to conclude any such transaction and as a result the transactional gain, which was around Rs. 170-odd Crores, the same quarter last year is not there this year and that has accounted significantly to the loss in this quarter. Interest cost has been higher by Rs. 110 Crores again which is because of change in the mix of borrowings, which has more short term borrowing given what is happening in the banking sector in India and also with the Company. the debt has been slightly costlier, keeping in mind the overall increase in interest rates on the macroeconomic front which has gone up by around 50 BPS and that is the result the interest cost has gone up by around Rs. 45 Crores plus the overall borrowing has been higher compared to the last quarter that has contributed another Rs. 50 Crores interest expenses as a result total increase in the interest cost has been Rs. 1110 Crores. These two items have significantly contributed towards the negative profit in this quarter. As we go along, we are working significantly as Ram mentioned, which will ensure that particularly the high leverage high interest cost, generating liquidity and supporting the P&L are addressed as we go along.

With this we conclude our presentation, happy to take specific questions you all may have.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Bharti Jain from BC Securities. Please go ahead.

Bharti Jain: I have three questions, first question can you just elaborate on this 115 Ind-AS application, I heard you saying that it has impacted the revenue by around Rs. 40 Crores and how that Rs. 40 Crores number reconciles to the note number 2 in the accounts, so if you can just elaborate on the 115 impact?

Dilip Bhatia: The Rs. 40 Crores is the total ECL provision, which is, covered in note no 2. Out of Rs. 40 Crores, Rs. 16 Crore is an Ind-AS impact which is essentially the two important items which are under the new accounting standard, if there are any performance obligations under our revenue contract do not used to be separately assessed and provisions need to be made for them, similarly if there are any items which are likely to be revenue receivables and which are not billed particularly in the construction industry where they are considered as unbilled revenue which is basically work done but not yet billed, those are also referred to be assessed from the point of time where you offer money so when will that be billed and recovered and there is any time value of money loss that used to be provided for under the Ind-AS 115. These two are the key changes, which have impacted the

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provision of Rs. 16 Crores as under 115. Another Rs. 24 Crores is the ECL provision which is on account of the credit loss and we have been following Ind-AS in our accounting, I think ECL is essentially the provision created again keeping in mind the time value of money concept, where the money is expected to come after one year or after a specific period for which we need to make a provision. Essentially for three projects where we have been continuing our construction work, but the financial closure has not happened and some portion of the revenue is based on the projected financial closure and draw down is expected to take some time in terms of realization, the provision has been made in the books of accounts. In case of expenses the provision is taken as other expense, in case of revenue addition with the net of revenue hence the revenue is lower this quarter.

Bharti Jain: Okay. My second question is regarding the Rs. 110 Crores, which is shown in the other income, I did not follow note no.3 that in view of the InVIT plan not being pursued, the company has reassessed the business plan and reversed this Rs. 110 Crore ECL provision?

Dilip Bhatia: That is not for this quarter that is for the last quarter but since it is there in the last quarter and last quarter numbers are shown in the column as an auditing practice, this has been repeated but is not pertaining in this quarter.

Bharti Jain: Lastly Sir, can you just throw some light on the valuation, why is the market value of the share fallen so much?

Dilip Bhatia: This is not for the management to comment on it, I am sorry.

Bharti Jain: Thank you.

Moderator: The next question is from the line of Vinay Jain from Karma Capital Advisors. Please go ahead.

Vinay Jain: Three-four questions from my end, firstly Sir if you could just talk to us about the action plan for the projects, wherein we have issued termination notice, how will we go about it and what is the next plan of action for these projects?

K. Ramchand: Just a clarification we have not actually issued termination notices. The concession agreement requires that you first provide them an intent to terminate, after which there is a cure period of 90 days. The authority has an opportunity along with the concessionaire to sit together and find out if they can cure the default based on which the termination has been actually sought. So, for these projects we are actually at that stage. Two of these projects have gone beyond that intent to terminate, one is the Madhya Pradesh Border Check Post, the notice has been served and there also after the notice has been served, we have pressed for calling an arbitration proceedings; however, as said, we continue to collect fees from the border check post on that project. On the second project, where the termination is in effect, is the Beawar-Gomti or IIRDCI project, where we were asked and we have provided an opportunity for the government to cure the default. It is basically through the provision of a grant, I understand that they are discussing but more than that we are not aware. I think the process as such would be that once the intent to cure is provided they would actually come back and discuss how we can move forward in the project, if we are successful in that then both parties agree and move forward on that basis. If both parties or one of the parties do not agree then if you look at the agreement there are two conditions under which you can actually terminate a concession, one is that it is the default of the authority, the second is it is the default of the concessionaire, so all that is yet to be determined is when the termination takes place and whose default it is, under these circumstances if it is the default of the authority then the lenders get paid off fully and the equity gets paid depending on the concession, a percentage more than 100 percent of the equity that it has subscribed. In the event that it is determined through the dispute resolution process or otherwise that it is the default of the concessionaire then equity is washed and you get 90% of the debt. So in any which case the senior debt holder on these projects are assured that they will get 90% of their debt under any circumstances so unlike any other projects wherein the provision of how much haircut will have to be taken would probably be determined through negotiation or an auction process and in this case, that auction process is limited to only 10% of the valuations. We believe that the lenders are on a fairly comfortable wicket as far as this termination is concerned and on this basis, we have consulted with them before we had issued the termination notices or their intent to terminate notices. As I mentioned this is where we stand today and we will update you as things progress on this.

Vinay Jain: But Sir for the two metro projects would the default be on the authorities or from the concessionaires?

K. Ramchand: All the projects which have been terminated are on account of authority default. For example, in terms of the metro project they are supposed to be governed under the metro act, the metro act clearly acts through a policy that as the authority they have to do anything which is necessary to make the project viable and there were many instances including the advertisement which were withdrawn which has actually affected our revenue profile, so there are a large number of instances under which this has happened and that is the reason why we filed the termination letter.

Vinay Jain: The footnote 7, where you have mentioned the investments and loans and advances given to these SPVs totals around Rs. 4600 Crores, so we do not see any haircuts or write offs that need to be taken as far as this amount is concerned?

Dilip Bhatia: Vinay as of now we do not see this happening. However, I think it is too premature to assess anything. Right now we have just given them a notice for default, as we go along and as Ram said, within the cure period, various actions will be determined and that will determine how we proceed further. As of now, I think, we do not see any haircuts but as we go along we will get better clarity and we will update you.

Vinay Jain: All right. And the other thing was could you just give me the gross debt number both at the standalone and the consolidated level?

Dilip Bhatia: At the standalone level we are around Rs. 14700 crore plus preferential Rs. 15000 crore, at the consolidated I think we will be around Rs. 37000 crore but we are not declaring the consolidated numbers.

Vinay Jain: Okay and so the claims receivable total would be close to around Rs.5000 Crores?

K. Ramchand: We have filed claims for about Rs.9000 Crores. We are expecting a realization between 40% - 50% of the same.

Vinay Jain: But this year we should be at least getting the money for the Pune-Sholapur and Moradabad-Bareilly project? For these two projects at least some amount should come back to us?

K. Ramchand: Yes definitely.

Vinay Jain: So that should be close to around Rs. 1100 Crores?

K. Ramchand: That is right.

Dilip Bhatia: Vinay the hearing is on September 25 for Pune Sholapur and we are hopeful that it will be settled by the time.

K. Ramchand: Just to bring you up-to-date on Pune-Sholapur, the court has actually asked NHAI to deposit all the money in the court, which I think is becoming a new phenomenon and while in the past the government did not have to actually deposit the same, the government had access to this money as they continued to fight the cases this is no more an incentive for them not to negotiate and reach a settlement.

Vinay Jain: Thank you so much.

Moderator: Thank you. The next question is from the line of Santosh from Credit Suisse. Please go ahead.

Santosh: Good afternoon. Thank you for the call. I had questions specifically on the CNH bond for our international investors post the downgrade by the local rating agencies of certain projects the bond has been extremely volatile and has hooked the investors so wanted to actually specifically get some information about the projects on what is basically the dividends on the projects that are used to service the bond. I just wanted to have the information about the total equity value in the project? What is the total debt for those two projects, annual revenue and I believe USD 14 million of dividends that can be used to service the bond, so I wanted some basic information about those two projects?

Dilip Bhatia: Which two projects you were referring before I proceed further to answer?

Santosh: I think the Chinese projects that we have, the dividends from this project Sir?

Dilip Bhatia: So especially for this CNH bond holders, after getting a downgrade we have had two conference calls and addressing their concerns and their queries as far as possible. As far as the Yuhe Chinese asset is concerned, the Company holds 49% in the Chongqing YuHe Expressway. In terms of the current value, I think it will be valued anywhere between USD 180 and 200 million in terms of the total annual revenue, the asset generates in excess of 31 million dollar and the annual dividend which our Singapore subsidy received last year was 16 million dollar and that is sufficient to take care of all the debt obligations of this entity. Also, I think internationally, we have operations in Dubai and some other countries, which are largely self-sufficient so from that perspective we do not see any significant issue as far as the CNH bond is concerned in terms of servicing the bond.

Santosh: Thank you. One last question on the asset monetization during the investor call, you had mentioned that there are six assets you have identified for sale and you expect it to be concluded by March 2019 any further updates post the call?

Dilip Bhatia: Yes, so I think on each one of them we are progressing on track. I think out of the six, we have term sheets for five of them and in two of them, the due diligence is going on and the in three significant progress is being made and we hope to complete the requisite documentation with at least three of them by September.

Santhosh: Thank you. That is all from my side.

Moderator: The next question is from the line of Rushal Jhaveri from BP Equities. Please go ahead.

Rushal Jhaveri: Can you tell me about the interest rate and will it increase or decrease in the future?

K. Ramchand: There is definitely going to be a hardening of interest rate and there is no doubt about it now given the dollar has reached Rs. 70 and we do not know where the oil prices are going to end, I think we do not need to be an economist to predict that the interest rates will go up, I think RBI has already signaled that the interest rate will go up, however, by how much? It is anybody's guess but surely I think interest rates are going to be harder than what they were earlier.

Rushal Jhaveri: Thank you.

Moderator: Thank you. The next question is from the line of Pavitra S from Nomura. Please go ahead.

Pavitra S: Thanks for the call. My question is related to slide #13 of the presentation which talks about revenue collection from different projects. I notice that the average daily toll collection from YuHe Expressway is around Rs. .97 Crore in this quarter and that is down from around Rs. 1.4 Crores in Q2 and Q3 last year so if you can explain the reason for that? And what you expected the average toll collection could be for the next few quarters should we see going back to that Rs. 1.4 Crores? Thanks.

K. Ramchand: Pavitra can you just repeat the question, we missed the last two lines?

Pavitra S: It is regarding the average daily toll collections from the YuHe Expressway in China so for the quarter it is around Rs. 0.97 Crores and it is similar to what it was in Q4 but if I look at Q2 and Q3 it was around Rs. 1.4 and 1.38 Crores so I am just wondering what is the reason for the decline and how should we look at it for the next few quarters?

Dilip Bhatia: So Pavitra let me try to attempt this while we can still confirm the exact number, this road has two sources of revenue one is the toll, which is collected on a tollable length of the road and another one is which is a city road in the city area where there is no toll and the revenue is just the subsidy being received from a local municipal corporation. In this year, effective we have seen some delay in reset of subsidy and I guess my colleagues have accordingly accounted this subsidy because they have not been received this, so that is the reason why you are seeing the revenue being lower but I would like to still confirm this and we can probably come back to you independently on this one.

Pavitra S: Thank you so much.

Moderator: Thank you. The next question is from the line of Alex Choi from HSBC. Please go ahead.

Alex Choi: I have couple of questions first one is on the asset side, so when do we expect the cash to be received from them and do you think it will come by the year-end or actually earlier than that?

K. Ramchand: Let me put it in two buckets, number one, one set of assets, is a bundle of three assets which are being discussed with one investor and as we speak we are discussing the commitments that both parties need to give, so this is in a fairly advanced stage and if this is successful, then I think we should see money flowing in within the next 60 days, so that is one bunch of assets. The second is another bunch of assets which we were discussing, where a due diligence is going on and we still have not reached the stage of the final commitments which need to be made or the covenants that will be imposed on the seller, once we reach that then it should take another 60 days, so I think the optimistic estimate of sale proceeds coming in the next 60 days is slightly on pessimistic estimate of sales coming in and I think it would be about 120 days. That is the rate that we should see the money coming in for us.

Alex Choi: And do we expect some amount of money coming in when all these sales mature?

K. Ramchand: We are not free to disclose that. We are a listed entity. We have not disclosed this to anybody so far and so we are not in a position to disclose that information.

Alex Choi: Okay. And my second question is on the rights issue. So, IL&FS now owns about 73% of ITNL, so how would IL&FS participate in the rights issue? Will you actually inject cash or they will come back on with the shareholder and the equity?

K. Ramchand: As far as IL&FS is concerned, I think we have mentioned on the call earlier that they are reviewing both the options that are possible and they are, I think going to probably be more inclined to convert their shareholders loans to ITNL into equity but it will be firmed up as and when we go along in the rights issue process.

Alex Choi: May I know the reason why ITNL is not asking the parents to inject cash, right now there is an equity issue at ITNL level and it is not getting cash directly, that resolution for the company at the moment?

Dilip Bhatia: I think it serves both purposes because irrespective even if the cash is injected it will be used to repay that debt and in the current structure as well when the rights issue is being done it will also be in the same way and the impact will be the same, it will be that the debt will come down. There will be liquidity which will be coming from the other 27% portion which will be around Rs. 1000-odd Crores, that plus the stake sale initiatives which we are currently working on which will formalize and may materialize in Q3 and these will be sufficient to take care of the requirements of the company till March 2019.

Alex Choi: Okay. Is there any backup plan in case the right issue does not happen?

Dilip Bhatia: The rights issue is happening. We have the board approval. We have the one major shareholders approval. We are talking to other interested shareholder so I think we do not believe the rights issue will not happen and it is only a matter of timing which can always be plus - minus two weeks here and there otherwise the rights issue is happening.

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Alex Choi: Okay and should we expect the timing of the rights issue will be probably done at the time of the assets monetization?

Dilip Bhatia: Yes, we have been working towards that.

Alex Choi: Okay and my last question is on cash balance on the standalone basis, so as of June what is the cash balance at holdco and standalone level?

Dilip Bhatia: While there is lot of money, that remains in the DSRA accounts and in the fixed deposit for debt servicing for standard monetary cash, I think it is around Rs.0.47 million, or 47 Crores.

Alex Choi: Rs. 47 Crore on a standalone basis, so based on the number in March does it come to 75 Crores, as right now the number is lower than March level?

K. Ramchand: March is Rs. 175 Crores. We have debts and I think to the extent possible cash we will be utilized to use that debt other than keeping cash in the accounts.

Alex Choi: Okay that is from me. Thank you.

Moderator: The next question is from the line of Manish Modi from May Bank. Please go ahead.

Manish Modi: Thanks for taking my question. We had a question on rights issue as well but a lot of it was answered but just one last thing is this Rs.3000 Crores raising a right issue is up to Rs.3000 Crores or is it for Rs. 3000 Crores and given that parent will infuse money is it for the open public as well or is it purely going to be an institutional issue?

Dilip Bhatia: No it will be a proper rights issue, open for public and it is important that the public subscribes. Like I said, it will be a proper public issue which will follow the normal way for the public to subscribe and it is important that the public subscribes because the parent has a restriction of 75% up towards which they can go, in terms of the rights issue we have an approval for up to Rs. 3000 crore, but we are working on the full number.

Manish Modi: Right. Sir one more thing on the interest payment I was just seeing last year's presentation that you paid interest last year something to around Rs. 3500-3600 Crores on a consolidated level by how much do you think this year it might go up and given the current scenario and rise in interest rate?

Dilip Bhatia: So we have seen a 50 BPS higher interest rate as far as the standalone debt is concerned and at the consolidated level, I think the interest rate number is dependent on refinancing. So it is difficult to guess on a consolidated basis what the interest cost number is for the whole year.

Manish Modi: Okay Sir. Just one last thing in the last one year we have been able to monetize any assets?

Dilip Bhatia: Yes, we did. Last year, in June we sold one of the landholding subsidiaries for around Rs. 150 Crores. In September, we sold minority stakes in two of the project and those were the three large divestments we did last year.

Manish Modi: Thank you very much.

Moderator: Thank you. The next question is from the line of Keyur Asher from Reliance Nippon. Please go ahead.

Keyur Asher: Thank you for the opportunity Sir. I had a question on the debt so you mentioned on a consolidated level we have a debt of around Rs. 37000-odd Crores, so I wanted to understand what quantum of debt will be up for repayment in the next 12 months out of this?

Dilip Bhatia: I think the total debt that will be falling due in the next 12 months will be around 25% of the consolidated debt, I think it may be around Rs.5000 Crores but it is divided between the ITNL and the SPVs. I think Rs.2000-odd Crores is coming from the SPV, so the debt is being paid from the project cash flows, which are being generated, the rest of the debt will be at ITNL level, which we see will be refinanced or paid from monetizing/liquidity assets, which we have discussed on the call earlier.

Keyur Asher: Okay and Sir you also mentioned initially about a Rs. 4400 Crores refinancing transaction so could you throw some light on that transaction as to if this is due in the current year and are we refinancing it and how does it pan out?

Dilip Bhatia: No this is our large annuity project called Chenani Nashri Tunnelway which we completed last year, it has got bank loans as a way of construction finance loans now that the project has been completed, two annuities have been received and we have been looking at refinancing this loan which is payable over the next ten to twelve years through a bond route, we have got a AAA rating for the bond structure but unfortunately the yields in the markets have shot up and hardened and we do not see sense in locking into such high yields 15-year bond when we see over a period of days this has been softened. So now we have changed the strategy and we are now talking to a bank and one of the largest bank has already given in principle okay for refinancing this entire quantum now that this is on a bank loan we have gone to that rating agency asking them to modify the rating which they have kindly agreed but we are awaiting the formal approval in a day or two, then we will take it for refinance by the bank. So it is not due this year it is due over next ten-year / 12-year period but we are going to refinance it by another fresh loan when the interest rate comes down and hence the maturity will get elongated.

Keyur Asher: Sir you mentioned that 25% of the consolidated debt is due in the current year so out of that what proportion is let us say the parent has given a guarantee on?

Dilip Bhatia: There is no guarantee given and can you please clarify, when you say parent does it mean IL&FS or ITNL?

Keyur Asher: The IL&FS guarantee or let us say DSRA support on the debt that are getting mature in the current?

Dilip Bhatia: There is no guarantee given by IL&FS for any of the bond there is a DSRA support given by IL&FS so around Rs. 800 Crores worth of debt whereas IL&FS and DSRA support is maturing in next nine to twelve months.

Keyur Asher: Sir this would be NCDs or equity loan?

Dilip Bhatia: NCDs.

Moderator: Thank you. The next question is from the line of Steve Kong from Schroders Investment. Please go ahead.

Steve Kong: Thanks for the call. Just wanted to clarify you have 33 projects altogether, seven of them are under construction you can probably make it six which means you have 20 projects left can I just confirm that all these projects are tested and they are profit making?

Dilip Bhatia: I think there is disturbance in the line, can you repeat please?

Steve Kong: Just wanted to clarify you have 33 projects altogether, seven of them are under construction you can probably make it six which means you have 20 projects left can I just confirm that all these projects are tested and they are profit making?

Dilip Bhatia: Let me add further to the maths while there 28 of them which are road project, some are being considered for divestment which includes seven in India and one overseas so that leaves us with around 12 projects. These 12 projects are operational. They are generating revenue and they are self-sufficient requiring very limited support on except for a particular event like payment of premium or something. Otherwise by and large they are self-sufficient projects.

Steve Kong: Okay. Great. And Sir these seven projects which are still under construction can I just check how much you guys have invested in them in terms of equity?

Dilip Bhatia: The projects which are under construction, let me divide them into two parts, one which are pretty large one and =have not achieved financial closure which are three projects and there are four others, out of that, three are smaller ones where the financial closures have been achieved and their work is going on, work is going on all the projects where the financial closure has been achieved and the three drawdowns are happening. In that three projects, wherein the work is going on the financial closure has not been achieved, ITNL has invested more than Rs. 1000 Crores in excess of what it was supposed to invest in this project, the work is continuing and we have put money because financial closure is yet to happen and that is also another opportunity, since when the financial closure happens for this project that is the additional liquidity which will be released from those projects.

Steve Kong: The projects that are under construction that is part of the six?

Dilip Bhatia: One of them is part of the six where we are taking cost of the projects.

Steve Kong: The remaining six projects which are under construction are being incentivized as normal and you are still putting money into those projects and they are going and construction is as scheduled?

Dilip Bhatia: Yes.

Steve Kong: There are no issues in terms of getting right of way?

Dilip Bhatia: No we do not have those issues in those six projects. We do have issues on achieving financial closure and in assessing bank funding for those projects, out of them three have achieved financial closure as I mentioned so there is no issue on those and in the other three we are yet to achieve financial closure and that is why we have been putting money from our balance sheet to keep the construction going on those projects.

Steve Kong: Okay so I did not catch the amount. What is the so let us say for this fiscal year how much money are you putting for these six projects?

Dilip Bhatia: We would have invested around Rs 2000 Crore. Roughly Rs. 2000 crore, out of which Rs. 1000 crore is what we were supposed to invest anyway because of our contribution to those project, Rs. 1000 crore is an extra investment which we have done because the bank closures have not happened. However, once the financial closure happens and the draw down happens from bank that Rs. 1000 Crore will come back to us.

Steve Kong: I just have one more question, on your short term debt, within say the next six months to seven months can you just check for any long-term maturities or when is the next significant maturity due for refinancing or if you have to repay those bonds at the parent level, sorry at the ITNL level?

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Dilip Bhatia: March 2019.

Steve Kong: What is the amount and is that a bank loan?

Dilip Bhatia: No, it is a NCD. I am not able to give you the specific numbers at the moment, but these are NCDs which are maturing in that month.

Steve Kong: That is all the questions Sir.

Moderator: Thank you. The next question is from the line of Ashish Baali from May Bank. Please go ahead.

Ashish Baali: Thank you for the opportunity for this question. I just wanted to get some sense on the amount of loans outstanding from IL&FS to ITNL as on June 30, 2018?

Dilip Bhatia: Around Rs.2000 Crores.

Ashish Baali: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen that was the last question; I would now like to hand the conference over to the management for their closing comments.

Dilip Bhatia: Thanks for being on the call and we hope you have received all the answers to the queries raised and once again thank you very much for participating in this call.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of IL&FS Transportation Network Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

(This document has been edited for readability purposes)

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