IL&FS | Transportation
IL&FS Transportation Networks Ltd.

"IL&FS Transportation Networks Limited FY-2015-2016 Analyst Meet Conference Call"

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IL&FS Transportation Networks Ltd.
(CIN - L45203MH2000PLC129790)

MANAGEMENT: **MR. K. RAMCHAND - MANAGING DIRECTOR**
MR. MUKUND SAPRE – EXECUTIVE DIRECTOR
MR. DILIP BHATIA -- CHIEF FINANCIAL OFFICER
MR. KRISHNA GHAG – VICE PRESIDENT – COMPANY SECRETARY & HEAD – INVESTOR RELATIONS

Krishna Ghag: Ladies and gentlemen good day and welcome to the IL&FS Transportation Networks FY 2016 Analyst Meet. From the management, we have Mr. Ramchand – Managing Director, Mr. Mukund Sapre – Executive Director, Mr. Dilip Bhatia – Chief Financial Officer. Mr. Dilip Bhatia will brief you on the financials for the year but prior to that Mr. Ramchand will give his opening remarks on the developments in the sector and the Company

K Ramchand: An important question asked today is if projects are performing better than they have performed in the past an how are the projects still encountering a lot of issues? Well, if you look at the PPP performance, I think especially in getting an asset constructed, it was faster than what we have seen with EPC contracts. The windfall of oil price decline has actually raised the resources that is available with the government and therefore there has been an increase in the budget and that is going largely for infrastructure and roads in particular. We have a very large project allocation of about Rs. 80,000 Crores. So, there is a large proportion of projects which will be bid on the EPC route and we might actually start looking at an EPC portfolio along with our sister Company, IL&FS Engineering to see whether we can actually use the skill-set that we have developed like design engineering, project management, quality control and combine it with theirs to see whether we can actually improve on projects on that basis. We are not sure where we stand on this but as time passes we will try and see how best we will be placed in this model.

Secondly, the government has come up with a new model which is the hybrid annuity model. It is early days and we do not know how the hyrbid annuity model is going to pan out. Two awards have been made so far, I think one to Welspun, and both the projects are approaching financial closure. Once they reach financial closure, the market will be more aware of what conditions are being put, especially by the banks.

As far as the Company is concerned, Dilip will present the results to you. We continue to churn out projects and we have not been very aggressive as far as the bidding is concerned, I think we underplayed winning projects and we are trying to complete the projects that we have on hand and we believe that it should be our first motivation, going forward. It is not that we need to hurry up and get a project off the ground, or win a project because our order book continues to be healthy - there is about 12,000 Crores of order book - that we have which is pending execution over the next 2-3 years. The year has been good for us. We have done a lot of construction work this year and will continue to do so. Earlier, we had a large proportion of our income coming from the fees. I think that is declining over time and rightly so it is because as the projects mature, fees will come down and incomes are going to be less from construction and more from the toll and annuity.

Just to put the results in perspective, if you look at the bottom-line numbers of ITNL, you will find that they are below last years numbers. Let me explain with discussing the standalone results first. If you look at last year’s number, we had a huge gain through the sale of an asset or part of an asset that contributed in two ways. We had a capital gains advantage and therefore also had lesser tax. So, if you take that out this year, we are actually in a better position. Given that the whole industry is not so great, I do not think people were expecting very good results from this sector. We have also considered it prudent to actually provide for some of the assets that we have.

One of them is the airport project which is under litigation now - between us and the partner - and we have filed a criminal complaint against him under the economic offences and a charge sheet is getting filed. Number two, we have the bus project which we are operating at a loss, we have two years to go and I think we provided some portion for that. Third, is on Madhya Pradesh Border checkpost project where we believe, the delays caused on completion will not be recovered to its full extent, so we have provided for some of that as well. Therefore, if you take out the provisions, I think on a standalone basis, we would be at the same level as last year.

On the consolidated basis, if you look at a like-to-like comparison, at the PBT of last year and without provisions this year, I think we are at the same level. I am just putting it out on the table because when you look at the numbers just from an operating point of view whether they have done better or not, rather than look at what is coming, because if you have provided for today, it is likely going to come back. It is not that it is provided for ever because we have claims in process and whenever that comes, it will come back into the books. Dilip joined us recently and it is not that George has left us - he continues to be there. He is doing some other things of a strategic nature rather than looking at day-to-day businesses. So Dilip has joined us about six months ago and I think he has caught up with the requirements of the business. He was with IL&FS, left and has come back and joined us. So I think Dilip is more than capable of stepping into George's shoes and taking it forward.

All in all, I think the Company is more or less similar to what it was last year and going forward, we believe that given that the banking sector and the stakeholders - government in particular - seem to be more bullish, I think we could see a better performance in the future years to come. Thank you very much.

Dilip Bhatia: Good Evening, everyone. Thanks, Ram. It was a very good overview of the sector and how the Company has performed last year.

Let me take you through the specifics of some of the important milestones that the Company has achieved - the financial numbers and how they look like and what we are looking at going forward. With reference to the presentation, ITNL Footprint - at glance you guys are familiar with it in terms of countries we operate i.e. 19 countries, 19 states in India, almost every important state we are present. 31 road projects, 5 non-road projects which includes two of the metro projects which we operate in Gurgaon. 14,680 lane kilometers, out of which 10,176 operational lane kilometers.

Internationally, Elsamex seems to be our main driving engine. We will be looking at projects not only in Spain but largely out of Spain for maintenance and ORPC-related projects.

Not spending much time on it, I think you are aware that ITNL is the market leader in terms of asset transportation, has strong penetration coming from IL&FS, a very large infrastructure focused financial services institution, and a strong management team. I have been with the Company since inception and carried in the collective wealth of knowledge and experience which is very much important for the sector and the business we operate in. The Company has been very successful in forming bilateral partnerships with the states whether it is Gujarat, Jharkhand, Rajasthan and has been able to execute negotiated contracts/mandates very well to the satisfaction of the client.

In terms of project portfolio, I think we are diversified in terms of the geography, so pan-India presence, diversified in terms of portfolio type, there is annuity as well as toll and both are almost in the same proportion. Also, in terms of the country, India and international are significant contributors, particularly the international business.

Some of the highlights of the last year in terms of the new project wins - Early part of last year, we have won two projects in Maharashtra, these were toll projects one is Amravati - Chikhli and the second is Fagne Songadh. We signed the concession agreement in the second-half of the last financial year.

Two state projects, one Gujarat which is rail-over-bridge, with an estimated cost of Rs. 251 Crores and with an annuity of Rs. 44 Crores a year. In Jharkhand, where we already operate six stretches, we got a seventh one based on our performance at a project cost of Rs. 640 Crores with an annuity of Rs. 112 Crores. On the execution front, the Company has done good last year. This year, we got the COD, which is completion certificate, in December 2015 for the Baleshwar Kharagpur Project and 100% completion certificate for Pune Solapur Project in February 2016 (earlier, we had got only 80%).

Provisional completion certificate was received for the Jorbat Shillong and Sikar Bikaner Projects in which a small portion of work is pending. The Company, TRDCL, which is one of our projects in Trivandrum, got a Global Road Achievement Award by IRF in the Urban Planning and Mobility category, which is a feather in the cap for the Company.

In terms of order book, as Mr. Ramchand mentioned the robust order book that we have of around Rs. 14,625 Crores and this is spread across states including both annuity and toll.

This is a very-very important slide and one that I really want to stress on – A look at the project profiles and how it is going to change next year. Our 34 projects have a total project cost of Rs. 49,000 Crores as on March 2016. We have 24 projects that are operational with around 50%, say Rs. 24,000 Crores, as operational cost of those projects. There are ten projects under development which are in different stages of construction. The next one year is a significant milestone in the Company's journey. We will see some of our large projects getting operational, one being CNTL, which is our marquee project in the state of Jammu and Kashmir with a 9-km long tunnel and the project cost was around Rs. 4,000 Crores, which we expect that it will come on-stream by September of the current year. So next year, if you look at the number of projects that are operational, it would be 27 but the total cost of the operational projects will jump from Rs. 28,000 Crores to Rs. 33,000 Crores. So from 50% we go to 68% operational projects. So, the profile of the Company in terms of the cash flows, in terms of the completed projects, changes significantly next year.

Just as a measure of looking at cash flows, if you look at our average daily collection which is annuity and toll collected on per day basis, today it stands at Rs. 7.9 Crores which when we see in FY17, with these three projects getting fully operational, goes to around Rs. 11.6 Crores, so it is a very significant jump in terms of the cash flows that may be available to the Company and the projects in the next one year.

The capital commitments which the Company has to make in the next three years to four years to complete all existing projects that are under construction and under development is around Rs. 2,870 Crores (including Sub-debt requirements).

Let me share some toll projections in order to understand toll growth in these projects. If you look at GRICL, there is a CAGR of 9%, NTBCL at 8%, RIDCOR at 23% and Yuhe Expressway which is our project in China is at 15%. So, fairly healthy growth in toll we have seen in last couple of years in these projects.

Coming to results and performance of the Company for the last year. On the standalone basis, the total revenue is Rs. 5,262 Crores, up by 36% this is essentially coming from as Mr. Ramchand said, a very good year on our operational front, as we have pushed construction of the projects and implementations on time. And that is reflected by a healthy growth in construction income which is 42%.

The EBITDA has grown by 21% to Rs. 1,367 Crores with the profit-before-tax at Rs. 251 Crores. As Mr. Ramchand mentioned, I think this PBT is after providing for some of the assets at Rs. 115 Crores. If we had not provided for these, I think the numbers would have been like the last year.

So, on the operational front and the profit front, the result has been same as last year, this is despite the challenges and the difficulties faced particularly from the banking side or the funding or liquidity side. The Company has been able to maintain its operational performance in the last year.

On a consolidated basis, revenue has gone up by 28%, again driven by construction income which is up by 35%. EBITDA has been 31% and the growth if you look at the EBITDA margin percentage in fact last year, we have been able to improve it by around 1 percent at the consol level. There is also the fact that the gain on sale of assets or stake sale has been lower this year compared to the last year.

On the profit front, the net profit at Rs. 312 Crores as against Rs. 444 Crores but again that is the impact of provisioning which is Rs. 73 Crores so, if you were to add it, I think we are almost where we were last year.

In the last five years, the Company has grown significantly year-on-year in terms of revenue, in terms of EBITDA also, it is significant here to look at on consol basis. The debt equity ratio compared to last year, though the projects have gone up up-stream and the projects have commenced significant construction activity, the debt-equity ratio has actually come down though not a very large number, but down from 4.11 to 4.08. And what we believe is that we are nearing the peak of the debt cycle in the Company and as we go along and the projects become operational, there will be more projects where we are repaying debt versus the projects that will be drawing down debt. So we should see far better numbers as we go along in next two to three years' time.

On standalone basis, Company's numbers have again a similar trend - the revenue has been growing. Profit, as I explained, has taken a little bit of a hit because of the provisioning we have made which is a one-time provisioning. I believe if we were to take that out then we are almost there as we were last year. Here also if you look at debt equity, again a similar trend of maintaining or coming down slightly, despite as I say significant activity of the construction site, we have been able to maintain the debt and please understand that we feel that as we go along, there are various initiatives which I will discuss in later slides. We should see better numbers on debt-equity going forward.

On some of the balance sheet highlights, as you know we did a rights issue in October last year, raised around Rs. 740 Crores at Rs. 90 per share. While borrowing has gone up little bit at the standalone level, the consol is largely the same because the projects are drawing down debt.

From an operational perspective, it is a significant point to notice that in terms of the long-term - short-term ratio, we have been able to make significant correction in the short-term borrowings which we had a year before. So on 31st March, 2015, the short-term was 45 and long-term was 55. On 31st March, 2016, the short-term is 35 and long-term is 65 and with the steps we have taken in the last one year, this ratio should further come down to 30% short-term and 70% long-term. The business is long-term, assets are long-term but we also need to maintain some short-term liquidity to maintain our treasury as well. Also, to ensure that we are able to take advantage of the downward movement of the inflation cycle by having shorter tenure of maturities and not locking ourselves completely into long-term maturities.

Debt to EBITDA has more or less been the same at the standalone level but on the consol level, I think there is a significant drop in debt to EBITDA by 1 percentage point.

Some of the initiatives which we are planning this year and a couple of them we have discussed in the past which you would have read in the news. In the Finance Budget this year, I think one significant step was introduced towards InvITs which is Infrastructure Investment Trusts. The dividend which was distributed by SPVs to the trust has been made completely exempt for dividend distribution tax and this has made InvIT as a very viable tool for infrastructure players, particularly like us. Players like us, look at this as a vehicle which could help us bring in new investors into asset and monetize them on a sustainable basis. So we have taken a Board and Shareholders' approval for setting up InvIT. We have already filed the application with SEBI and we hope that approval should come soon. We are also working on finalizing the intermediaries in terms of looking at testing **the model,** some of them are already on board, some of them are coming but we are quite seriously perusing this initiative because we believe that this is tested in Singapore and could become a very good tool on a sustainable basis to look at through churning assets while we look at new projects and take new projects and mature projects which can both be put to InvIT.

Some of the news you must have read about is that we have been looking at monetizing some of our mature assets and good progress has been on made on that count. At this stage I cannot give you more details but you will get some more information and details from us as and when we are in position to really announce and it will be sooner than later.

Internationally, we continue to remain focused on ORPC projects which are largely maintenance-related projects but are long-term projects rather than one year. These are three years - five years - eight years' projects.

In terms of countries, some of the selected countries mentioned here, good opportunity scope exists through multi-lateral agencies and we don't have any payment risk, nor any currency risk but healthy order book through maintenance contracts.

With the interest rate cycle turning softer with the RBI cutting rates, of course banks have not really passed it down to us but it has flown partly into the yields in the bond markets. We have been working on refinancing some of our existing mature assets, where we have either annuities - two annuities or three annuities - and where we have seen collection of toll for two years-three years and the senior debt which runs at a cost of 10.5%-12% today. Our experience shows that we will be able to convert them into bonds and may be look at around a 10% percent rate or sub-9% in some of them. You have been aware we recently did a re-finance of our Gujarat Toll asset called GRICL where we were able to raise bonds which are the one of the first Toll-Bonds in India, rated AAA by rating agencies including ICRA and CARE and there we were able to reduce the cost of funding significantly.

On the projects we are currently working on now, I cannot again share with you any specific names for as we cannot give you forward-looking numbers. We are fully confident about achieving 2.5% to 3% reduction in the interest cost in some of these projects and that could lead to a significant drop in the interest cost at the consolidated level and these projects are not small, each one is Rs. 1,000 Crores+ - Rs. 1,500+ Crores of debt. So we see going forward the benefit of interest rate reduction not only at the hold-co level, but also at the SPV level.

Thank you. We will be happy to take any questions. Thank you all.

Teena Virmani: Hi, sir Teena here from Kotak Securities. My question is regarding the revenue run rate which can be expected going forward although this quarter was a very healthy quarter in terms of execution, but given the fact that most of them were previously awarded project like Chenani-Nashri, Khed - Sinnar and all these projects are likely to get over by FY17 and the new projects which we bagged in the beginning of FY16 have not achieved financial closure. So what kind of revenue run rate can we expect going forward is it like similar to what we have achieved in FY16 or there will be some kind of dip given the fact that the financial closure and everything is still pending for the recently awarded projects.

Dilip Bhatia: If you look at our order book, it is around Rs. 14,625 Crores. So we still have 2.5 to 3 years of order book in place and that is why we believe that revenue rate particularly in construction, we will continue to remain the way currently it is. As you said some of the projects have not achieved closure but in some of the earlier projects, in terms of the project execution, we have never shied of putting more money and starting the project with financial closure happening simultaneously. I am not saying that the situation will repeat again because we are fairly in advance stages of discussions in terms of working on these projects and financial closures for the same. So this gives us confidence that the revenue run rate will continue the way we are seeing in the current quarter.

Teena Virmani: So all those projects which were awarded last year quarter one the Amravati – Chikhli, Fagne-Gujarat, Gujarat ROB and JRPICL _ Section VII, all these will achieve financial closure in the coming one quarter or two quarters.

Dilip Bhatia: Gujarat ROB Project has already achieved financial closure. We are very close in case of Jharkhand which is the JRPICL project. Amravati Chikhli and Fagne-Sonagadh discussions are already on with the banks and we hope that in two months we will close this as well.

Teena Virmani: Okay, fine. Thanks and all the best.

Participant: You mentioned that around Rs. 24,000 Crores worth of projects have already been completed. Can you say what is the ROCE and ROE you are generating in those projects?

Dilip Bhatia: You know those projects particularly if you look at annuity these are fixed return so, our IRR is pretty much in line with what we bid for, where as in case of toll you must realize there is always a hockey stick effect so initially one or two years you may not really realize the ROE which we projected for but over a period time, in the toll projects we see a growth of more than 8% to 10%. We are confident that in those projects as well we will be able to achieve more than the current budgeted ROE.

Participant: Would it be fair to assume that in annuity project we are generating more than 50% ROE or that is….

Dilip Bhatia: No, roughly it is around the 16% project level.

Participant: It will be in indefinite - Equity?

Dilip Bhatia: It will be indefinite.

Participant: And you are talking about another Rs. 10,000 Crores - Rs. 15,000 Crores worth of projects to be completed so, is there any change in IRR assumption for the new projects you are bidding for. So what I am trying to understand is till now we have not generated ROCE, which is creating value for the shareholders. So have we gone down in assumptions or what is the change?

Mukund Sapre: In the coming scenario, what we believe is a fair share will be awarded in hybrid annuity and if you take the space with BOT kind of bidding, it is a very limited number. So there is every reason for us to believe that we need to shift to some new bench-marking which we want to create and put our best and wait for our return, because if you take what numbers they are talking of awarding somewhere like 10,000 - 12,000 kilometers of hybrid annuity and then 10,000 on EPC and the EPC is such a big share available we believe the competition on the BOT part will be far more limited. So we definitely target but at the same time also acknowledge that we need to pick-up our size of projects also. I found many of those who are in the range of Rs. 400-500 Crores or so, we will concentrate something like Rs. 1,000 - 1,500 Crores and we will be selective and wait for our opportunity because ultimately in earlier days also been known that talk of having at least three projects and then have a blackout period once you come out of closure. So taking all that into account there is fair reason for us to believe that with annual IRRs we should be able to get what we internally target.

Particpant: So next year we are expecting a total Rs. 35,000 Crores worth of projects to be completed would it fair to expect a Rs. +5,000 Crores EBITDA because I am assuming that you must be expecting bidding based on 15%-16% IRR

Mukund Sapre: Actually, as we every now and then say that forward-looking numbers are something which we cannot talk about, but if you just put some analytics saying that I am going to touch very soon a number of Rs.11.5 Crores and have shown what sort of construction we are capable of doing on the ground, I think it just answers your question that what sort of EBITDA levels we will be achieving.

Participant: Hello, can you take us through the refinancing deal which you did, what was the earlier interest cost, what was the new interest for that cost and how much would be the interest rate?

Mukund Sapre: The bonds to be issued will be rated bond and it so happens that like NHAI annuities straight away become AAA, it is easily possible to rate finances on operating profit of 9,000 and may be state level as we are able to give A+ or something. So if you take that into account and take today's borrowing cost, it is very evident that we can easily get a 250 basis points benefit on refinancing basis and that is where we are working on.

Participant: What was the size of the deal?

Mukund Sapre: GRICL was just near Rs. 400 crores but for balance annuity we are working around so it ranges from Rs. 800 Crores to Rs. 1,000 Crores. We have to bring some operating annuity assets of NHAI that is what we are working on.

Participant: Sure. Secondly, what are the key performance objectives for the management in the next two years whether it is a growth, is it profitability, is it improvement of the balance sheet or what it is?

Mukund Sapre: The performance on the ground as far as implementation and completing projects on time is going to reflect on all other numbers so, we need to be a little bit careful on two or three counts as you would see we struggle, during construction, which we were not responsible for and that is related to land not coming to us on time. So we are very conscious on how to work, how to spend our rupee on the ground which translates into an operating asset for us. So if you take that into account we are very positive, we are not touching anything doubtful. And this is a very important point which I wanted to talk about actually - we also have filed claims on NHAI on Jorbat – Shillong, on Moradabad - Bareilly and Pune - Sholapur.

Dilip Bhatia: Three of our projects have got offers for re-financing and for one of them, we expect to complete this in the next 2-3 months' time and going forward, this will be one of the initiatives that we will be perusing in terms of ensuring that, particularly for annuity assets, we will continue looking at refinancing on a regular basis.

K Ramchand: One more thing - there is a new infrastructure development fund, so they are part of this whole refinancing package and by definition some of them need a tripartite agreement with the government separately so, I think we have just been able get approval for that from Jharkhand, the other states are also expected to follow.

Particpant: Hi, Rajashree here from Axis Capital. My first question is regarding, you spoke about that you will be interested in third-party EPC as well going forward and that you are contemplating getting into this so, if you can just elaborate on your plans on that and also most importantly, how much of capital you will be spending trying to get there and also which sectors will you be interested?

K Ramchand: No, we are not looking at third-party EPC for sure, we are looking at directly from either NHAI or somebody else. In fact, we have also qualified ourselves for the EPC partner, they have yearly qualification and we have qualified and that is just to take care if there is an opportunity which arises and only then we will look at EPC but that is not definitely going to be the forefront. Sector will be totally road and we are not looking at any other sector. I do not think the mandate of this Company is to get into another sector. But it is early days, I just wanted to give you a flavor of what might happen during the year with us so that you get a sense and do not get into a shock situation when we probably bid for an EPC.

Participant: This quarter if I see the toll collections have been quite impressive plus your portfolio. So just wanted to understand which are the project that happen significant tariff hikes and how much of it is because of tariff growth?

Mukund Sapre: So actually two or three we commissioned to about ~80% and that could go to 100% like Moradabad - Bareilly or Pune - Sholapur, Gujarat project….generally, what we have seen revenue has been up from 7% to 20% on various projects but add on has been because of additional lengths of 20% which we were missing earlier.

Participant: These are the three projects Moradabad - Bareilly, Pune - Sholapur and Gujarat. And my question is see if I look at our presentation and if I look at the construction income for consol and standalone entities. So if I see the difference for this quarter it is a quite significant amount about Rs. 450 odd Crores so what is this amount the difference in income between construction income in consol and standalone and if I look at on a year-on-year basis that was about Rs. 100 Crores so that increase is actually on the big reasons of strong results?

Dilip Bhatia: Can you please repeat your…

Participant: If I look at our consolidated accounts and there is a construction income mentioned there and if I look at the standalone accounts and again look at the construction income so there is a quite a bit of gap which is about Rs. 450 Crores higher the consol construction income is higher by Rs. 450 Crores versus the standalone construction income.

Dilip Bhatia: Say consol construction is 5%.

Participant: I am looking at the quarter numbers.

Dilip Bhatia: That is Rs. 1,785 Crores versus Rs. 1,334 Crores.

Participant: Yes. So there difference is about Rs. 450 Crores and if I look at it on a year-on-year basis that corresponding number was about a Rs. 100 Crores. So this increases what is it, first of all what is this number and the reason for the increase? And third question would be how much of margin do you make on the construction income which is this balance number?

Dilip Bhatia: Okay. So construction margin has been around 16% which has been steady last year as well and this year as well. I could not get your Rs. 100 Crores because if I look at the consol on yearly basis…

Participant: I am looking at the Q4FY15 number so the same quarter of 2015 if I see the consol construction income it was Rs. 767 Crores and standalone construction income was Rs. 642 Crores so the difference is about Rs. 115 Crores and the same number this quarter is Rs. 450 Crores.

Dilip Bhatia: The reason also is that if you look at construction income itself, it was 2.5x so that means the margin also is that much higher. If you look at Rs. 650 odd Crores versus Rs. 767 Crores, so construction income is significantly higher in this quarter. So construction margin is in the range of 15% to 16%. Higher construction income leads to higher margin.

Participant: You are having one matter in litigation with your partner, given to you I believe, can you highlight on that matter.

Mukund Sapre: This is the airport project in which we had a 40% stake. There was one partner with 60%, we believe that some issues were there in accounting and also we have taken the matter to CID and various forums to address the problems with them, but as we said that we have done some Rs. 40 Crores of provisioning, total size of that nature Rs. 20 Crores of advance towards equity and we have got some bank guarantees involved.

Participant: Sir, I have a couple of questions, firstly Rs. 24000 Crores of operational projects, what is the debt equity in that.

Dilip Bhatia: So, it will be the same, it will be less than 4, typically the projects which we have taken and have been financed in the past have been in the ratio of 20% of equity and 80% debt. Newer projects now will take around 30% and 70%. So ones which are in operation, they are in the ratio of 4:1.

Participant: And from FY 2015-16 our standalone debt has gone from Rs. 7000 Crores to 7300 Crores to around Rs. 9000 Crores, so what is the primary reason for them.

Dilip Bhatia: Look at the utilization of debt, I think it has gone into mainly the sub-debt portion which we put into the new projects, which are under construction and a substantial portion of the debt which we contracted Rs. 1300 Crores has gone to exiting projects. Also I mentioned earlier some of the projects still need support from ITNL wherever required like MP border, and some of our debt has gone towards short term loans to these entities to meet their debt obligations.

Participant: And what is the debt split like INR and dollar rate?

Dilip Bhatia: Standalone, we do not have any dollar rate.

Participant: No in consol.

Dilip Bhatia: In consol, you are looking at the quantum.

Participant: Yes.

Dilip Bhatia: At the consol level $200 million debt is in the dollar terms which is local currency and €40 million in Spain.

Participant: What is the average cost of debt?

Dilip Bhatia: At the consol level, average cost of debt is ~12%. So while the debt and the foreign debt probably I think in the road sector, we are the first Company where we have got ECB in one of the projects. In CNTL, we have just concluded $ 50 million ECB with Standard Chartered Bank.

Participant: I have a question on financial closure of certain projects, last year there were a couple of where you like to extend some working capital to in the interim period where financial closure were delayed, so what is the status on these projects, in general are banks more open to funding under construction projects now than they were may be a year ago?

Mukund Sapre: Actually the issue with banks as well as the BOT toll projects still continue. If you really ask me the latest news on this**,** there are a lot of talks going on about bankers accepting up to 1.2 but when you approach NHAI, you really get a global letter. Nobody is willing to certify that differential upto 1.2 and that's a struggle. We have down sold Khed-Sinnar and we are very near on Barwa Adda also. In Khed-Sinnar, we will be commissioning 80% of our length and may be in month of August so practically we just financed it completely. So also in Barwa Adda in September we will be commissioning our second toll plaza which is going to add at least Rs. 30-40 lakhs per day but struggle is still there. In Maharashtra we are working with all the bankers and our total project cost is, if you compare with NHAI, around 1.2. There has been so much of talk everywhere, in every forum that 1.2 should be okay but when you are looking for certification of the numbers, nothing is coming out. Just few days ago there was another review in NHAI and I hope that they really acknowledge this situation and give some letters which are giving comfort to bankers. Only then, it is going to move forward.

Participant: But given the previous projects, in these two projects, will you be funding it in the parttern as those will be large size projects?

Mukund Sapre: I think we will have to go for financial closure on both the projects but we are trying to look at alternatives also and on that count we have one or two methods like trying to look into introducing some partners on the construction stage, we have one or two very active interest and queries and we are going ahead in talks with them particularly with the Chinese contractors, if they come on board we might answer it a bit differently, than I have to look into underwriting and takeout facility and bring in construction finance. With Barwa Adda you are right that Khed-Sinnar or Barwa Adda is not something which we are going to do on Maharashtra project and to help us on that problem with still around 20% to 25% of length which we are struggling in terms of either standing crop or something which we are using asking them to give us more time for financial closure.

Participant: My second question was on the standalone balance sheet, lot of questions were asked on that. Just one question is that we look the next couple of years your pending equity commitment per sub-debt put together is close to Rs. 3000 Crores, so assuming Rs.1000 Crores per annum even the interest expense in current maturities are to fund every year so Rs. 3000 Crores of cash requirements in a year in the standalone balance sheet. At the same time, you are mentioning that debts will come down, so can you just give some ballpark figure of what is the kind of monetization you are looking at you mean the next 12 months or 24 months.

Dilip Bhatia: We have a very cut out plan in terms of meeting that requirement as well as also looking at ways where we can reduce the debt. There is not one initiative but there are multiple as I put it, one was refinance, when we do refinance of the projects not only the interest cost of the SPV is coming down, some of the SPVs have short-term support by ITNL during the earlier days because now that the rates come down and they have agreed to pay the debt as higher there is a top up of the loan has been and that significant portion is there, so almost 50% of the requirement of this what you were mentioning probably, we are looking at getting back from refinance and this is backed by specific numbers , specific by projects and also the experience in the market in terms of interest rate. Monetization as we mentioned is the second important source for us to generate cash. Monetization not only direct asset but works so through the unit route and as we go along and we talk to people, talk to investors, talk to bankers, we get a better sense and good favorable response that given that the portfolio of ITNL is unique in the sense that we have right mix of toll and annuity, we will be in a better position to offer a good mix of assets to the investors at the reasonable yields.. Third important initiative which we could not highlight are about claims on three of the projects where we have initiated arbitration proceedings against NHAI for settling our claims which is in various advanced stages in each of the project and expect that in the next 2 years' time these claims may be realized and improve our cash flows. While we expect we are not overly optimistic on it. We are taking the conservative approach on that but still that will be a significant amount of cash flow which will help us meet the requirement of capital as well as also try and reduce the debt. Mukund did mention about two new projects and we are actively talking to some of the overseas players for partnering with us not only in the construction work but also on the equity participation. Early days again but some basic understanding is there which will bring down the funding requirement by around 25%

Particpant: I wanted to ask that regarding the three additional projects which is going to be completed in this FY17, which is going to be significant cash flow from that as to in which quarter of recently which month which is going to come into the P&L?

Mukund Sapre: Chennani Nashri (CNTL) is our tunnel project and we target September end that should add on to the revenue. Khed-Sinnar as I said is going to be 80% of length put in for operation that will commission somewhere in August or September only and Barwa Adda is in November, where we add on the second toll plaza which will evidently bring in Rs. 30 to 40 Lakhs per day because we are not able to collect on one single toll plaza outlet, so we will have three major projects which should get commissioned from September to November.

Particpant: And will the same be used for reducing debt or will it be used for further bidding for a contract or how is it.

Mukund Sapre: See generally what we do like, in an annuity case, suppose if I will complete it in September, it is ideal to demonstrate that at least we have collected one annuity and all issues have been sorted out, so we go by that yardstick, March will be the first annuity payment date for this, it is a huge annuity like Rs. 650 Crores per annum, so ideally annuity contribution coming out of that will be happening in next year only may be beyond March.

Participant: So, what will be the major this year ITNL focusing on reducing the debt or to increase the revenue, vis-a-vis, if I see what is the main focus, to reduce the debt or to increase our revenue.

Mukund Sapre: Both are connected activities.

Participant: Well that be funding is going to be taken place or from internal, how is it.

Dilip Bhatia: As I mentioned, while we have existing capital commitments we don't expect an increase in the debt at the holdco level and that's what I was explaining earlier about the initiatives we are taking in terms of refinancing, monetizing assets and InvITs and cash generated through internal accruals. In terms of your earlier question I think we explained that the Management has to work on multiple objectives, try juggling multiple balls at the same time while revenue and the growth is important for the Company we are also cognizant of the balance sheet and the need to ensure that we are able to maintain balance sheet size and deliver returns to the shareholders.

Participant: I got couple of questions. Sir, what is the loans into the subsidiary from our parent as of for the year end.

Dilip Bhatia: As on year end, we have around Rs. 2000 Crores of loans in various subsidiaries. There has been a challenge where some of the subsidiaries have not paid back the parent and so in all Rs. 2000 Crores of loans exist.

Participant: And what was it a year back like FY15.

Dilip Bhatia: There is was debt of around Rs. 2400 Crores a year back, so I think this has remained the same. I think what should be understood is that the significant amount is part of loans to Barwa Adda and Khed-Sinnar in terms of capital pending due to delay in down-selling.

Participant: What could be the number.

Dilip Bhatia: That is around Rs. 800 Crores.

Participant: And if I want to compare the traffic growth on like to like basis I mean you mentioned in a couple of projects in which added stretches got operational, so in order to remove that and we want to also remove basically the inflations adjusted increase, basically the traffic growth for the existing projects which are there...what would be that number broadly.

Mukund Sapre: Leaving apart one or two projects where just minimal to almost same level of growth, the others we have seen the revenue growth of around 7% to 15%, so there has been a very good traffic growth in terms of revenue.

Moderator: Sir, there are no more questions. Thank you.

(This document has been edited for readability purposes)