



"IL&FS Transportation Networks Limited
Conference Call"

November 9, 2011



MODERATORS:

MR. K. RAMCHAND
MR. GEORGE CHERIAN
MR. DANNY SAMUEL

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY'12 Investors Call of IL&FS Transportation Network India Limited. We have with us here Mr. K. Ramchand, Managing Director, ITNL, Mr. George Cherian, CFO, ITNL, Mr. Danny Samuel, Senior Manager, ITNL. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Danny Samuel. Thank you and over to you Sir.

Danny Samuel: Hello, good afternoon everybody and thank you for having taken the time out for attending our conference call. We will run you through the result and give you a brief overview on what has happened in the last quarter rather the first half-year of this financial year. I will now hand over to Mr. Ramchand who will give you a brief overview of all the major activities, that have happened in the company and the sector.

K. Ramchand: Good afternoon everybody again and welcome to our investor concall. We are pleased to report that we have been able to meet most of what we had thought we will achieve during the beginning of this year. This quarter we have done fairly well and we believe that we should be able to continue with this for the remaining year.

Danny will run you through what the numbers were, but I will just give you a few pointers on what we believe will happen in the sector going forward. There have been a lot of activities in this sector in the last half year. We have submitted about 15 to 20 bids in the national highway space and as most of you would have noticed we have not been able to win any of them. In the larger projects, we were L2 in one of them which was the Rajasthan project but other than that I do not think we were anywhere close to what the L1s were.

We do not see any radical change taking place if this is the pace at which these awards continue. We think that the aggression will continue for some more time in the sector. Till we see some form of burn outs happening either due to non-achievement of financial closure or extended financial closures, which we believe is likely to happen in some of these projects. With the national highways now going into the e-tendering mode it should be possible for us to see larger number of projects being awarded. The first round of e-tender projects were submitted somewhere in end of September and I think that there are teething problems on that front because they have still not opened those bids. These may probably be opened in the near future.

Once that process is streamlined then I think the bidding will start and we should be in a position to have some new awards before the year ends. We have been keeping our cool as far as bidding is concerned. We believe that we have not been

aggressive but we haven't been quiet either; given that concessions are on design, build, finance, operate and transfer (DBFOT) modes we have used some amount of value engineering and design work to help us put what we believe are good bids and we hope that we should be in a position to succeed in the future.

We have a large bid pipelines of about Rs. 68,000 crores amounting about 9,500 kilometers of prequalification So I am pretty sure that we should be able to come up with one or two projects in the coming quarters and should close the year on a fairly good note as compared to last years. We look forward to receiving questions from you. In the meanwhile Danny will quickly run you through some numbers and highlights of the quarter and the half year and after which we shall be ready to take questions.

Danny Samuel: This half-year as Ram said, we have probably been able to do fairly well and meet the street expectations. The consolidated revenue numbers as you would have seen, as has been reported to the BSE and NSE, have increased by 42% year-on-year as compared to first half of FY'11 and the EBIDTA also on an absolute level has been increased by 32%. On the margin side, the margins have dropped as was also expected to some account because of the increase in proportion of construction margin in the revenues. So the margins have dropped from 33% in first half of FY'11 to 31% in first half of FY'12.

The profitability has increased by 9%. The expenses have also increased mainly on account of interest expense, which has increased on two counts, one is increase in debt outstanding, and second is the increase in interest rates, which has been increasing continuously in the last one year.

So, on these two counts our interest has increased from Rs. 203 crores to Rs. 312 crores. The balance amount of work which is to be done for the projects, which are under constructions, is around Rs. 8900 crores as of the end of last quarter. I think all these numbers put together, we are fairly confident that we should be able to keep the pace forward for this year and we look forward to winning a few more projects on the bids that we have submitted to NHAI and also to States or from international mandates. With that note I would open the floor for questions..

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press “*” and then “1” on their touchtone telephone. Participants are requested to use handsets while asking a question. Anyone who has a question may press “*” and “1” at this time. Participants to ask a question please press “*” and “1” now. The first question is from the line of Prachi Kodikkal from Bay Capital. Please go ahead.

Prachi Kodikkal: Good evening sir. My first question is we have always maintained that we would be able to win bids for around Rs. 3500 Crores to

Rs. 4000 Crores for this year. So are we still looking at that kind of a number or we have toned down a bit?

Danny Samuel: These are always assumptions, which you build upon when you start the year. But that also depends on how the supply happens and how intense the competition in the market is. We believe as we go by, we will continue to bid for projects, but we cannot put a figure on as to what is the amount of project that we will be able to win because as I said these are based on factors which are beyond our control.

K. Ramchand: We do not believe we will downgrade, but will be able to get what we estimated?

Prachi Kodikkal: Okay, so with that the numbers will be sort of more or less in that territory., Can you throw some light on how have the traffic volumes been for this quarter?

Danny Samuel: The traffic volumes have been good and if you have tracked the revenues from the first quarter you would have noticed the revenue that we are earning on a daily average basis have increased tremendously for the first and second quarter. Mainly the Gujarat projects, wherein we have seen on the tariff side itself a 8% tariff hike and also traffic growth. So all together on the Ahmedabad Mehsana Road if I quote you some numbers... in FY'11 where we were earning Rs 1.32 million daily on an average daily collection that number has gone up to 1.61 million for the second quarter. In Vadodara Halol where we had been earning

1.01 million daily in FY11, has gone up to 1.21 million. Mega Highways, Rajasthan where we were earning 2.91 million daily in FY11 has gone up to 4 millions and similarly Beawar–Gomti where earnings were 0.43 million daily in FY11 has gone up to 0.46 millions. I think this quarter there is also a tariff revision which is due on Rajkot to Jetpur Road which also expected to then boost the daily collections.

Prachi Kodikkal: Okay, all of these roads that you mentioned, where all have we taken a tariff revision?

Danny Samuel: Tariff revisions have happened on both the Gujarat roads Ahmedabad Mehsana Road and Vadodara Halol and Mega Highways Project, Since they are also auctioned out, these numbers are probably going to remain at same levels throughout the year levels and are not just seasonal fluctuations, which have happened.

Prachi Kodikkal: Okay. That's all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Elara Capital. Please go ahead.

Abhinav Bhandari: Hi, gentlemen. The presentation has not yet uploaded. So if you could give the breakup on revenues on both the standalone, consol that would be helpful?

Danny Samuel: I will give you half year breakups. This year the total revenue has been 12,254 millions of which from the construction side we

have got 8,766 millions, supervision fee of 2,641 million and O&M income of 291 million these are all standalone numbers. On the consol side we have 23,974 million as the total revenue of which we have got from construction 16,401 million, 3,448 million from Elsamex, and from toll and annuity collections 2,604 million. The balance was on account of O&M and miscellaneous fees.

Abhinav Bhandari: This 2604 million is what toll plus annuity?

Danny Samuel: Yes, this is toll plus annuity.

Abhinav Bhandari: Right and on the balance sheet side there has been a significant jump in the consol debt; more or less your standalone debt has remained the same. So which are the projects, which have contributed to the significant increase on the consol debt?

Danny Samuel: All projects, which are under constructions in the consol have contributed to the consol debt because as construction progresses, going forward incrementally most of the construction work would be done through the debt drawn down from the already sanctioned debt. So for all the projects we have a sanctioned debt, which we continuously draw down depending on the progress of construction and the requirement of payout to contractors. So accordingly the debt, which we have also pointed out earlier in many of our calls and meetings is that the debt on the consol side is expected to go up as we go by each quarter-on-quarter

Abhinav Bhandari: So what could be the expectation for the full year and is the pace of construction on some projects too fast as compared to our initial estimates?

Danny Samuel: It will be too early to say whether it is too fast or not because as you see we are following a critical path method when we look at the total project construction. So even if on some part we are going early the critical path is what we should be concerned about. As far as critical path is concerned I think we are going as per schedule on most of projects and should be able to complete most of them substantially on time.

Abhinav Bhandari: On the debt side, where this is expected to settle might be by close of this fiscal?

Danny Samuel: It again is predicated on the amount of construction which may happen but the debt numbers which presently for the consol is Rs. 69 billion would reach somewhere around, Rs. 95 billion. This is a rough estimate, based on estimated construction.

Abhinav Bhandari: Right, and on the standalone side the tax rate for the quarter both for the June quarter as well as this September quarter has been pretty high close to 37% – 38% so any specific reason for that?

Danny Samuel: That has historically been so because there are certain disallowances, which happen in our P&L in the standalone. Because if we borrow money and that same money in many

instances is used to fund investments or other purposes, which are not allowed as a deduction under the tax, then there would be some disallowances of expenses which happen which is why the tax rate generally has been in the range of between 34% and 36%.

Abhinav Bhandari: But any fee income booked in the second quarter in the standalone books?

Danny Samuel: Yes, fee income has been booked in the second quarter. The fee income, booked in the standalone for the second quarter, has been around Rs. 125 crores.

Abhinav Bhandari: This is the Jharkhand second project?

Danny Samuel: The Jharkhand second project plus also the supervision fee that we keep continuously getting from the other Jharkhand project wherein we do not have the construction, also some amount of fee that we get from the RIDCOR projects, because these two are only fee based projects and we do not get the construction revenue into our standalone books for them..

Abhinav Bhandari: It would be great if you could provide the breakup in this 125 how much would be that regular fee which you get from the Jharkhand and Rajasthan projects?

Danny Samuel: Sure, I think we will try and do that.

Abhinav Bhandari: Sure, and on the interest rate resetting front any projects, which have come up for reset in the second quarter and what rates where you able to reset those?

Danny Samuel: None of the projects have come up for reset except for some projects wherein there would have been debts linked to the base rate that would have increased automatically as the base rates of the banks would have gone up. Otherwise as far as reset is concerned none of the projects wherein there was a reset available has come up for reset of that interest rate.

Abhinav Bhandari: Anything due in Q3?

Danny Samuel: No.

Abhinav Bhandari: On the Elsamex front you said the first half revenues were about Rs. 345 crores how about PBT and PAT how is the performances there?

Danny Samuel: As we said in this first half year or the first quarter the revenues compared to last year have been little lower but they have been able to improve the margins, the margins for this quarter have been around 10% and for last quarter were around 9% and accordingly they have been able to maintain the margins and the profitability. Though the revenues have gone down, Elsamex have been able to remain consistent on their profitability front

Abhinav Bhandari: This 10% you said is the EBIDTA margin side?

Danny Samuel: Yes, EBIDTA margin.

Abhinav Bhandari: On, the PAT front how much it could be?

Danny Samuel: On the PAT in Euro terms they made a profit in this quarter of around 1.5 million Euros.

Abhinav Bhandari: First half?

Danny Samuel: Total first half put together would have been close to around 1.5 million Euros.

Abhinav Bhandari: Right, and which all projects are left where our equity commitment is still pending?

Danny Samuel: Our pending equity commitment is not much. It should be somewhere in the Rs. 150 crores range and is mainly on account of those two projects from Jharkhand which have come in recently the Chaibasa-Kandra-Chowka and Adityapur-Kandra project which are both under financial closure. So maximum of that actually goes towards these projects and then the balance would be towards Hazaribagh-Ranchi one or two small portions in other projects as well.

Abhinav Bhandari: Right, and just one last question on the projects on Chattisgarh and the Jharkhand remaining projects that you are envisaging going forward?

Danny Samuel: In Jharkhand for the remaining projects development studies are going on and it was the following two projects which came out of

that bucket of projects that we were developing in that state – Chaibasa–Kandra–Chowka and Adityapur–Kandra road projects. On the Chattisgarh front, as we reported earlier also, there was some litigation going on. So those projects have not yet started moving and till that is all settled we are not taking it in our portfolio in either our kilometers or in any of the other numbers that we have put forward.

Abhinav Bhandari: On Pune– Solapur now we have the entire land in place where the court disputes case which was going on and has that been settled?

Danny Samuel: It was not a case but it was a wild life clearance, which was to be obtained on that stretch. There was one notification which had treated the whole of that district as a wild life sanctuary. In the wild life clearance, the last stage of clearance is given by Supreme Court based on some ruling or decision which was made earlier. So it was pending for the Supreme Court's consent which has now been received and we have also got the environmental clearance on that and possibly in the next few days we should be able to get the appointed date from NHA for this project.

Abhinav Bhandari: So how much we would have finished there? I mean have we started work there?

Danny Samuel: We have started work in all those areas, wherein we are permitted like the bypass, which was to be constructed around Sholapur

city. So I think that somewhere around 15% of work on that project has happened the balance would now be taken up from this quarter onwards.

Abhinav Bhandari: Sure, and just one request if you could include in the presentation a slide on the percentage completed across the major projects which are under construction that would be helpful.

Danny Samuel: Even now we mention it in some form in the capital works projects yet to be executed but in case you want to specifically we will try and do that.

Abhinav Bhandari: Thanks gentlemen.

Moderator: Thank you. The next question is from the line of Sashikiran Rao from Standard Chartered Securities. Please go ahead.

Sashikiran Rao: Thanks for taking my question. I came in a bit late, just in case the question has been answered. You said that there are tariff revisions on Rajkot, Jetpur and Beawar–Gomti coming up in this quarter or is it in the subsequent Q4?

Danny Samuel: Rajkot–Jetpur is in this quarter. On the Beawar–Gomti front we can check and get back to you whether it is this quarter or the next quarter.

Sashikiran Rao: Yes, Beawar–Gomti would be a NHAI project, is it?

Danny Samuel: Beawar–Gomti is a ministry project, Ministry of Road Transport project.

Sashikiran Rao: Okay, what formula does it follow?

Danny Samuel: Tariff revision is the same formula, similar formula to NHAI 3% plus 40% of WPI.

Sashikiran Rao: Okay, In this particular quarter, I did not get the break of construction and toll revenues and toll for this particular quarter?

Danny Samuel: Sure, I will repeat it for your sake – on the consolidated front for the whole half year, our revenues have been 23,974 million of which 16,401 million was from construction; 3,448 million was from Elsamex revenues and 2,604 million was from toll and annuity put together.

Sashikiran Rao: Okay, so that is roughly around 880 Crores of revenue for constructions revenue for Q2, is that right?

Danny Samuel: Yes, specifically it was 877.

Sashikiran Rao: In that mainly you have booked 125 Crores of fee income from Jharkhand and Ridcor projects?

Danny Samuel: On the fee income, there are two projects from Jharkhand which have been awarded in this half year – Adityapur–Kandra and Chaibasa–Kandra. This quarter there was a fee income that came from these projects plus there is a recurring fee, which we get from the Jharkhand and Rajasthan projects for the supervision

that we do because you do not get the sales into the standalone for both these projects.

Sashikiran Rao: Okay, in this particular quarter, your PAT margin has been 17%, I think that is mainly because of your interest since that has gone up, have you started booking interest in some particular project for which toll has not come in, something like that?

Danny Samuel: For annuity projects that we have, even during construction period the interest is expensed out in the P&L as per the accounting practice that we follow which is based on the service concession arrangements. To that extent that extra interest expense on extra draw down would come in plus there would also be some effect because of the increase in interest rates which would have happened across the projects.

Sashikiran Rao: So, if you could break out it the two. The major part of the increase from 980 million to Rs. 1.7 billion of interest excess would be coming from annuity projects that are where you will charge the interest but not get the commensurate sales?

Danny Samuel: That would actually be coming from the draw down which is happening. The extra draw down of debt, which would have happened, to some extent in the standalone plus the consol. Majority of it will be on the consol debt.

Sashikiran Rao: Okay, so what is the debt on the standalone?

Danny Samuel: The standalone debt, as of last quarter, was 21,476 million.

Sashikiran Rao: How you see this going forward, would you continue to have such a large amount of debt on the parent company level even going forward?

Danny Samuel: That depends on how many projects we are getting and what is the amount of cash requirement in the standalone. In case you are looking at a scenario wherein we are not going to get any projects at all, then possibly the debt will keep going down, but on the other hand if you are looking at an opposite scenario of lot of projects coming in then the debt will also go higher. But I think we would never want to breach a 2:1 limit in the standalone at any point in time.

Sashikiran Rao: At equity of 2:1 in standalone especially when you have long-term debt in the subsidiaries as well, I think that will be a little high?

Danny Samuel: I am saying we have not even reached that level. Probably once we start reaching a level of maximum say 1.5:1 we will start taking steps to release the debt but 2:1 is the most pessimistic scenario.

Sashikiran Rao: Thanks.

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

Deepak Agarwal: Good afternoon sir, a couple of things. First I want to understand which are the major projects that have contributed to the

construction income amongst the top three or four of them in the quarter?

Danny Samuel: We have Chenani–Nashri, Moradabad–Bareilly.

Deepak Agarwal: Can you give the break up exact amount approximately?

Danny Samuel: Exact amount is difficult can give you approximate. There will be too many numbers on it but I can give you, which contributed the largest.

Deepak Agarwal: Amongst the top two or three projects?

Danny Samuel: Top two or three I will give you. The largest contributor was Chenani–Nashri, contributed around 3,000 million. We then had HREL, the Hazaribagh Ranchi contributed around 1,900 million, we had MBEL which contributed around 2,900 million, and Jharkhand project which contribute around 2,700 million. These are the top three or four projects.

Deepak Agarwal: This is for the first half?

Danny Samuel: This is for the half year, yes.

Deepak Agarwal: Secondly, like we expected this EBITDA margin to come down, but where do you see this margin to get stabilized, would it fall below sub 25 levels, closer to 20 kind of levels or where do you see by the end of FY'12?

Danny Samuel: Standalone margins should gradually come down.

Deepak Agarwal: Not the standalone, the consolidated level.

Danny Samuel: Consolidated margin I do not think we will ever reach 20 levels because if you look at the proportion of revenue even today with the bloated construction revenue coming in, toll and annuity revenues are still able to reach the level of 11% which is only going to grow. So if you have larger proportions of toll and annuity revenues in the total revenue the margins on which are higher, they will be able to sustain the margins to a level of probably around 30% and after a point in time, say after two or three years it will start growing but till the time we have large amounts of EPC in our books and consequent construction revenues, our margins would be somewhere in the 30% range.

Deepak Agarwal: But even for the balance half you still expect it to be around 25%–30% or around 25% odd level?

Danny Samuel: It should be closer to 30%.

Deepak Agarwal: Okay, secondly, have you done any refinancing for any of the existing debt for any of the projects?

Danny Samuel: No, in the last half year we have not.

Deepak Agarwal: Any expected in the coming quarter?

Danny Samuel: We have few in the pipeline but will probably wait for the interest rate scenario to settle before we go ahead and do any of the refinance because under refinance most of the time you get a

fixed rate for the balance of the tenure and this is probably not a good time to move on to a fixed rate for any of such loans.

Deepak Agarwal: Thank you, that is it from my end.

Moderator: Thank you. The next question is from the line of Manish Kumar from SBI Caps Securities. Please go ahead.

Manish Kumar: Thanks for taking my question. First question on Elsamex. The revenue has declined 32% on YOY for the first half, can you just quantify and qualify as in what has happened over there and why the revenue has declined over the period?

Danny Samuel: Elsamex had a few businesses in some regions like the Dominican Republic, wherein those contracts got over and renewal of those contracts didn't happen. But what Elsamex has tried to do is that even in these scenarios it has tried to cut down its cost and thus its margins have improved. So even though the revenues have come down with improved margins they have been able to maintain their profitability to some extent.

Manish Kumar: Sir how much PAT margin you said I just missed it, I missed it earlier also.

Danny Samuel: It is around 1.5 million euros for this quarter.

Manish Kumar: And that translates into PAT margin of how much, do not have the numbers.

Danny Samuel: It is on gross revenue of 57 million Euros that you have 1.5 million.

Manish Kumar: On that basis earlier, you have said the EBITDA margin will be somewhere around 10%.

Danny Samuel: The EBITDA margin for this quarter was 10% and last quarter was 9%, so probably will come around to 9.5%.

Manish Kumar: Okay, just wanted to understand you have said that the cost of funds have gone up. Can you let me know how much they have gone up from quarter to quarter basis, say first quarter and second quarter?

Danny Samuel: See, in this half year, compared to the last half year of last year, the base rates have gone up by almost 200 bps. So that is the effect, which would have come on all the loans which had linkages directly to the base rate. Loans which had a reset in them and where the rates used to be reset for a fixed period of the next three years or two years as the case may be, there atleast the effect have been postponed to some extent and if the interest rates are going to be in the same range when the reset happens in those loans then possibly they will also be reset and benchmarked to somewhere around the current rates or whatever the rates may be at that point in time when the reset happens.

Manish Kumar: Okay, on construction side, you said this quarter you had higher cost. Could you specify what higher cost and how are the margins there in construction?

Danny Samuel: Construction progressed more which is why we had both higher costs as well as higher revenues from construction which has actually contributed to the rise in revenues this half year as compared to last half year. The margins within the construction have almost been the same. So there has not been a marked difference between the margins that we have got on the construction but since there are more and more of construction happening and hence both revenue and cost have gone up in this half-year.

Manish Kumar: Just wanted to understand, your Kerala project is there in the order book that you have mentioned, right?

Danny Samuel: Yes.

Manish Kumar: Last question, what is the investment that we have done in subsidiaries in this quarter or first half year?

Danny Samuel: if you look at from March, our total investments were around 2,100 crores and now its close to 2,300 crores and we also have some advance against equity that we have put into the projects which is around 350 crores. So all in all we have around 2,650 crores which we have put into the various SPVs.

Manish Kumar: Okay and can you quantify which one are these major ones?

Danny Samuel: I think I will put it other way round. The only subsidiaries wherein the investment is now required are the two projects that we got from Jharkhand recently, Chaibasa Chowka and Adityapur Kandra and in Hazaribagh Ranchi we have some investment which is pending. These are the three major projects where the investments are pending. All in all put together not more than or around 150 crores of further equity investments is pending. Hazaribagh Ranchi we have around 50 crores more of investment which has to go and the balance is Adityapur and Chaibasa Chowka and there may be some small marginal investments into some other projects as well.

Manish Kumar: Okay, just wanted to understand, your receivables of concession has gone up by 33% from March to the current quarter. So could you quantify in which all projects have contributed to that?

Danny Samuel: Receivables under service concession are actually capitalization under the annuity project. As annuity project progresses, their capitalization goes directly into receivables under service concession arrangements. That is the head that we use in the balance sheet for capitalizing annuity project. There the major proportion would have come from Hazaribagh Ranchi, from Channani-Nashri and from Jharkhand projects.

Manish Kumar: Thank you so much.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks a lot for taking my question. I wanted to check, can you just on a broad basis, give three or four major projects and what is the percentage of construction that have been completed on them? Channani–Nashri, Moradabad Bareilly, HREL what percentage of construction has been already completed on them? If you could just give broad numbers I will be okay.

Danny Samuel: Sure. I think the maximum construction completed has been on the Jharkhand projects wherein we are around 80%. We have then on Moradabad–Bareilly where we have reached close to around 35%; we have Hazaribagh Ranchi where again we have completed around 45%. These are probably the largest or the major projects wherein much of the completion has happened, which again I will state are Chenani–Nashri, Moradabad Bareilly, Hazaribagh Ranchi and the Jharkhand projects.

Pulkit Patni: You did not respond Chenani–Nashri, what percentage?

Danny Samuel: Chennani–Nashri was around 20%.

Pulkit Patni: Also wanted to check with you on the capital works remaining unfortunately the PPT is not uploaded as of now, what is the number there as of the close of the quarter?

Danny Samuel: We have on the capital work remaining 8,900 crores as of end of last quarter.

Pulkit Patni: That is it from my side, thanks.

Moderator: Thank you. The next question is from the line of Devang Patel from Avendus Securities. Please go ahead.

Devang Patel: Hi, thanks for taking my question. I wanted to understand how the bank disbursements works for projects like Pune-Solapur where we have started construction on our own equity. So once we get the appointed date do we get a bullet sanction disbursal from them?

Danny Samuel: Bank disbursements would happen based on the amount of planned construction you give to the banks and also the amount of construction which has actually happened for which cash is required. Banks generally have a requirement that initially you put in 25% or 50% of equity upfront and then you start the construction and as you reach a certain debt equity level you put in your balance equity as well. But in these, in the Pune Solapur project we had put in all our equity initially and we executed some amount of work. We also took a small draw down from the banks and as we now again start work on the project depending on the amount of work that we would do, we will again put in request for drawdown and give a revised drawdown plan to the banks for further draw downs in the project tenure.

Devang Patel: Sir, in case where we have put in more equity than required upfront would the bank disbursal be accordingly delayed or banks would be willing to also accelerate the disbursal?

Danny Samuel: Banks actually look at whether the cash, which has already been put into the company, has been utilized for the project or not. In case of project, the cash has been utilized and there is further requirement of cash based on outstanding bills, then the banks are willing to give you draw down to meet your requirements for the project because none of the banks would want the project to be delayed on account of bills remaining outstanding and not paid.

Devang Patel: And are you getting disbursements before appointed date is received?

Danny Samuel: Pune Solapur we got because appointed date we are expecting in the next few days, so we have got some disbursement. So I do not think that has been a hindrance for us.

Devang Patel: Generally, that is not a problem, getting an appointed date. If the financial closure is done, then you would be eligible to take some draw down.

Danny Samuel: Yes, that is right.

Devang Patel: In the Rajasthan RIDCOR projects, from which date have we got tariff hikes and what is the quantum and generally what is the traffic increase rate right now?

Danny Samuel: In Rajasthan projects the tariff increase is fixed and it happens every two years with effect from April 1, so this year effective April 1 we have got a tariff increase of 10%. The balance hike,

which has happened, which is close to 33% has happened in the total revenue there, is on account of traffic increase.

Devang Patel: Compared to last year, is there any more kilometer stretches that is divided or this is the pure traffic?

Danny Samuel: This revenue, which we speaking of is only on account of the originally completed project. We are not speaking of the phase II of the project, which is under construction.

Devang Patel: Okay could you give the average borrowing cost on a standalone basis and for projects for the Q2 and how this has moved vis-à-vis Q1?

Danny Samuel: Standalone is around 11.5% that we are currently borrowing at, on the consolidated, on a blended basis, depending on the draw down, which has happen that could be some where between 11% and 12%.

Devang Patel: How would have this moved since the Q1?

Danny Samuel: Since the Q1 it has moved highly, as and when RBI had increased repo rates the base rate of the banks have also moved accordingly but as far as loans for which the interest has already been fixed for some period based on fixed interest preset dates, the hike would not have reflected. Also even for those projects wherein the interest rates were linked to base rates the blended rate hike would have depended upon the amount of draw down which has happened, because most of those loans are currently

for under construction projects and full draw down has not yet happened. Based on the above factors, on a blended basis I think in the last one year our rates would have gone up by somewhere around 100 bps on the consolidated side as a whole.

Devang Patel: Would some of the debt for projects during construction stages would also be linked to the base rate or is all of it fixed rate?

Danny Samuel: During construction you have an option either to fix it or link it to base rate. Normally the fixed option if you look at is priced much higher than the floating option. So it is generally a call, which is taken during the financial closure whether you want fixed or floating. Most of our loans during construction periods are floating loans.

Devang Patel: Right. That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Jitesh Bhanot from Emkay Global. Please go ahead.

Jitesh Bhanot: Good evening to all the gentlemen on the dais; thanks for taking my question. I think majority of the questions are answered. Just a few a questions on the standalone side. Danny if you can provide me the breakup for the Q2 standalone for construction and fee income?

Danny Samuel: On the Q2 standalone numbers we had total revenue of 6,483 million of which from construction we had 5,088 and from fee we

had 1,247 million and the balance was from O&M income & other income.

Jitesh Bhanot: From the fee income you said?

Danny Samuel: 1,247 million around 125 crores.

Jitesh Bhanot: Okay and Danny on fee income side again, I think for the six months we have booked close to 265 odd crores of income and even if we take the new order in this particular year I think about the Jharkhand project would close to 750 odd crores. Based on the company policy itself, I think 3% would not be that big of a fee income that can kind of impact the entire number of the recognized income this year. So is this major component coming from roll over incomes of prices with?

Danny Samuel: As far as fee is concerned you have the one time fee that we have recognized. You have your recurring fee, which comes from the Jharkhand projects and Ridcor project. That would have been from all the project which are under execution and which have been awarded earlier. There would be some small portions of fee, which would have been remaining to be recognized; it would have got into this. I mean the majority portion is actually coming from the Jharkhand regular fee income, Ridcor regular fees and the new projects, which have contributed, to this.

Jitesh Bhanot: Okay Danny, can we understand is there any unrecognized portion still due because I think your Jharkhand project is almost

80% done, so will be 20% of the regular fee income that will be bending on that side and Ridcor still I am not aware of the projects status, how much of that is completed, so can we get those numbers as well or how much of Ridcor is done and what kind of fee income you would be recognizing over the coming year or so?

Danny Samuel: On the Jharkhand front the way the fees was it was the fixed fee on a monthly basis that we are getting from Jharkhand. Further if there's an earlier completion additional fee linked to the bonus would also will come to us. Secondly on RIDCOR projects also we have a fixed fee, which will come every month, which is not dependent on the amount of construction. On the Jharkhand front I think we are ahead of schedule as far as the completion is concerned. If we complete early, we will get some form a bonus fee, which could come in depending on the bonus. On the Ridcor front also there are two projects which are near completion. As of the seven roads there are two major roads, one is Hanumangarh-Sangaria and the other is Alwar-Bhiwadi, Hanumangarh-Sangaria has been completed and the Alwar-Bhiwadi is almost near completion. So both of them are expected to get operational within this quarter and of the seven projects they account for a majority of the revenue for the phase II of RIDCOR

Jitesh Bhanot: Danny in terms of total project can you quantify the percentage how much of the work has already been done, because it will be on project cost driven, your fee income. It is 3% of the project

cost the initial fee on that, remaining would again based on your project cost?

Danny Samuel: The regular fee that we get from both Jharkhand and RIDCOR are monthly fees, which are fixed, which are not related to the amount of construction that has happened, but is related to the periodicity of the construction, which is planned in the beginning. If we expect this to pan out for 24 months, then for 24 months we will keep receiving a fixed fee every month plus there could be a bonus in case we achieve an earlier completion.

Jitesh Bhanot: Okay can you put some numbers as well, which can help us out what are the numbers that we are pending on both the side Jharkhand and Ridcor excluding the bonus component?

Danny Samuel: We will come back to you numbers, because I do not think, we will have readily available all those numbers with us to that extent.

Jitesh Bhanot: Okay perfectly fine. That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Navin Jain from JM Financial. Please go ahead.

Navin Jain: Yes good afternoon. The first question is on your, just wanted, if you can provide this number in your consolidated revenues, in BOT you have given the breakup in terms of what is the revenue from the BOT, I think its 260 odd crores in the first half, what is

the EBITDA that would have come from this 260 crores in the first half?

Danny Samuel: EBITDA would be around 85% of this, which would have come into the EBITDA, but we cannot segregate the EBITDA within our financial to that extent. For all operational projects wherein we earn toll / annuity, the EBITDA margins are some where about 80%–85%.

Navin Jain: Just want to understand why it is not possible to segregate, these are just project income annuity and toll then calculating EBITDA will be just a segregation of EBITDA of all the projects right. Is there something in between?

Danny Samuel: In the consolidated financials for segregating such EBITDA, we may have to make allocations, because some of the work that we do may not be just for a single project. It may be for many projects. So we'll have to do that allocation and get into a cost accounting to actually arrive at the EBITDA numbers. So to that extent it will not be fair to say that X number would be the EBITDA from that BOT and X would be the EBITDA from construction. On a broader level you have some percentages, which could be used as benchmarks, so on BOT I think somewhere around 85% is the EBITDA level will come in. On your construction you could have somewhere around 10%–15%.

Navin Jain: Okay, so construction you are saying including the fee income?

Danny Samuel: Yes.

Navin Jain: And also again in stretching the fee income point a little bit more just wanted to understand this monthly fees are fixed fee that you get through the construction period or is it linked to the construction that is there during the period. It is the fixed amount?

Danny Samuel: Yes but, this is only on in case of Jharkhand and RIDCOR projects, because all the other projects we do not get a recurring fee, but a construction margin. Since in these two projects we do not get any construction margins and the construction is not routed through our standalone P&L, we only get recurring fee income from this.

Navin Jain: Right, so what are the recurring fees in case of both the projects right now that we are getting?

Danny Samuel: We do not have that number right now. We can get back to you with that number?

Navin Jain: But would it be fair to say to that a substantial portion of this 125 crores that we would have booked in the quarter, would probably come from that fixed fee or that would be more the new projects where we would have booked upfront fees?

Danny Samuel: It will be more from the new projects.

Navin Jain: So ideally, these 125 crores will trend down going forward in the subsequent quarters?

Danny Samuel: Yes.

Navin Jain: Okay I got it and one more question, have you taken some car parking projects, because I see you formed some subsidiaries?

Danny Samuel: We have not announced the project, it is in the making only, we have still not got a formal letter of award. but we are taking over a concession which was given to some other players and the authorities are deciding to replace them with us in this concession. Its a car parking project in Hyderabad, details of which will follow in case we get to sign the concession for that project.

Navin Jain: Thanks a lot.

Moderator: Thank you. The next question is from the line of Manish Kumar from SBI Caps Securities. Please go ahead.

Manish Kumar: Just one question Danny you said the construction period loan is floating or fixed?

Danny Samuel: Construction period loan is floating.

Manish Kumar: But generally it is fixed right?

Danny Samuel: It is a call that is taken. For example if you go to a bank today and say I want a fixed loan for construction they will give you a

markup over the base rate by say somewhere around 300 basis points. Whereas if you go and ask him for a floating loan, he will give you markup between 150–200 basis point and depending on which part of a curve you are this difference could go high or low. So it is always a trade-of between what you want., If your are happy going and getting a fixed loan, which is marked-up to that extent then you can get a fixed loan but in case you decide on taking a floating loan because you believe that the markup, which is provided is way too high then you may probably switch on to a floating loan and, in any case, all of this is going to remain within the construction period only. Post the construction period that reset and the renegotiation which happen with the bankers generally result in the interest rates coming down.

Manish Kumar: Another question on RFQ and RFP stage. Could you quantify the number of projects or amount if you can?

Danny Samuel: Both the RFQ and RFP stage put together, we have projects worth around 68,000 crores and in terms of kilometers they are somewhere around 9,500 kilometers. We have also participated in the recent bids, which were invited around the end of September 2011, which are yet to be opened.

Manish Kumar: Any major project, which is coming and which we are looking at, could you name two or three major projects?

Danny Samuel: I think we take a decision on that closer to the bid time and we rather would not want to disclose which projects we are interested in.

Manish Kumar: Okay I completely understand that. Okay thank you so much for that.

Moderator: Thank you. The next question is a followup question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Danny and Ram just wanted to get your sense on any changes in the competitive intensity that you are seeing or any other trends that you like to highlight particularly related to the roads space?

K. Ramchand: It is difficult, because I do not think we have seen any bids in the last 30 days actually, except for some OMT bids, which were opened, and these seemed to display the same level of intensity and an order booking approach. So once we see the second round of the tenders, which are seven or eight bids, we will then come to some reasonable estimate on whether people have toned down their expectation or we are still on an aggressive quarter.

Pulkit Patni: Thanks.

Moderator: Thank you. The next question is a followup question from the line of Navin Jain from JM Financial. Please go ahead

Navin Jain: Just a small followup actually; your construction revenue on the consolidated basis for the quarter is 887 crores and standalone

revenue construction revenue as well as fee income taken together is about 635 crores. So balance I get about 250 odd crores, so this 250 crores is actually the construction revenue for the Jharkhand project as well as the RIDCOR phase II project, which has been directly taken to this standalone. Basically the capitalization, which has been taken to be consolidated as construction revenue right?

Danny Samuel: Yes, except that construction from RIDCOR is not consolidated.

Navin Jain: This will be construction revenue in these two projects only?

Danny Samuel: Yes.

Navin Jain: Thanks.

Moderator: Thank you. The next question is a followup question from the line of Manish Kumar from SBI Caps Securities. Please go ahead.

Manish Kumar: Question to Ram. Sir, what we have seen is lot many developers are seeing difficulty in having financial closure and their projects are up for graphs. Are we looking anything like that?

K. Ramchand: I have not heard of any projects, which are available for acquisition, which have not reached financial closure. I understand there are lot of projects, which are available, which are either due for commercial operations or little after commercial operations, and we have seen a few of them. Somehow, we are not very comfortable on acquiring a project

before it has become operational on its projected financial, because the risk on traffic forecast can before it is actually commissioned could be far higher. We are looking out for acquisitions and this is an open offer to any of you analysts, if you come to know of any projects, which are there, then we are available.

Manish Kumar: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Chavi Agarwal from Ambit Capital. Please go ahead.

Chavi Agarwal: Good evening Sir. Sir my first question is regarding the construction activity given that most of the construction companies are facing raw material price hike and the contractors hike are you seeing any slowdown in the construction on that, which you given to outside?

Danny Samuel: I think as far as our subcontractors are concerned we believe that most of them are on track and we are looking at projects getting completed to schedule and that is what we are targeting also to do. I think the challenge is with contractors not getting projects, so our contractors who already have projects from our side and are executing that would possibly be able to do that.

Chavi Agarwal: Sir my second question is on the take out financing model that has been introduced and for the quite sometime. Given that most your projects are operational right now, so are you looking at

refinancing your project at a lower cost of debt rather than through the take out financing method, because the operational parameters were of most of your projects are available right now?

Danny Samuel: We are looking at refinancing some projects, but we have still not found the take out financing scheme to be very good enough or to be lucrative enough for us to actually get into take-out financing because the refinance that we are doing is on a long-term basis and take-out would probably come into play in case we are doing short term refinance with the take out risk being given out to a take-out financier and then refinancing it back later on. What we have tried to do is that for whatever refinance we do, we do it for a longer tenure within the total concession period, which could vary, such that the total amount raised in refinance could be repaid within the debt tenure and there is no take-out which is required within the refinanced tenure.

Chavi Agarwal: Thank you . That's all from my side.

Moderator: Thank you. Ladies and gentlemen that was last question. I would now like to hand the floor back to the management for final remarks. Thank you and over to you Sir.

Danny Samuel: I thank all of you for having taken the time out and we believe that we have tried and answered to the best of our abilities all the questions that you have raised. In case you have any further queries you can always come back and touch base with any of us and most of you have our contact numbers and e-mail

addresses. We will be happy to assist you. We once again thank you for having joined the call. Thank you.

Moderator: Thank you, Sir. Thank you members of the management on behalf of IL&FS Transportation Networks India Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.