

“IL&FS Transportation Networks Limited Q3 FY2016 Earnings Conference Call”



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Presentation Session

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MANAGEMENT: MR. K RAMCHAND - MANAGING DIRECTOR - IL&FS TRANSPORTATION NETWORKS
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Moderator: Ladies and gentlemen good day and welcome to the IL&FS Transportation Networks Q3 FY2016 conference call, hosted by SBI Cap Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * and then * on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from SBI Cap Securities. Thank you and over to you Sir!

Viral Shah: Good evening everyone. SBI Cap Securities is pleased to host the management of IL&FS Transport Networks for 3Q FY2016 earnings call today. From the management, we have Mr. Ramchand, Managing Director, Mr. Mukund Sapre, Executive Director, Mr. Dilip Bhatia, CFO and Mr. Krishna Ghag, Vice President, Company Secretary and Head of Investor Relations. I will now hand over the call to Mr. Ramchand for his opening remarks. Over to you Sir!

Ramchand K: Good evening everybody and warm welcome to you. I think it is a very hot day having lost a lot on the Sensex and the Nifty. So, I hope that you are in a much better mood and after having seen our results despite a bad performance on the market. Having said that I think we are slowly clawing back to where we were in the earlier days and as you can see we continue to commission our projects on time within the extended periods of time in circumstances where these have been awarded.

Just to broadly tell you about what is happening in the sector, to start, I think we have a host of activity in the sector. Largely awards have been made and most of the awards have been made on an EPC basis. There are very few projects, which have been bid out or awarded on PPP basis and there are much fewer which are there on the BOT toll and BOT annuity.

I think the new method of this PPP, which is going to be followed by the government, is going to be in line with what is called the hybrid annuity model. Now, we have seen a few of them come out already and at least there is some talk about almost Rs.60,000 Crores worth of project coming out in the next year and this year together.

So, we believe this will be about 5000 to 6000 kilometers of which will be put out for bid, and that seems to be the future of the PPP in this country for at least a limited period of time that we are looking at.

I think all of us know that will completely solve one of the problems, which have been plaguing the industry, fundamentally, that for the total project cost. While the banks, we are not sure as to how positive they are in continuing to lend to the sector. We have been successful in closing most of the projects that we have been awarded. So, I think we need to look forward given that like the markets took a beating today I think most of the banks are taking a beating this quarter. We will have to wait, watch and see how the banks react to the new model. Moving on to the Company, we have 31 road projects as all of you know, 12 annuity and 19 toll projects, that accumulates to about 15,000 lane kilometers, 14,680 to be exact. Out of these 31 road projects, 21 are now operational. We are expecting that BKEL will be commissioned shortly, once we have BKEL commissioned we will have 22 operational projects at the end of this year which is broadly about 36% annuity and 64% toll.

We also received completion certificates for Sikar-Bikaner in October and Jorabat-Shillong as recently as in the end of January. Therefore, we will close with 22 projects by the end of this year including BKEL. The other significant development was that we have received 100% completion in PSRDCL and therefore we are now eligible to collect about 100% toll as against the 81%.

As far as toll and annuity income is concerned for this year, this has increased by about 4% to Rs.7.05 Crores per day as compared to the last quarter which was Rs. 6.76 Crores and it does not include any annuity income being recorded from the recently completed Jorabat-Shillong. Our order book is healthy and continues to be in the same range as it has been in the past at about Rs.14000 Crores now and to complete all these projects, we plan on investing equity of about Rs.1500 Crores.

As you know Rs.1500 Crores will be invested over the next three years of which about Rs.550 Crores will go in the next 12 months. We need Rs.955 Crores for the newly acquired projects, which would go in the next 36 months. We have closed the rights issue of Rs.740 Crores on October 29 and the allotment has been done.

I think we are fairly capitalized as far as these projects are concerned. We now have to just make sure that we collect our operating revenues on time and make sure that we are in a position to meet all the requirements of those projects.

Coming to this quarter result, just to run quickly through this quarter. On a standalone basis on the nine-months ended, we are slightly lower than what we were last year though we recorded higher operating revenue. We closed this nine-month at Rs.142 Crores and we closed nine month of the consolidated at Rs.231 Crores. But if you compare the quarter-to-quarter, we did much better on this quarter in the consolidated income.

We have reported PAT of Rs.69 Crores in the last quarter and Rs.159 Crores in this quarter, so we believe we are inline to achieve what we have targeted for ourselves by the end of this year and we should be well on our way to what we believe with right position in the sector. I think we will stop here and I think most people must have already got results which was put on the website as well as what is published and we are willing to take questions on our results and the business so far.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Anubhav Gupta from Maybank.

Anubhav Gupta: Good evening everyone. Many congratulations on good set of numbers and it is very good to hear news on sale of your first project Rapid Metro this year. So, my first question belongs to this project sale and if you can tell us about the book value you have got for this project and what are the return issues we have been and who is the buyer?

Ramchand K: Just to give some background, when we started this project it was actually IL&FS, which has driven this project at that point of time along with DLF. We also got an investor at some point of time in the project and that is how this project started. Somewhere down the line IL&FS had felt that it was better that we hold this investment as it was more to do with transportation and off late, I think IL&FS decided to gather some investment portfolio and this is one of the things we have done. IL&FS is the buyer of the 49%, I think price to book will be probably around 1.5 or 1.4. We are not sure exactly. Will let you know the exact details at some other point of time. I am not carrying that exactly, but I think that is broadly where we are as far as the sale is concerned.

Anubhav Gupta: So, you will receive the cash proceeds immediately?

Ramchand K: It's already received.

Dilip Bhatia: This is Dilip Bhatia, CFO for IL&FS Transportation Networks Limited. I have been here for five months. As Ram said this is the first call for me. Happy to take your questions and answer to the extent I can.

Anubhav Gupta: First asset sale you have completed, what is the progress on sale of few road assets which is the company as guided in the earlier quarter?

Ramchand K: Apart from this, whilst we have said in the last call and the meetings we have been having, which is one-to-one, Company has been actively working on divesting part or in majority stake in some of the road assets. I am happy to tell you that substantial progress has been made in three or four assets, hopefully in this quarter, we should be able to close these deals and come and announce them to the market. We are on track to monetize the SPVs and we will have some more of this kind of action during this quarter.

- Anubhav Gupta:** Just to get some sense these three-four projects which are at advanced stage of discussion, what kind of value these can generate in terms of cash proceeds, very rough idea do not need exact numbers?
- Ramchand K:** Anubhav, it is very difficult to give you the exact number at this stage. We are in discussions with couple of investors and offers are there. They are being evaluated and analyzed by the Company that is what I would like to say. Since these are forward looking numbers, I think it will be difficult for me to give you any reference on this.
- Anubhav Gupta:** Second question is on the construction segment. I believe in the first nine months the revenue is up around 8%, so this suggests that the execution of backlog has been quite strong. Do you think same growth rate is doable in FY2017 given backlog is strong at Rs.150 billion?
- Mukund Sapre:** I think as far as focused implementation part is concerned, we definitely believe that we will be completing whatever jobs are in our hand, major job will be somewhere in this year, which will be the Chenani-Nashri Tunnel Limited and an additional two-three toll assets. Practically, if you take into account that 80% length completion, then I think in most of the cases we should be meeting at least 80% length and construction is on track and that is what we can claim. We can see those sorts of improvement happening and also may be next year beyond March. We have two more projects coming on ground, which is going to add on to our construction output. So, we definitely look for a year to be concentrating and implementing on ground and we will keep on doing that.
- Anubhav Gupta:** Any news on the last four project which you won, which were Amravati, Fagne-Gujarat, Jharkand and Gujarat, Rail Bridge any news on the financial closure?
- Mukund Sapre:** We are on advance stage as far as Ranchi Ring Road is concerned and ROB is concerned and we are also working on two Maharashtra projects and I think definitely we will achieve the financial closures. In terms of preparation, I think we have already started with clearing and mobilizing on our Maharashtra projects, however, complete take on availability of the land on ground, because that is one issue and once you start doing stuff you come to know the issues and you are able to tackle, so we have at least two-and-a-half months of appointed date of financial closure time, so that we can go back to NHAI and talk about issues in terms of land availability. Ranchi Ring Road already work has started on ground, but as I said that we capture construction only after the 10% physical progress on ground with our accounting policy and ROB is also in the advance stage where lot of ground work has been done. We have already shortlisted our contractors and will be awarding very soon. These four projects should see contributing beyond 10% this coming year itself and should add on to the construction portfolio including the earlier, which are already happening on ground.
- Anubhav Gupta:** Just last one question on the provision of Rs.24 Crores, which you made for doubtful debtors third quarter. If you can just elaborate on that wise and can need for more provisions?
- Dilip Bhatia:** These provisions are made in Q2 in consolidated books not in Q3, so that was done by September. Q3 has low provision for doubtful debts.
- Anubhav Gupta:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Nitin Arora from Emkay Global.
- Nitin Arora:** Good evening. With respect to the rapid metro sale, the Rs.140 Crores, which got recognized on a standalone, is it from that only?
- Dilip Bhatia:** Yes.

- Nitin Arora:** When are you saying implied book of 1.5 to 1.4, I understand that much be on the book, but you have JV with IRL in this project. So can you tell us your stake in the project?
- Dilip Bhatia:** IRL is also a subsidiary of ITNL, ITNL holds 80% and 20% held by third party and the stake which has been sold 49% is between both ITNL & IRL.
- Nitin Arora:** What is our share of money is Rs. 140 crores or is it Rs. 250 crores, which is recognized in the consolidated part?
- Dilip Bhatia:** Rs. 140 crore is our share of money.
- Nitin Arora:** There was no booking of the fee income in this quarter. Can you guide us why is that so and what kind of fee income you are looking to book from new projects in Q1 as well as FY2017?
- Mukund Sapre:** Generally, the fee income as I have been telling every quarter is two elements, one sort of success fee and then balance is detailed engineering in overall location what we try to do. So, as of now as I am saying that this recognition has some milestones to be achieved and also on the progress of detail engineering which is happening on ground, so as far as those three-four new projects are concerned, I think we need to still achieve some milestones to talk further about any income emanating from that order and earlier projects where if you see projects that are there where milestones were still made of, may be some numbers we will see in Q4 and you should have good numbers coming in Q1 of next year considering the progress and recognizing milestones on ground.
- Nitin Arora:** Some older projects I can understand, because you are recognizing very first in the first half of the fee income. My only question was from the new projects obviously because ITNL being consultant to his own SPV, some estimate must have done by you in terms of doing the fee income for the next year?
- Ramchand K:** As a Board policy, we cannot share forward looking numbers.
- Nitin Arora:** If I remove Rs.140 Crores from your standalone income in your operating income, your EBITDA margin stands to about 5.5%, it looks kind of low because your construction margin, what you guide in overall things has to be 10%. So was there any one of being taken here?
- Mukund Sapre:** Actually you will need to take into account that as we have been saying that asset churning is something which is one of the ongoing process which will happen in terms of numbers and there are one or two elements where as I said that there is a cost overrun in terms of issues struggling on the land which we believe are definitely the claimable amount under the provisions of concession, because all of them have happened for the land acquisition getting delayed or utility these are two major reasons, we will see improvements in coming days.
- Nitin Arora:** With respect to the strategy of the Company, I understand the previous participant was discussing that just pressing on that. So roughly we are selling more of our mature projects, we sold one of our profitable project which was in last year to Macquarie, even if you start selling of your mature projects, I just want your guidance that if you sell any of your mature projects in the coming two quarters. It seems like that money will rather go for an equity requirement rather for debt reduction which is almost like Rs.800 Crores on the standalone part and I lose out more of my profitable projects and I think that we will be bidding for the new projects, so somewhat strategy guidance I need that how to look at from the next year perspective with respect to your cash utilization from these projects. Number two, how you are going to fund the equity and what is the strategy on the debt reduction?
- Ramchand K:** We have multiple strategies and I may not be in a position to give you actual numbers on how that will go to us both meeting equity requirement as well as fairing down on the debt on the standalone entity. Firstly, part of the debt in the standalone is actually back-to-back to SPV, so if you take that out it is about

Rs.2000 Crores, Rs.8000 Crores is the total standalone debt, so that actually it means to be considered as only about Rs.6000 Crores. If you look at Rs.6000 Crores then I think it is a much more manageable number. There are three methods through which we are planning to do this. One is keeping the probability by refinancing annuity project. I think there is definitely a scope for up-streaming some of the cash flows and some of lends the projects that we have lend to as either short-term or a project manner, so it was in two way, it brings down the debt in the standalone as by repaying our debt plus in the standalone itself we are able to repay more debt, so if you get back let us say about Rs.1000 Crores from the entity that repays our Rs.1000 Crores comes in a cash and we repay debt of Rs.1000 Crores, so that is one method that we have planned to actually pay down debt as well as look at how to go forward. The second as you said we will look at selling our part debt and part equity in projects which are getting mature. It is not that we are selling the entire 100% but only part of these projects, realizing some value in them and then therefore are able to repay some of the debt also from both standalone. The third is as a part of that going forward, we are looking in actually investing partners in construction project who will be putting 50% equity, instead of putting 100% equity we may put only about 65% of the equity and get partners and just to inform you we have received some interest from some companies who are interested and looking at infra and taking a stake at some premium on the projects which are about to start construction, so we think we had this strategically under control. We should be in a position to manage to bring down debt. Our own feeling is that we probably are peaked on the debt cycle, going forward our matrix should show much better metrics as well as ratios. This will probably be the peak of what we are in going forward at any point of time.

Nitin Arora: When you said that the debt given to SPV is how much from standalone?

Ramchand K: Rs.2000 Crores.

Nitin Arora: Rs.6000 Crores is our debt?

Ramchand K: Rs.6000 Crores is our debt when Rs.2000 Crores come back, it reduces Rs.8000 to Rs.6000, for that Rs.2000 Crores comes in cash and therefore we can actually payback Rs.2000 from Rs.6000, so if you look at in that manner is only about Rs.3000 Crores-Rs.4000 Crores of debt which needs to be handled in that sense.

Nitin Arora: I respect that view, but let take an example. Probably what you are saying in Rs.2000 Crores SPV debt, I am going to get from the refinancing part or second let take an option?

Ramchand K: No, I am not saying that it will come back. I am only saying, firstly it is back-to-back. Therefore out of Rs.8000 mainly to look at Rs.6000. Now out of this Rs.2000 Crores some of it which goes at project finance, which is subordinate debt during project finance itself. Part of it is short-term loan, so what normally comes back as short-term loan which is lend to project to either complete them or in the event that they have had shortfalls in the initial stages of the project. So it is going to be a mix of when it comes then what type of debt comes back into the holding company.

Nitin Arora: Because my point was that in a way of guiding that is somewhat peaked out, it seems like debt is coming back to you getting repaid and that is why you are saying that on a standalone side we might not see debt increase from year on now.

Ramchand K: That is true.

Nitin Arora: Thank you. I will come back in the queue.

Moderator: Thank you. We will take the next question from the line of Hardik Shah from Birla Sunlife Insurance.

Hardik Shah: Just one question again on the debt part. You say that you expect that the debt is around Rs.8000 Crores kind of level. Now going forward you said that order book under execution is around Rs.14,000 Crores and

of which Rs. 1,500 crores will be funded by we have an equity infusion by you. So, how do you expect the balance to be funded?

Dilip Bhatia: Senior loans, so that is the project specific tie-up for the loans which we have done and so there will be a typical a 30:70 financing, so rest will come through senior loans in the project.

Hardik Shah: This is not already part of this Rs.8000 Crores right?

Dilip Bhatia: No.

Hardik Shah: That will be incremental debt that will be coming on the balance sheet.

Dilip Bhatia: On the consolidated balance sheet.

Hardik Shah: On the consolidated only, in FY2016 and 2017, what is the kind of gearing levels you look at on the consolidated level?

Dilip Bhatia: 2016-2017, gearing level would be in the range of around 3.5 to 3.75. As you know Mr. Ramchand said both on the consolidated and on the standalone level, what we feel is we are peaking the debt cycle. At the consolidated level the debt is around Rs.27,000 Crores and with various initiatives we are planning by refinance or even selling some of the stakes in the SPVs and generating cash. I think we are confident that the future requirements of it will be fully met by internal accruals without incurring in the additional debt. By even FY2018, the debt remains in current range itself and not going significantly from there.

Mukund Sapre: Incremental equity required is only Rs.1,500 Crores. Of this requirement, the extra equity required for coming 36 months is Rs.955 Crores, so that is the need for three years, with all our projects in hand.

Hardik Shah: Thank you.

Moderator: Thank you. We will take the next question from the line of Navin Jain from JM Financial.

Navin Jain: Good evening Sir. I am not sure you shared this figure, what is the standalone debt at the end of the December quarter?

Dilip Bhatia: Rs.8700 Crores.

Navin Jain: At the end of second quarter, it was Rs.8400 Crores, it has gone up by another Rs.400 Crores, but I believe you raised about Rs.750 Crores of right issue money during the quarter. How come the debt has gone up further?

Dilip Bhatia: As Mr. Ramchand mentioned earlier, some of the support to SPV in terms of cost overruns has been funded by debt on the ITNL's balance sheet and in turn back-to-back to this SPV, so this is one of the reasons why it has gone up by Rs. 300 crs.

Navin Jain: Rs.700 Crores right issue money that was raised, it is already sort of invested?

Mukund Sapre: Yes.

Navin Jain: This Rs.500 odd Crores which you are receiving by selling the metro stake, that money you mentioned is already come in, that has come in the January month?

Dilip Bhatia: Yes.

- Navin Jain:** By end of this financial year, what is the kind of standalone debt that you are looking at?
- Dilip Bhatia:** At the end of this financial year, we were looking at standalone debt in the range of again Rs.8800 Crores. As we mentioned earlier, we have almost peaked the debt level and we do not expect it to higher from at all.
- Navin Jain:** I understand that so, the incremental Rs.500 odd Crores that you have received, that will also be invested in the projects in the quarter.
- Mukund Sapre:** Yes.
- Navin Jain:** Is there any other such transaction possible with the parent like rapid metro one that we have done may be the MP check post project or anything else?
- Ramchand K:** No, I do not think they planned anything now.
- Navin Jain:** I believe that in this quarter, there are several BOT projects which are in offer. Are we participating in some of this?
- Ramchand K:** We are selectively participating, but we have not put any bid for the hybrid annuity nor for any toll or annuity during this quarter except we have put for Zojila and we then put it in the second half.
- Navin Jain:** What about next 12 to 15 months, what is the kind of project accretion that one can sort of look at or hope to get and in terms of new project?
- Ramchand K:** It is a very difficult question to answer, because Navin you must realize that we are not sure about the hybrid annuity model actually working or not working with the bank, so if you look at the first round we did not bid for the first round, waiting for how the market reacts and particularly how the banks will be financing the hybrid annuity model. There is also lot of discussion going on between the Ministry, NHAI and lot of developers and associations on tackling these issues of total project cost as well as engineers. I think we should see some conclusion on to that. I cannot define a timeframe and government is involved, but we definitely can feel there is a sense that the government also was tackling these issues. Once these issues get tackled we should see a more proactive banking system coming back into this. Today, I think they are pretty reluctant to look at project which have project EPC of more than 1.2 times of the national highway cost. While normally we would have said that we have target rates that we want to achieve. We believe that we have already achieved the target rate as far as this year is concerned. So if we had to bid for more projects then it will have to be on better terms and what would have normally bid for.
- Navin Jain:** One final question, if you may, I may squeeze one, so the equity requirement that you mentioned there is about Rs.955 Crores which is for the next three years that includes all your new project right? The Maharashtra project as well as Srinagar-Sonmarg everything right?
- Ramchand K:** Yes. Total Equity requirement is Rs 1500 crores, Rs. 955 crores is mainly for the new projects and will be required over the next 36 months
- Moderator:** Thank you. We will take the next question from the line of Nijkunj Doshi from Bay Capital.
- Nijkunj Doshi:** Good evening to all. Ram, I just wanted to understand today I think I read in paper about this TOT model of project bidding by Idea what is exactly that?
- Mukund Sapre:** This is the new phase for OMT only, nothing beyond. May be they will ask for securitized number like MSRDC did for Mumbai-Pune Expressway in that nature, nothing new on that account, so just OMT now being flavored as TOT.

- Nijkunj Doshi:** Okay and this Rapid Metro project, what is the rationale for IL&FS to buy into this project?
- Ramchand K:** I think we will have to dialogue Nijkunj.
- Nijkunj Doshi:** It is cash received or it is some debt swap that we have done with them, some restructuring of debt?
- Ramchand K:** It is debt swap.
- Moderator:** Thank you. We will take the next question from the line of Hardik Shah from Birla Sunlife Insurance.
- Hardik Shah:** I have just one follow-up question. What would be your current maturities during current year and next year?
- Dilip Bhatia:** In terms of total debt, if I look at short term & long term, so when I am defining short term it is one year from now, we are around 30%. So, if I were to look at next one-year Rs.2.500 Crores worth of debt.
- Hardik Shah:** Based on the current run rate, you would have to refinance a lot of that debt?
- Dilip Bhatia:** I am saying in fact one thing which I just wanted to share with you that since last one year, we have been constantly looking at reducing the portion of short term debt, which was at 45% at one point of time and now at 30% and we have been successfully able to refinance our short term liability with a medium term to longer term lines from banks and other institutions. So, we do not see problem in getting another 30%, these liabilities getting refinanced.
- Hardik Shah:** Roughly by when do you expect to be able to refinance this in the next six month?
- Dilip Bhatia:** I said next one year, out of Rs. 7000 crores and Rs. 8800 crores debt, I think one year 30%, so these will be refinanced as and when they come up from maturity.
- Hardik Shah:** Typically what tenure do you refinance that for?
- Dilip Bhatia:** Now, what we are looking at is all the tenure will be longer term with average maturity of three years going from three to five years.
- Moderator:** Thank you. We will take the next question from the line of Chintan Sheth from SKS Capital.
- Chintan Sheth:** Thanks for taking my question Sir. You did mention that your debt currently on a standalone basis is around Rs.8700 Crores and Rs.2000 is being refunded to subsidiary level mature projects. You did also mention that the divestment plan for three-four mature projects are still ongoing. So, the big debt even after fund requirement you do not foresee any increased in standalone debt going forward?
- Dilip Bhatia:** Yes, we do not see any increase.
- Chintan Sheth:** Coming back to the Rapid one, Rapid Metro use stakeholder last quarter, Rs.500 odd Crores our part is Rs. 140 crores you mention right and it has been received and adjusted in your books.
- Ramchand K:** Right.
- Chintan Sheth:** It has been recorded as revenue income in our P&L this quarter?
- Dilip Bhatia:** Rs.140 Crores of standalone profit.

- Chintan Sheth:** And consolidated it is 240?
- Dilip Bhatia:** Rs. 210 crores.
- Chintan Sheth:** Given the timeline of the balance ongoing projects, any timeline when can we see activities picking up and execution starting for the projects, which are still yet to be constructed?
- Mukund Sapre:** We have few projects for the next year for which the progress is on all the projects and what we are saying that all these new four mandates which are two Maharashtra, one ROB mandate, Ranchi Ring Road, I think we should have progress on ground in the next financial year and definitely we will be crossing the 10% physical progress threshold, hardworking on recognizing the development part of it and we are on track on those projects also.
- Chintan Sheth:** We are still due with the financial closure right?
- Mukund Sapre:** You are right. Two we are signing very soon and two may be a month's time or one-and-a-half month time, which we have as for the concession agreement, and we will be doing that. We are through with contractors with complete planning, clearing, grubbing happening on the ground, I think we are ready to launch.
- Chintan Sheth:** Last on bookkeeping number on gross debt as of December?
- Dilip Bhatia:** On a consolidated basis?
- Chintan Sheth:** Standalone you mentioned, on consolidated basis what is the figure?
- Dilip Bhatia:** Rs.26,800 Crores.
- Moderator:** Thank you. We will take the next question from the line of Anubhav Gupta from Maybank.
- Anubhav Gupta:** Just a follow up question on Rapid Metro project, so this sale belongs to both the phases or does it belong to single phase?
- Mukund Sapre:** Only one phase. The operational phase . RMGL.
- Anubhav Gupta:** Just to reconcile the number, the profit which you booked from the sale is Rs.295 Crores which you mentioned in the presentation?
- Anubhav Gupta:** You mentioned that you booked profit of Rs.210 Crores from this stake sale, but in presentation it is mentioned at Rs.295 Crores, so I just wanted to reconcile the number?
- Dilip Bhatia:** The rest Rs.85 Crores is the adjustment in the reserves because of the reversal of loss coming for the 49% sold, so the proportionate loss has been reversed.
- Anubhav Gupta:** So this would be PBT, I would believe.
- Dilip Bhatia:** Yes.
- Anubhav Gupta:** How much once you assume tax rate 33% for this?
- Dilip Bhatia:** 34%.

- Anubhav Gupta:** Okay, so if I deduct this from the consol numbers on like-to-like basis it seems that there is a loss at net level, at consolidated level?
- Dilip Bhatia:** If you look at nine months if you compare nine month last year also we had similar gain from GRICL at the consolidated and the standalone level. So both are likely comparable, it is slightly higher but last year also there was a significant gain from GRICL in the nine month basis.
- Anubhav Gupta:** If we do compare on three quarter for the third quarter, then it seems it comes out to?
- Dilip Bhatia:** It may be not the way to look at it, because even a company we are, there is no regularity of certainly no flow. There will be different points of time different income accrued. For example, as Mukund had mentioned fee income was there in Q2, but not there in Q3, because that is based on various milestones and various events which happened. The way to look at integral part of business and integral part of our revenue, so it is not correct to say that if I removed that then there will be what will be the resultant number?
- Anubhav Gupta:** How much will be revenue loss from the topline in the sense that now your stake is for full year?
- Dilip Bhatia:** On the topline probably we will shed around Rs.50 Crores per year.
- Anubhav Gupta:** Next year it will be positive, because it was incurring losses.
- Dilip Bhatia:** It was in initial stage, so there were negative accruals, those will not be there.
- Moderator:** Thank you. We will take the next question from the line of Vishwarup Mahapatra from Future Generali Life Insurance.
- Vishwarup Mahapatra:** My first question is how much reduction in your weighted average interest cost is happened because of the base rate corporate banks, so last time I think you had said some around 25 basis, so are you getting any more benefit because of the base rate reduction?
- Dilip Bhatia:** No Vishwarup. I think we are getting, Though, RBI has been reducing none of the banks are reducing beyond a point they have been introducing their rate. So, we have not seen any incremental benefit on the rate reduction.
- Vishwarup Mahapatra:** It would be like around 25, 30 basis overall?
- Dilip Bhatia:** That is what exactly around 30-basis total we have got.
- Vishwarup Mahapatra:** The next one is on the interest cost for this quarter specifically, so if you look at the numbers, it has gone up from Rs.584 Crores last year to Rs.668 Crores, so around Rs.80 Crores increased in interest cost. So, can you please throw some light on what accounted for this increase?
- Dilip Bhatia:** This is on a consolidated basis?
- Vishwarup Mahapatra:** On consolidated basis.
- Dilip Bhatia:** This will be largely on account of drawdowns in the project because there are long drawn continuous projects happening in CNTL, BKEL, so there has been drawdown in this project for senior loans. This is the interest cost because of the extra debt which the projects have taken.
- Vishwarup Mahapatra:** You said two projects which got operational in this quarter right, Sikar-Bikaner and Jorabat-Shillong?

Dilip Bhatia: Yes.

Vishwarup Mahapatra: Some impact of that would have come to the P&L?

Dilip Bhatia: In this quarter, we had MBEL and Sikar-Bikaner. Jorabat-Shillong, we only got the COD in January.

Vishwarup Mahapatra: Coming to the rights issue proceeds, you had informed exchange that Rs.700 odd Crores ever you got so, you would be using it to repay debt, so some impact on standalone debt would be there in next quarter as far as debt reduction is concerned?

Ramchand K: There will be. We ensure that it does not go up from here, so all the requirement of the projects in terms of equity and sub debt will be made though.

Vishwarup Mahapatra: Final one is on it is good to hear that we are in advanced stage of further stake sale for some other projects also, so just to get a feeler, are we running behind schedule in any of the current under construction projects or like they are in most of the projects like you anyways give every quarter starters of the project. So anywhere you are seeing there is project cost overrun or time overrun in the remaining projects?

Mukund Sapre: Actually whatever the three-four projects which were earlier there which are like Pune-Sholapur, Jorabat-Shillong or Moradabad-Pareli and one more I think three-four of them all other projects which are going on ground. We have not seen any cost overruns as of now and we are also on target for 80% most of them where we have got the land. So we should meet SPCD requirements for 80% of land and two-three of that category where we are already collecting. So I collect Barwa Adda, I am collecting 6 lane toll at one toll plaza and, we should well have from Baleshwar Khargpur construction completion also as we have been collecting the toll on that part. I think we can very well say that if we do not foresee too much of issues on the newer ones which are on ground and should have completion of land acquisition.

Vishwarup Mahapatra: What would be the steady state per day income after these projects are over if you put together about in annuity?

Mukund Sapre: It will be around Rs.7.05 Crores per day and we should close the year with, around Rs.8.5 Crores per day.

Vishwarup Mahapatra: Okay and probably one year down the line when you probably complete?

Mukund Sapre: That number is on Rs.13 Crores-Rs.14 Crores.

Mukund Sapre: Rs. 8.5 crs per day, I said for this March.

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

Nitin Arora: Can you tell us one this project got sold to was it sold to the parent?

Ramchand K: Yes.

Nitin Arora: Ideally earlier, the JV, which was done between you and parent now it got reversed from the respect?

Ramchand K: It is swapped for debts in our books.

Nitin Arora: Parent has given your premium for doing that?

- Dilip Bhatia:** Yes. I think it will not be correct to say it has given a premium I think the projects for the stake has been sold as a fair market valuation done by two independent valuers and based on the valuation the parent has taken the stake. Consideration, it has been adjusted against the debt in the Company's books.
- Nitin Arora:** Just one last question, can you guide us a little bit in terms of your estimate with respect to commissioning of the projects, what sort of consolidated debt number we should work with for FY2017?
- Dilip Bhatia:** So FY2017 numbers, we are looking around Rs.29500 Crores of debt in the consolidated.
- Nitin Arora:** That is where it should start peaking out then?
- Mukund Sapre:** Yes.
- Moderator:** Thank you. We will take the next question from the line of Runal Siyoni from Sharekhan. Please go ahead.
- Runal Siyoni:** Good afternoon Sir. Just a bookkeeping question with respect to the profit booked of about Rs.295 Crores in the tax you have paid about Rs.35 odd Crores, so in that Rs.35 Crores or how is the tax expense booked during the quarter for the profit?
- Dilip Bhatia:** I tell you, we always estimate the whole year profit and based on the components of the profit short term, long term business income and based on that debt provision is made. So, cumulative nine-month tax, so when we do the tax provision we look at the cumulative nine months income, accounting tax is provided for it.
- Runal Siyoni:** It would be adjusted for the whole year in coming quarter?
- Dilip Bhatia:** Effectively based on standard, we have accounted the effective tax rate for the whole year and applied that effective rate to the nine months income.
- Runal Siyoni:** Another being that if I adjust for this Rs.295 odd Crores, is the previous question was there then there would be net loss of about Rs.136 Crores, because there is no tax adjustment during the current quarter. So, if Q4 also generally the margins of the company remains around 26% to 27%, so there also we might be expecting loss for Q4 FY2016?
- Dilip Bhatia:** As I answered earlier, I think it is not probably the right way to look at P&L of a company like ours whereas components of income there is no regularity of it, because these components of income come at different points of time and these are integral part of our income. So, you cannot say stakes sale for us is not one off activity. We will continuously keep looking at opportunities, churning, matured projects, recycling capital to put into the newer opportunities that come over to us.
- Moderator:** Thank you. We will take the next question from the line of Abhishek Jain from Everett Consulting.
- Abhishek Jain:** Good evening Sir. Actually I need to ask you about the project coming on stream next year FY2017?
- Mukund Sapre:** We will have CNTL happening in next year and also KNCEL, and Barwa Adda, Khed Sinnar, so four of them almost.
- Abhishek Jain:** What would be the project cost of the four projects?
- Ramchand K:** Project cost of all the four?
- Abhishek Jain:** All these projects coming on steam, I think next year it was supposed to be Rs. 10,000 crores?

- Mukund Sapre:** All four of them will result into around Rs. 10,000 crores or so.
- Abhishek Jain:** Even after all these things, you would be at Rs. 3000 Crores next year consolidated debt?
- Mukund Sapre:** That is what we are saying that Rs. 29,000 crores is the peaking of our debt and consolidated one.
- Abhishek Jain:** How much revenue is expected out of this project, all these projects toll or annuity projects as well?
- Ramchand K:** I think the CNTL gives us around Rs.2 Crores per day add on, and balance three also, so we should be some around Rs.12 Crores, Rs.13 Crores per day with this commissioning.
- Abhishek Jain:** Rs. 12 to 13 Crores per day?
- Mukund Sapre:** Incremental I am saying the new one and the old one if I add all of them then.
- Moderator:** Thank you. Ladies and gentlemen as management asked to go for a meeting now. We would take this as the last question. I now hand the conference over to the management for closing comments.
- Mukund Sapre:** As we said that we are believing that we are back on track and the year should look almost like last year and there is going to be focused implementation effort on ground to achieve this COD in time. There is going to be very balanced approach to wait and watch as of now on the hybrid annuity and then subsequently as you would see that market there are only two-three bids coming on hybrid annuity. We have every reasons to believe that once there is a settlement of lenders, the Ministry, the NHAI, the developers on approaches on hybrid annuity, our estimate is that most of the jobs are now going to come in hybrid annuity and the total project cost coming out of the bidding will be the same for everyone and if we have no incremental issues on termination cost and those sort of things, we will look at bidding for the same. So we look at for completing our order book this quarter and also may be once we have some comfort on this hybrid annuity and BOT, which we fall within our parameters to meet the expected returns for which we will bid. We again sincerely thank you all of you for joining in this conference and we will see to it that we put our best efforts in coming days. Thanks.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of SBI Cap Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.