YuHe Expressway, Chongqing, China

Analyst Presentation

January 3, 2012
Standing from Left to Right: Hari Sankaran - Vice Chairman and Managing Director, IL&FS | Xie Zhongwen - Chairman, Singapore Cooperation Enterprise | Karunakaran Ramchand - CEO (Infrastructure), IL&FS | Rahul Chhabra, DCM, Indian Embassy, Beijing, China | Kamran Khan - Program Director, The World Bank Urban Hub in Singapore | Huang Qifan - Mayor, Chongqing City | Ravi Parthsarathy - Chairman, IL&FS | Ling Yueming - Vice Mayor, Chongqing City | Chen Si Cong - Deputy Director, SASAC | Teng Hongwei - Director, Chongqing Transport Commission | Li Zuwei - Chairman, CEG | Xu Renan - General Manager, CEG
One of the growth strategies envisaged by IL&FS Transportation is inorganic growth through acquisition of operational projects.

Benefits offered:
- Reduces the gestation period of a project
- Operational assets can be acquired at good valuations
- Exponentially increases stable revenue base comprised mainly of toll/annuity
- Helps in maturing the portfolio faster

Orient our business primarily as an asset play driven by the growing need of transportation infrastructure in developing economies with benefits of a growing long term portfolio.

Improve EBITDA margins and ensure sustainable profits with healthy growth.

In our lookout for secondary projects, we have focused on India and have also looked at projects in other emerging economies.

It was in this process that the China project was evaluated and bid.

The acquisition also increases our technical qualification for NHAI projects and may look at avenues for participation in bids in joint venture with CEG.
China – Road Opportunities

- Steady Growth
  - YoY GDP Growth +9.1% 2011 Q3
  - YoY Export Growth +17%
  - YoY Passenger car sales +6.1%

- World’s second largest expressway network
  - 74,000 kms – Existing Expressway Network
    - Jiangsu Expressway Ltd. – 715 kms
    - Shenzen Expressway Ltd. – 712 kms
    - Anhui Expressway Ltd. – 426 kms
  - 100,000 kms : Planned Expressway by 2020; accelerated to 2015
  - 3 million kms - 2020 Growth target highways and expressways
  - 70% - World’s total toll roads in China

- High potential for toll roads investment
Chongqing

- Only municipality in western China directly under the Central Government
- Fastest growing municipality in the country
  - GDP growth – Q3, 2011 – 16.5%
  - Major Industries
    - Automobiles and Motorcycles manufacturing
    - Aluminium equipment manufacture
    - Chemical industry
  - Foreign trade > $12 billion
- Preferential policies
- Population: 32 Million +
- Urban Population: 52%
- Existing Expressway Network – 1,800 kms
- 1,000 kms of Expressways at $2.38 Billion by 2015
Chongqing Expressway Group (CEG)

- CEG is an enterprise owned by State Owned Assets Supervision and Administration Commission of Chongqing (SASAC)
- Nodal expressway company in Chongqing
  - Length: 1,856 Kms
- Projects funded by multilateral institutions like the World Bank, ADB, JBIC etc. which are working with CEG to make it a reliable and sustainable model
- Chairman – Mr. Li Zuwei,
  - Ph.D, Senior Engineer, 20 +years experience
  - Communist Party Secretary
- Growth Avenues
  - Potential for developing additional 1000 km by 2015
  - Enter into international forays
- Operations
  - Motels -Shopping Centres –Resorts
  - Efficient land usage
  - Dedicated Incidence response teams
  - Advanced IT systems for road management
## YuHe Expressway

<table>
<thead>
<tr>
<th>Location</th>
<th>One of 8 radials in “2 Ring – 8 Radials”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length (58.72 km)</td>
<td>From: Inner Ring Road, Yu Bei District  To: Hechuan County</td>
</tr>
<tr>
<td>Carriageway</td>
<td>2x2 with hard width shoulders</td>
</tr>
<tr>
<td>Concession</td>
<td>Term : 30 yrs  Residual : 20.5 yrs</td>
</tr>
<tr>
<td>Structures</td>
<td>Bridges 55 nos. (8 Km)  Tunnels 5 nos. (7.2 km)  Interchanges 2 nos.  Service Areas 2 nos  Toll Stations 5 + 1 nos.</td>
</tr>
<tr>
<td>Design Speed</td>
<td>60-80 km/hr</td>
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<tr>
<td>Vehicle Categories</td>
<td>Passenger 4 (Seat Capacity)  Goods 5 (# of Axles)</td>
</tr>
<tr>
<td>Toll Methods</td>
<td>Passenger $f(\text{type, kms})$  Goods $f(\text{type, weight, kms})$</td>
</tr>
<tr>
<td>Initial Project Cost</td>
<td>RMB 3 Billion  Debt:Equity 1.35</td>
</tr>
</tbody>
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### Ownership Pattern

| CEG | SASAC 49% (to be acquired by IIPL) |
Acquisition Structure

**INDIA**

IL&FS Transportation Networks Limited (ITNL)

Promoter funding USD 30 million

Ownership 100%

**SINGAPORE**

ITNL International Pte Ltd (IIPL)

Borrows USD 140 million

From offshore Banks/ FIs or offshore bonds

Ownership 49%

Pays USD 160mn for 49% stake

**CHINA**

Yu He Expressway

Ownership 51%

SASAC

Ownership 100%

CEG

Ownership 100%

The borrowings by IIPL are to be repaid through the inflows from the project received as dividends and fee for services
Project Highlights

- Transparently bid out with assistance from World Bank and Singapore Government
- Project revenue mix of toll collection and assured revenue provides revenue stability
  - Toll revenue charged from users at 5 locations (27.1 km) provides around 60% revenue in CY11
  - Subsidy for non-tolled portion (31.6 km) to contribute around USD 22mn (~ 40% of revenues) in CY11
  - Rentals & other revenues from service areas (currently less than 1%)
- Protection under concession agreement:
  - Against any reduction in toll rates from the current applicable rates
  - From capacity augmentation obligations
- Joint Venture Agreement to reimburse bid expenses and to indemnify:
  - Any reduction in assured subsidies
  - Any increase in tax rate from 15% in the next 10 years
- Project offers management fee linked to revenues earned by the project. Such fee would be linked to O&M, financing, technology sharing, new markets etc.
- O&M opportunities for Elsamex. ITNL group also gets right to nominate persons in key positions (CFO and Technical Director)
- Dispute resolution through international arbitration
• Development of Liangjian New District
• 3rd National Economic Zone
• Preferential Industrial policies
  • Financial centres
  • Logistics hub
  • Manufacturing
  • Exhibition Centre
• Completion of Nanchong – Guangyuan Expressway
  • Enhanced connectivity
Revenue Drivers 2015 onwards

• Chengyu Economic Zone development goal
• Chongqing - focal centre
  • Technology and innovation centre
• Financial centre
• Completion of Guangyuan - Lanzhou Expressway
• Chongqing 3rd Ring Road
• Improved road network
### Operational Financial Parameters

<table>
<thead>
<tr>
<th>Financial Parameters*</th>
<th>In USD million</th>
<th>CY11E</th>
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</thead>
<tbody>
<tr>
<td>Toll Revenue</td>
<td></td>
<td>30.95</td>
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<tr>
<td>Subsidy Revenue</td>
<td></td>
<td>22.31</td>
</tr>
<tr>
<td>Lease Revenue</td>
<td></td>
<td>0.23</td>
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<tr>
<td>Total Revenue</td>
<td></td>
<td>53.49</td>
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<tr>
<td>EBITDA</td>
<td></td>
<td>46.06</td>
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<tr>
<td>Depreciation</td>
<td></td>
<td>16.94</td>
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<tr>
<td>Interest</td>
<td></td>
<td>16.42</td>
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<tr>
<td>PBT</td>
<td></td>
<td>12.70</td>
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- Subsidies are guaranteed a minimum growth of 5% year on year (currently ~40% of revenues)
Benefits to ITNL

- Increase in Sustained revenues from toll/annuity
- Improvement in EBITDA margins
- Increase in Earnings Per Share
- Improvement in Debt Equity Ratio
- Enhancement of ITNL experience / qualification
Thank You

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