



“MEP Infrastructure Developers Limited Q4 FY2017 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the MEP Infrastructure Developers Limited Q4 FY2017 earnings conference call hosted by Equirus 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 the operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Devam Modi from Equirus Securities. Thank you and over to you Mr. Modi!

Devam Modi: Good afternoon everyone. We would like to take this opportunity to welcome everyone to the call of MEP and we would also like to thank the management for giving us an opportunity to host this call. I think we would be handing over the floor to the management now to discuss the developments in this quarter and the prospects of the business going ahead, thanks a lot!

Murzash Manekshana: Good afternoon everyone and a very warm welcome to you all. I am Murzash Manekshana, Deputy Managing Director of MEP Group. I have along with me our Group CFO, Mr. Sankaranarayanan on this call from the company’s side. On behalf of MEP Infrastructure Developers, we thank you for participating in our earnings conference call for the Q4 of financial year 2016 – 2017.

Commencing with the overall financial performance, MEP close the Q4 of the financial year 2016 – 2017 with revenues on consolidated basis at INR 413 Crores. EBIT was INR 135 Crores and a PAT of INR 12 Crores. For the financial year 2016 – 2017, our consolidated revenues on the whole year basis stood at INR 1,729 Crores with an EBIT of INR 507 Crores and PAT at INR 109 Crores. As in the previous years, the consolidated EBIT margin for the financial year was maintained around 30%, specifically at 29.3% this year. As you may be aware, our company has been awarded six HAM, which are the hybrid annuity projects worth INR 3,836 Crores.

The company is very proud to announce that it is one of the very few operators in the industry that has achieved successfully full financial closure for all of our six HAM projects. Further, we have also received appointed date for commencement of work for four out of these six projects, namely, Nagpur Road Ring road 1 and Nagpur Ring Road 2 and Talaja – Mahuva and Mahuva – Kagavadar projects in Gujrat. We expect to achieve the appointed dates for the remaining two projects shortly, within the next month.

To further the company’s evolution into a full-fledged infrastructure company, we have also entered into a MoU with CIDB Holdings, a fully owned subsidiary of Malaysia’s

Construction Industry and Development Board for collaborating with them and their associates on certain infrastructure projects in India, namely, the Railway Ministry has identified around 400 A1 and A category stations for re-development. We are evaluating, as one of the options, to develop, operate and maintain such railway stations with relevant partners from the CIDB Associates. We believe this will be on an overall basis shareholder accretive and will update as we progress along this path.

On to our key project-wise performance; our Mumbai entry point project, which is our flagship project recorded revenues of around INR 489 Crores as compared to INR 412 Crores last year. There is a component of certain change of scope items that we have been able to achieve on our overall construction and maintenance activities, which is included in that number. The Hyderabad – Bangalore OMT project, which is our nine-year OMT project, clocked revenues of around INR 160 Crores as compared to INR 142 Crores last year.

We are very happy to announce that the company has once again emerged as the successful bidder for the Rajiv Gandhi Sea Link project. We are currently operating the project under a short-term extension format and expecting confirmation for the three year long term project confirmation this week itself. MSRDC, as part of this project, has included certain additional items like installing of solar panels along the Sea Link and certain other maintenance activities.

As you may have heard from recent developments, two companies, namely, IRB Infrastructure and Sterlite has successfully launched and listed their InvIT offerings on the stock market. Our company too has received in principal approval from SEBI and we will be launching our InvIT very soon namely in the next couple of months.

Now, talking about certain overall sectoral developments that have been proposed, which impact our company and industry, land acquisition, which is posing a continuing problem for highway construction. The National Highways Authority has now henceforth proposed that they will not invite any bid for road projects until it has completed the process of land acquisition and shifting of utilities and obtain in principal forest clearances. Similarly, the authority will also not commence work on structures or flyovers or bridges or rail over bridges until it has over 100% of the land.

Accordingly through our industry sources, currently there are several projects that had continued to be delayed due to land acquisition issues and this change should hopefully going forward solve some of those issues.

On the tolling side, the National Democratic alliance government is working on a policy that would allow commuters to be charged only for the distance travelled on a toll road. Currently commuters pay a fixed fee usually for the entire toll road irrespective of whether they use a part of it or the entire road. Under the so-called open toll policy, the fee payable is fixed amount based on the length of a stretch of one project, which is normally aggregated to approximately 60 kilometers.

In this potential game changer, the new close toll policy been worked upon by the Road Transport Authority will allow commuters to be charged on per kilometer basis for the distance that they actually travel. The proposed policy will be applicable to all access control highways, which are the highways, which prevent free access for all sides and expressways in the country.

This plan will be operationalized first on the new 135-kilometer Eastern Peripheral Expressway, which would cover Haryana and Uttar Pradesh by passing the Delhi City and state. So, these developments hopefully will bring some landmark changes in our industry.

Jumping into specifics on our financial performance for the year, I would now hand over the call to our CFO, Mr. Sankaranarayanan to give you some details about the financials for the quarter under review.

Sankaranarayanan:

Thank you Sir. Good afternoon everybody. I will take you through the financial highlights of the company on a consolidated basis for FY2017. The revenues have declined at Rs.1,729 Crores in FY2017 vis-à-vis Rs.1,905 Crores due to completion of few projects like RIDCOR and Kini Tasawade projects and also we have handed over Chennai project and MK project back to the authority. The EBIT and EBIT margins have decreased due to corresponding reduction in the turnover and also there has been little bit higher operating and maintenance cost for the year.

The PAT margins have improved to 6.3% in the financial year FY2017 from negative 1.9% in FY2016, majority owing to the reduction in finance cost. The finance costs have reduced to Rs.493 Crores in FY2017 as against Rs.642 Crores FY2016. All these numbers are Ind-AS numbers. It includes Rs. 362 Crores in the current year relating to the interest on borrowing and Rs. 117 Crores relating to accretion of trade payables and provisions relating to re-surfacing. As I was mentioning, we have adopted Ind-AS as per the requirement and because of adoption of Ind-AS, significant maintenance obligations under OMT projects are to be provided in all financial years from the COD till the actual date of expenditure.

For this financial year, provisions relating to future maintenance requirements amounting Rs.24 Crores have been recognized vis-à-vis Rs.46 Crores last year in the financial

statement in line with Ind-AS 37. As already mentioned we have successfully achieved the financial closure for all our hybrid annuity projects and also received appointed date for four projects. For this financial year, the Board of Directors has recommended a final dividend of 0.15 paise per equity share at a face value of Rs. 10. With this I hand over for question and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Congrats on achieving financial closure for all six projects. So couple of questions; first on the, if you look at Mumbai Entry point project, we have seen a significant increase in revenue. You said something about that, the maintenance arrangement. Can you throw how much was the maintenance revenue and how much was the toll revenue?

Murzash Manekshana: I think from a tolling revenue side we have ended the year with around Rs.425 Crores and we have had around approximately Rs.64 Crores of additional scope of work related to strengthening of our 27 flyovers and electronization of our toll plazas, a combination of both so, as a result of which there has been, if you may say, change of scope that has been awarded by the authority which we have successfully achieved.

Giriraj Daga: Okay, so what was the EBITDA, interest outgo on this MEP, Mumbai Entry Points?

Murzash Manekshana: The total interest outgo on Mumbai Entry Points, was around Rs.290 Crores odd.

Giriraj Daga: And EBITDA?

Murzash Manekshana: The EBITDA on Mumbai Entry Points is around 433 which includes the maintenance activity.

Sankaranarayanan: So majority of the line items which is as an intangible amount, which is classified as the depreciation. So the amount paid to the authority as a lump sum it is amortized over a period of time. So that is why the EBITDA number is 433.

Giriraj Daga: Just to dig further. Last year we had total O&M expense and other expenses put together about Rs. 67 Crores – Rs. 68 Crores on MEP. So this year the number is, including the scope of work, the number is lower compared to last year?

Murzash Manekshana: Could you repeat the question please?

- Giriraj Daga:** Like last year, our O&M and other employee cost put together about closer to Rs. 70 Crores and this year if I look at including the scope of work, the number looks lower compared to last year this year?
- Murzash Manekshana:** Actually on the contrary, there has been a slight increase if you look at it because our number of lanes has increased from 50 lanes to 75 lanes because of the overall expansion on the absolute terms there has been an actual increase. So we are not sure of what aggregation you are looking at.
- Giriraj Daga:** Okay, I will just get it offline. My second question is related to what is the amount of EPC revenue we are expected to book in FY2018?
- Murzash Manekshana:** In FY2018 we are expected to book EPC revenues in excess of around Rs.1,200 Crores. We have Rs.3,836 Crores to be completed in an average of around 2.4 years. We already have a change of scope of around Rs.150 Crores – Rs.200 Crores, let us say, Rs.4,000 Crores over the next 2.2 years and there will be some back ending of that, so approximately around Rs. 1,200 Crores is what we expect.
- Giriraj Daga:** My last two questions sir; first of all what is the debt, if you can break into the Mumbai Entry Point, HAM debt, and rest of the debt and the second question is, what is the cash earning in FY2017?
- Murzash Manekshana:** The total debt that we have is around Rs.2,949 Crores, out of which the MIPL debt is around Rs.2,425 Crores, Mumbai Entry Point and the rest of the group is Rs.389 Crores.
- Sankaranarayanan:** This is standalone debt. So the debt on account of hybrid annuity projects what we have taken, under the Ind-AS methodology, it sits outside the consolidation.
- Giriraj Daga:** Because of the new accounting?
- Sankaranarayanan:** Yes we have a joint venture accounting. So because of it, it is taken under profit pickup method. So the debts, obviously, sits outside the consolidated balance sheet.
- Murzash Manekshana:** We have not yet drawn down any substantial debt with respect to our construction projects, which will come in over the next year.
- Murzash Manekshana:** Coming to your cash profit question, we have a consolidated cash flow of around Rs.206 Crores as opposed to Rs.180 Crores odd last year.
- Giriraj Daga:** Okay Sir. Thanks a lot and all the best.

- Moderator:** Thank you. Next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.
- Prithvi Raj:** Good morning Sir. On the six HAM projects, how much would be the equity requirement?
- Murzash Manekshana:** The total requirement aggregate is the Rs. 575 Crores, which is 15% of Rs. 3,836 Crores.
- Prithvi Raj:** It will be funded in the next three years?
- Murzash Manekshana:** Yes, that is to be funded partly by our JV partners in ratio of the shareholding, which is around Rs.170 odd Crores, and partly by us, which is around Rs.400 odd Crores. We have already infused over Rs.200 Crores of equity through our internal accruals and working capital optimization that we have done over the last year into these six projects. The balance of the equity needs to be infused over the next two-and-a-half years.
- Prithvi Raj:** Okay and is company looking to bid for any new projects?
- Murzash Manekshana:** Yes, we are evaluating the pipeline that is coming with respect to the Hybrid Annuity projects. There are around Rs.10,000 Crores worth of work that is expected to be bid in the next two to three months and we have been studying all those projects.
- Prithvi Raj:** Coming to the Sea Link project, you mentioned that you are in an extension period for short term, so it is for the next three years?
- Murzash Manekshana:** We completed our concession period in February. The bidding process is currently underway with MSRDC. While they complete the process, they have awarded us an extension contract. We have been successful bidders even for the next three years' project. We are expecting positive letter of award communication from MSRDC during this week.
- Prithvi Raj:** Okay, so as of now it is nothing like it is confirmed, right?
- Murzash Manekshana:** It is confirmed from perspective – the financial bid has been opened. So it is largely confirmed, it is procedural.
- Prithvi Raj:** And coming to your InvIT, when are we expecting it to get listed?
- Murzash Manekshana:** Listed, hopefully before September I would think, we will file our DRHP sometime end June, early July.
- Prithvi Raj:** Okay, and what kind of IRRs would that InvIT project have?

Murzash Manekshana: It is something that we have to really, unfortunately – but it will be in the similar ranges what has been evidenced currently by other players.

Prithvi Raj: Something like 12% kind of thing?

Murzash Manekshana: Yes, around that range.

Prithvi Raj: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good afternoon Sir. Thanks for taking my question. I just wanted to get your sense on toll collection business of ours, because we came to the market saying that we are a pioneer in toll collection, we still happen to be pioneer but then so if I look at the numbers I mean they say I have seen 13% dip in our business in toll collection, so does it mean I will be getting any opportunities. I am excluding hybrid annuity and I understand once these were to complete in terms of construction activity would get to have toll collection from these as well in the form of annuity income but then your short term toll collection long-term and OMT which we used to talk about earlier even in your opening there was no comment on the same, so if you could share your thoughts on the opportunities that existing toll collection side of the business?

Murzash Manekshana: I think there has not been any strategic or specific decision by us to say we will no longer participate on the tolling side or anything. It is purely coincidental that if you take the cut offs of quarters on financial year ends, that there has been overall reduction in the projects that have got completed and the last year we had two of our large projects which were handed back to the authority. One is our Chennai bypass project, other is Madurai-Kanyakumari project, which we have operated for half year. We had completed the Kini - Tasawade project that we have operated and certain RIDCOR projects. So there have been historically certain long-term projects that we have operated over the last three, four years that have largely, not currently being added back into our portfolio, those projects or similar projects like that. So I would not read too much into more long term, strategic kind of direction on that. It is momentarily the tolling revenue has been reduced yes, and significantly reduced, but it will come back.

Two is, if I give you a perspective on from where NHAI is coming. NHAI itself is largely looking to step away from very short-term tolling of one-year and moving to three year and four year period tolling themselves and as you are aware they are also coming up with the extremely long-term TOT projects which are the 25 year concession period similar to

Mumbai entry point upfront securitised projects. So in that interim there has been certain NHAI itself, is taking its time in coming up with the roadmap for the TOT projects or transforming from one year to four year projects and all of those kinds of things. So a lot of projects are being bidded in the three months, six months formats which we are not necessarily participating in right now. Because we do not believe or we have never participated in the three month, six month kind of tolling formats historically unless it is an extension to an existing long-term contract that we already have. So in that regard if you see, there has been a slight dip but I do not think there should be too much challenge in building that back up. Our past records also if you see we have been able to move from Rs.400 Crores to Rs.900 Crores back to Rs.600 Crores, back to Rs.750 Crores these are the track record of the last five years of tolling side of the revenue, so that shifts.

Prem Khurana: So does it mean the awards that are taken place on EPC basis and which was supposed to come up on short-term toll collection basis, because essentially the contractor was supposed to maintain the first four years, so does it mean that the government not giving out toll collection I mean contracts even for these EPC project which was supposed to commence on short-term toll collection basis?

Murzash Manekshana: No, it also means that lot of this project are not necessarily getting completed as per schedule, one. Two is basically, the government is more keen to push them out to the extent that they can into slightly more longer term players, so instead of one year type, into a two year play, so that debate is still on in the ministry.

Prem Khurana: How about TOT have you made any progress there, are we seeing any when do we expect that and they have to come?

Murzash Manekshana: The initial list of prospective 10 projects has already announced by the government, MCA has been finalized. When will the actual tendering of those happen. I think it should happen in the next quarter if not, before the year-end.

Prem Khurana: We were supposed to tie up with some partner who would fund these projects, have we been able to firm up on some partner?

Murzash Manekshana: We are in advanced discussions with couple of, two or three of them.

Prem Khurana: Just one construction income for this quarter, if I look at full year number almost Rs.63 odd Crores with the construction income, so the change in scope of work which you talked about for Mumbai Entry Point project, so that income forms a` part of construction?

Murzash Manekshana: No, that is pure hybrid annuity, Nagpur 1 and 2, and very, very small component of one of the Gujarat project, which have come in. Nagpur 1 and 2, mainly which have come in where we got appointment date. These are all HAM construction.

Prem Khurana: Does it mean the construction has been slower because if I remember correctly Q3 we have booked on Rs.45 odd Crores with number in terms of construction income and for full year you are reporting only Rs.63 Crores, which is essentially means Q4 has given us only around Rs.20 odd Crores of numbers in terms of construction, so essentially we were under the impression given the fact that we have been to start construction gradually the activity move up and it move up only, so essentially the number should be higher in Q4, but then it appears to be lower than Q3?

Murzash Manekshana: I think there is a combination of two things. One is that it is eventually milestone based, so there is some lumpiness that does come in. In that we are hoping to achieve our first milestones on target sometime in July that we have those are our targets for our Nagpur projects. So I would not get too much into – I do not think there has been any delay or lag largely. But it is just more accounting than anything else.

Prem Khurana: Just one last. The number that you talked about in terms of equity that you have already invested, so the Rs.200 odd Crores that you talked about, was your share for the overall equity that we have committed including partner's share or is Rs.200 Crores our share from Rs.400 Crores that we are supposed to contact?

Murzash Manekshana: It is largely our share.

Prem Khurana: Okay and how did we manage this cash because as I see the debt has not gone up, so which is essentially the business on they would have given us this number?

Murzash Manekshana: There were group companies, loans and lending which we have been able to pull in. They were also third parties certain advances and contracts that we have done which we have optimized and improved and pull that back into the business. So that is happened.

Prem Khurana: Sure and any update on the preferential allotment or rights issue we are planning to raise some funds?

Murzash Manekshana: As you are aware our stock price is performing well, I think it may be before the year end for sure.

Prem Khurana: Thank you. That is it from my end.

Moderator: Thank you. We have a followup question from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Just couple of followup. How do you like earlier is about one or two months back we had seen that the competition intensity was very high in HAM project. So is the density lowered down in the last few weeks or so or is there still very high. What is your thought on that?

Murzash Manekshana: I do not know. I do not think it has lowered down or gone higher anything. The only thing is that there are four or five projects, which were the large next wave of hybrid annuity project which have unfortunately got delayed twice now, they were to be bid out in the first week of May and then were later to be bid in first week of June. As of yesterday or day before we have information that may be it might be pushed down further by a couple of more days. So what is happened is that bidding has not yet opened till now on those projects, so we would not be able to answer very effectively what is the change in the bidding competition.

Giriraj Daga: Why there was a delay any particular reason?

Murzash Manekshana: I do not think so. I think NHAI has its own ways and reasons.

Giriraj Daga: Okay, second like could requirement and preferential equity shares allotment like are we waiting for what we are going to do first like we want to first get some orders and then for an allotment or we just be ready with the equities, so that we can bid. What is the cause of effect kind of thing?

Murzash Manekshana: To be very, very honest if I were to tell you very practically, any projects that we bid and win now in June and July. My equity requirement will only come next May. Because I just know how the projects go after you bid, there is a 30-day window within which the bidding opens, then you have LOA which comes, then you have 30-days within that you sign your concession agreement, then you have another 30 to 45 days to review your performance guarantee, then you have another 120 to 150 days from there we are going to financial closure and subsequent to that, of course there is some equity that is required to achieve all of these, but subsequent to that is when really the large equity requirement starts trickling in.

Giriraj Daga: I understood that point, we are not in a hurry for the equity because even if we win now it will be time away for the equity component.

Murzash Manekshana: Yes.

- Giriraj Daga:** Okay and last thing on this TOT side. When you are expecting the bidding to start like?
- Murzash Manekshana:** As I mentioned we are hopeful that it will come this second quarter of this financial year or before the calendar year end.
- Giriraj Daga:** Any particular like any thought of tying up with any partners there?
- Murzash Manekshana:** Sure, we have, we are in advanced discussions with couple of people to see how to work that out, more financial investors.
- Giriraj Daga:** But that could be prior to the bidding or once you will bid along with the financial partner right?
- Murzash Manekshana:** Yes, we will have to.
- Giriraj Daga:** Okay, thanks a lot.
- Moderator:** Thank you. We move to the next question from the line of Ronald Siyoni from Sharekhan. Please go ahead.
- Ronald Siyoni:** Actually, I wanted to know about the outlook with respect to short-term and OMT projects like in the slides you have mentioned about short-term and long-term including only about Rs.640 Crores annual potential for toll collection in this project and 17 projects are available. Another thing about Rs.17,000 Crores of OMT and hybrid annuity projects are currently available. So, can you breakup this Rs.17,000 Crores into how much is OMT and how much is HAM?
- Murzash Manekshana:** I think largely HAM.
- Ronald Siyoni:** Okay, it is largely HAM. So it means like tolling including OMT has a very limited potential at this point of time to get new orders right?
- Murzash Manekshana:** No, as I said while I said largely have we have not included the TOT projects that are expected to come out which are like in thousand of crores and nor have we expected nor have we included here some of the long-term tolling visibility that NHAI is working towards.
- Ronald Siyoni:** Okay, but it would come towards the fag end so might be second half of FY2018 would be good enough for tolling?

Murzash Manekshana: Yes. If you look at the previous slide #7, of our presentation if you have that in front of you if you see the tolling total size is expected to be Rs.80,000 Crores. If you have 10 projects out of that it is like Rs.7,000 Crores to Rs.10,000 Crores.

Ronald Siyoni: Right, the opportunities huge and for you it would be agreed to that.

Murzash Manekshana: Yes.

Ronald Siyoni: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Devam Modi from Equirus Securities. Please go ahead Sir.

Devam Modi: If you could highlight what kind of capital structure are we targeting in the InVIT and commensurately what kind of debt reduction would it lead to at a consolidated level?

Murzash Manekshana: Our InVIT is currently in relation to our Mumbai Entry Point asset. We may add one or two other projects to that if we can. So currently the InVIT size is expected to be in the range of Rs.1,400 Crores approximately because by regulation you require to downsize at least 50% of the debt outstanding. So in that regard, the debt reduction will be to the extent of Rs.1400 Crores largely subject to certain other expenditures that we will have to incur so around Rs.1300 Crores to Rs.1400 Crores. From a capital structure perspective, we will not leverage the InVIT currently and we are looking to transition the raise in the InVIT to the SPV through a tax efficient structure which we will finalize and which will be disclosed as a part of our DRHP document at the end of this month.

Devam Modi: So basically on the project around Rs.1,000 Crores will remain and even EBITDA around Rs.420 Crores to Rs.450 Crores over there potential EBITDA next year?

Murzash Manekshana: Actually in the much higher because we have toll rate hike on first of October this year on the project.

Devam Modi: What kind of EBITDA margins can be target on the HAM execution, because I understand what we are saying is that the bid for the cost and our total execution amount is going to be the same number. There is no difference over there. Should that EBITDA margins be slightly over there?

Murzash Manekshana: Could you repeat the question?

Devam Modi: So on the HAM project essentially our bid project cost is the total EPC contract amount, so what kind of EBITDA margins can we expect over there?

Murzash Manekshana: Bid project cost is not the total EPC amount, there is a component of IDC and there is a component of SPV level expenditure and all of that. So our EPC amount to give you a perspective is largely around Rs.3450 Crores to Rs.3500 Crores. Our bid project cost is Rs.3836 Crores. So there is a gap over there and our EBITDA I think numbers would be in the range of 12% to 14%.

Devam Modi: Okay, so after netting of margin, after netting of the EPC and IDC component and the soft cost, we should be able to do only 12% to 14% on the remaining component?

Murzash Manekshana: Yes.

Devam Modi: Okay and finally Sir, if you could just provide some flavour on the typical kind of prices that TOT projects will be coming on and because typically what we understand is that there would be slightly larger projects and there would be upfront amount which will be required to be paid, so how are we looking to position ourselves in this kind of contract?

Murzash Manekshana: I think the TOT models will necessarily be, the size that we understand from the industry is going to be in the range of Rs.800 Crores to Rs.1,200 Crores for project, so we have cluster of three or four projects securitised for the next 20, 25 years. So the actual payment to authority would be expected in the range of around, depending on the project cluster, Rs.800 Crores to Rs.1,200 Crores. So in that regard, the type of financing and that is where the right partner for TOT because very critical. Because the cost of financing and the capital structure of financing because very efficiency of that becomes a game changer in how competitively you are going to be able to bid or not and we expect the equity requirements to be – because these are two-year operational roads with some safeguards with respect to traffic and parallel roads and with respect to no construction risk involved. We expect the debt equity ratios to be quite favorable to the equity side.

Devam Modi: Finally, if I see longer term questions, so right now we have business model when we are looking at toll collection, short-term, toll collection is completely asset light and probably a little bit of long-term which does tend to be very some capex which will be required upfront in terms of the amounts required to be paid and then is hybrid annuity which is a very different model and now TOT might come in which will be more similar to the long-term part, so what kind of from a longer term perspective, what kind of balance sheet or asset turns are we looking at and how we will be looking to balance the whole thing in terms of some percentages of something, because each one will have own different return ratio and all?

Murzash Manekshana: Slightly complex question, but I will try and break it down. If you see from a consolidated balance sheet perspective for us fortunately we are also grappling with it is that the hybrid annuity part of the business because of our JV structures does not get line by line consolidated, so actually the Rs.1,600 Crores, Rs.1,700 Crores of the debt that we will eventually at an end stage after two-and-a-half years have gone down, we will not be consolidated or loaded on to my existing books or numbers, existing financial statements okay, that we will sit in the SPV. So that sort of skews some of the readability of the financials. Two is basically to answer your question as I said we are looking at innovative ways in which we can access long-term low cost funding for our TOT projects and any additional loan that gets loaded on to the business because of that would largely get compensated also by way of our InVIT offering that we have as we are downsizing debt for Rs.1,400 Crores. So there is not any large drastic explosion of debt being loaded on to the books in the way forward, because of the potential opportunity that is by way of InVIT we can always put TOT projects also into the InVIT once we have internalized them and acquired them. So you see there is no real fear that there is going to be some unmanageable leverage that's happening because of certain shifting industry trends going forward. I hope I was able to address your question.

Devam Modi: Yes. That is it from my side. Thanks.

Moderator: Thank you. We have followup question from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: Actually I had question on this HAM project, how much more we are prepare to bid for HAM projects in this series FY2018? Like you already have an equity commitment of about Rs.400 Crores of which Rs.200 Crores or over two-to-two-and-a-half years, so how much more projects we can bag? How much more equity commitment we can do or commit for this FY2018?

Murzash Manekshana: I think we can easily target on a staggered basis projects to the tune of around another Rs.4,000 Crores to Rs.6,000 Crores.

Ronald Siyoni: Thank you very much Sir.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand over the conference to Devam Modi for his closing comments. Over to you Sir!

Devam Modi: Thanks. I would like to thank everyone for being there on the concall and we should be tracking this business very closely since hybrid annuity is something which is a very



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exciting prospect that is going on in the market and look forward to see the revolution going ahead in for the quarters.

Murzash Manekshana: Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, On behalf of Equirus Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.