

MEP Infrastructure Developers Ltd-2Q18

- MODERATOR

- Ladies and gentlemen good day and welcome to MEP Infrastructure Q2 FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. 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 * then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Sheth from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

- MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD

- Thank you Lisann. I would like to welcome the management of MEP Infrastructure Developers on the call. From the management we have Mr. Jayant Mhaiskar: Vice Chairman and Managing Director, Mr. Murzash: Deputy Managing Director, Mr. M. Sankaranarayanan: Chief Financial Officer, and Ms. Manisha Bihani: Investor Relations. I would request Mr. Jayant Mhaiskar to give us some opening remarks and then we will open the floor for a Q&A session. Over to you sir.

- MR. JAYANT MHAISKAR – VICE CHAIRMAN & MD, MEP INFRASTRUCTURE

- Thank you Kunal. Good afternoon everybody and a warm welcome to all of you on behalf of MEP Infrastructure Developers Limited we thank you for participating in our earnings conference call for the Q2 of the financial year '17-'18. The company closed the second quarter of the financial year 17-18 with a quarterly revenue from operations on consolidated basis at 409 crores with an EBITDA of 137 crores with a PAT of 6.5 crores.
- As you may already be aware of, currently, we operate 5 long term and short term toll collection projects, 3 long term OMT projects, 1 long term BOT and 6 HAM projects across 7 states in India.
- In Q2-FY18 we won a major contract for toll collection at the entry points of Delhi for a period of five years for a concession amount of INR 1,206 crore per annum payable to SDMC on a weekly basis, which makes it unique in nature with very less stress on our balance sheet unlike the Mumbai Entry Points project.

- Now in Q2 of FY18, the company has won a major contract for toll collection at entry points to Delhi for a period of 5 years for a concession amount of 1206 crores payable annual on a weekly basis to SDMC which makes it unique in nature with very less stress on our balance sheet unlike the Mumbai Entry Points Project
- With regards to the four hybrid annuity projects, the work is continuing satisfactorily and on schedule, rather ahead of schedule in some of the projects specifically in Gujarat. We expect to receive the appointment date for the balance two hybrid annuity projects where the financial closure has already been done mainly Arawali-Kante and Kante-Wakad very soon which were delayed due to certain clarity being awaited on few land parcels across the road length.
- Talking about overall sectorial developments in October the Union Cabinet of India has approved the construction of 83677 kilometres of road to be built till 2022 at the expenditure of 6.9 lakh crores out of which 34800 kilometres will be covered under the prestigious Bharat Mala program while the balance 48877 will be taken up under different schemes by the ministry and NHAI. The ambitious Bharat Mala Project intends to remove the bottlenecks in the key economic corridors and provide holistic connectivity across the country. Phase 1 of the project involves 34800 kilometres of road construction at an estimated cost of 5.3 lakh crores and is targeted to be completed by 2022. Majority of the Bharat Mala Program is expected to be executed under the hybrid annuity and EPC Model. To part fund the Bharat Mala Project for the first time ever monetization of 82 operating toll plazas under the much awaited TOT model has been initiated. The investment potential on these stretches is estimated to be worth around 34000 crores. The first bundle of the 9 highway stretches of 680.64 crores has already been put out to tender by NHAI with potential monetization value of 6258 crores. As you know the company has transformed into an integrated road development company from a pure tolling company and we are very excited with the new initiatives taken by the government and are extremely optimistic about the future growth prospects of not only our company but the nation as a whole.
- With this I would now hand the call over to CFO, Mr. Sankaranarayanan to give specific insights on the company's financials for the quarter 2. Over to you Shankar.
- **MR. M. SHANKARANARAYANAN – CFO, MEP INFRASTRUCTURE**
- Thank you sir. Good evening everybody. I will just take you through the quarter 2 highlights. Our revenues for this quarter was around 409 crores as compared to

447 crores in the corresponding period last time. We've also recognised an EPC revenue of 163 crores as you are aware as informed by our MD we have already completed the milestone for National 1 and the Mahuva-Kagavadar Project. There is a slight increase in the other income in Q2. This is due to the reversal of unspent maintenance obligation in Mumbai entry point as well as Bangalore-Hyderabad Project. If you see the ebidta margins are higher by 640 bps. This is mainly because of the higher contribution from the EPC Projects or EPC revenues. PAT stood at 65 million that is before exceptional items. It was negative last year. There is a slight increase in the O&M expenses which predominantly includes our construction expenditure which has been recognised as a coalition to the EPC revenue which was not there in the earlier similar corresponding quarter last year. After adoption of IndAS whatever the concession fees we paid to the authorities is taken as intangible assets in the balance sheet. So it has been amortised over the life of the contract so the depreciation and amortisation values are 1.32 crores of depreciation as well as 76 crores is the amortisation of intangible assets. Our finance costs dipped by approximately 10%. This is mainly due to the repayment of MIPL, HB, Mumbai Entry-point and Hyderabad-Bangalore and other short term loans in the holding company. And also see if you see in the finance costs there were two components. One is actual finance cost and second one is the IndAS accretion of trade payable. So the total finance cost includes cost of borrowing of 26 crores towards accretion of trade payable. Balance is on account of regular finance costs.

- With this I will hand over the phone for question and answers.
- **MODERATOR**
- Thank you. Ladies and gentlemen we will now begin the question and answer session. Anyone wishing to ask a question may please press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.
- We will take the first question from the line of Ankush Datar an Individual Investor. Please go ahead.
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Hello. Good evening sir.

- **MANAGEMENT – MEP INFRASTRUCTURE**
- Good evening.
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Good evening sir. Sir I have three questions that I wanted to ask. My first question would be for your HAM project could you provide me with the revenue visibility for H2 FY18?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Okay. What's your second question?
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Okay my second question would be – so I will just list down all my questions together. That would be my first. My second would be so the two projects, Arawali-Kante and Kante-Wakad when will they commence? That's the second question. And the third question is how do we plan to participate in the Bharat Mala Project.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Okay. I think the revenue visibility on the HAM Project, revenue visibility on H2 will be approximately around 600 crores.
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Okay.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- With respect to Arawali-Kante and Kante-Wakad we are expecting the appointed date for Kante-Wakad sometime in December, mid-December to end-December. And Arawali-Kante sometime in January. And with respect to Bharat Mala I think more details about the specific projects, the initial list is out. But we are waiting for some of the more detailed updates and tenders to come out. We will continue to evaluate all of those projects and on a selective basis look to see where we can participate. Currently I cannot specify specifically as to which aspect or which part of the entire program would we be focusing on or we would sort of be participating in.

- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Okay sure sir. Thank you. That would be all from my side.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Thank you.
- **MODERATOR**
- Thank you. A reminder to the participants, anyone wishing to ask a question may please press * and 1. Participants if you wish to ask a question you may please press * and 1. We will take the next question from the line of Kunal Sheth. Please go ahead.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Yeah hi. Sir I have few questions. One is the Bharat Mala Project that the government is talking about when is ordering for Bharat Mala expected? Is it any time this year or more of it will be FY19 is where we will see major portion of Bharat Mala actually kicking in?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think Q4 FY18 and FY19 is where we should see large part of that project being rolled out.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay so actually tenders will start flowing in from Q4 only.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I believe so.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. And sir recently Maharashtra had come out with a new model for HAM. If you can throw some light on how it is different from the HAM which NHAI proposes and is it more lucrative versus NHAI HAM.
- **MANAGEMENT – MEP INFRASTRUCTURE**

- Yes I think the Maharashtra state had tied around close to 30000-40000 crores of works under the HAM model that was replicating the NHAI HAM model. However because of various reasons one of them being, it being a state authority as opposed to a central authority the banks were a bit sceptical with respect to the states' ability to make the payments on time and the quantum of annuity and payments to be made. In this backdrop I think to also facilitate those projects being executed the HAM model was tweaked by the Maharashtra government to make it a 60% payable during the construction period as opposed to a 40% which is there currently from a NHAI HAM model. And there are certain other minor tweaks that have been proposed to make these projects slightly more attractive to financing institutions and to participants and concessionaires to participate on those bids. So the most critical change I would say is the percentage of construction being made by the government during the construction period versus the annuity payment to be made.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay, okay. So that's quite a front-loading of revenue.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Say again!
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- That's quite a – so basically they will give 60% upfront against 40%....
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Not upfront. It is during the life of the construction period just like the NHAI HAM model is.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Yeah, yeah, yeah, yeah, yeah.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Yeah. But it is during the construction period and it will be paid by the government as opposed to 60% that has to be made available by the concessionaire in the NHAI model.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**

- Great sir. And sir thirdly if you can throw some light in terms of what is the current pipeline looking like in the second half from NHAI. Because what we understand is that the first half the pipeline or the number of tenders that came out was not very great and they got postponed quite a few times. So what is the pipeline looking as of now?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Yeah I believe that there is almost close to 30000 crores worth of bids that are already tendered out, not for those bids that have already been uploaded by NHAI on the website. These bids are all expected to be done by December 2017. Even if you expect around 30-40% of those bids rolling over or spilling over into the next couple of weeks or months of January, I would say in the next 3 months there is a very strong visibility that has already been unfolded by NHAI on the HAM side.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. Okay.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- The number of projects that are there are approximately 20 projects that are available which are already there on the website.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. But sir have you seen tendency of these projects getting delayed? Because how it is that you know previously a lot of tenders were coming but again getting postponed in terms of tender opening date of commission date.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think that will keep going on. I don't see – I mean this is a complex country and a complex – I mean you should expect certain delays on certain projects. It will be – I don't think anybody can say that there will be no more delays going forward or anything like that.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay, okay, okay, sure sir. And sir if you can highlight what is the kind of equity requirement for FY18 and 19 for our HAM projects.

- **MANAGEMENT – MEP INFRASTRUCTURE**
- For the projects that we have already acquired or won, we have already infused over 50% of the equity along with our JV partner into the projects. Approximately 210 to 220 crores of equity is balance required to be infused over the next 18 to 24 months by us. This does not consider any future or further equity that maybe required for new projects.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. And sir what is the kind of pipeline we would like to build in terms of what is the kind of portfolio size ideally we would be able to scale up to in terms of we are comfortable with what kind of equity investments or....
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think our portfolio scalability would be a function of not only the equity investment but also the efficient and successfully execution of on ground capability for that. And in that regard I think we would be comfortable in increasing our order book anywhere close to 6000-8000 crores value wise.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Sure.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Total order book. So I am not saying add another from 4000-10000. I am saying total book increase to upto 6000-8000 crores.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Sure. I will get back into the queue sir.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Thank you.
- **MODERATOR**
- Thank you. A reminder to the participants, anyone wishing to ask a question may please press * and 1. We will take the next question from the line of Ankush Datar an Individual Investor. Please go ahead.

- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Hello again sir.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Hi!
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Hi sir. Sir can you comment on the progress on your InVit?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think to be honest from the InVit perspective we have pretty much completed it from our side. Some of the internal activities that are required to be done, we are awaiting certain lender and authority approvals and also we are, to be honest, advised by people from the industry or from the markets that maybe it may be an opportune to just wait and watch a little bit more with respect to this space.
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Okay sure sir. I also had one more question. Can you provide me with the revenue visibility for your Delhi entry point's project?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think the Delhi entry point project on an annualised basis would be anywhere in the range of around 1350 to 1360 kind of range.
- **MR. ANKUSH DATAR – INDIVIDUAL INVESTOR**
- Okay. Okay, okay. That would be it from my side again. Thank you again sir.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Thank you.
- **MODERATOR**
- Thank you. A reminder to the participants, anyone wishing to ask a question may please press * and 1. Participants if you wish to ask a question you may please press * and 1. We will take the next question from the line of Kunal Sheth. Please go ahead. Kunal your line is unmuted please go ahead.

- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Hi sir. Quickly wanted some clarity on Delhi entry point. So what is the kind of collections that we saw in the first few days? Now we have this project for about a month or so. So what is the kind of collection run rate that we have seen in the first few days sir?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think the collection run rate has been flat considering the expected seasonality or festivity issues around October because of Diwali and all those reasons. So basically it has been slightly muted to be honest. But there has been a good pickup in November on the same.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. So November we again expect it to be at par with what we had estimated.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- It's already back.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- It's already back.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Yeah.
- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay, okay, okay. And sir if you can give some sense in terms of how has been the competitive intensity in terms of while bidding for HAM projects off late?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think to be honest we haven't bid for a project in the last 3-4 months. But you know what we are seeing and analysing, there continues to be moderate competitive presence there, 5 to 6 bidders per bid. And you know the portfolio or the pool of investors is as big as 12 to 14 players who are bidding for different-different projects selectively. So I think it's been fairly moderate.

- **MR. KUNAL SHETH – PRABHUDAS LILLADHER PVT LTD**
- Okay. Okay. Sure sir thank you.
- **MODERATOR**
- Thank you. A reminder to the participants, anyone wishing to ask a question may please press * and 1. A reminder to the participants, anyone wishing to ask a question may please press * and 1. We will take the next question from the line of Ronald Siyoni from Sharekhan. Please go ahead.
- **MR. RONALD SIYONI – SHAREKHAN**
- Yeah good afternoon sir. Apart from the EPC 153 crore revenue what is the contribution from short term toll, long term toll and OMT in the revenue?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Sure. Yeah. For Q2 Mumbai Entry Point has contributed 110 crores. MEP Short term tolling, MEP Infrastructure Development short term tolling it is 40 crores. HAM we already told you it is 163. Hyderabad-Bangalore it is 42. IGSL it is 27. And the remaining is all others, HIBC and other projects.
- **MR. RONALD SIYONI – SHAREKHAN**
- And remaining would be?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- Remaining would be I mean total amount is 409.
- **MR. RONALD SIYONI – SHAREKHAN**
- And remaining would be short term tolling only right?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- No. Some small-small projects like Baramati, Katai-gove and other projects.
- **MR. RONALD SIYONI – SHAREKHAN**
- Okay, okay. Okay sir thank you very much.
- **MANAGEMENT – MEP INFRASTRUCTURE**

- Thanks.
- **MODERATOR**
- Thank you. A reminder to the participants, anyone wishing to ask a question may please press * and 1. Participants if you wish to ask a question you may please press * and 1. A reminder to the participants in the conference anyone wishing to ask a question may please press * and 1. We will take a follow up question from the line of Ronald Siyoni from Sharekhan. Please go ahead.
- **MR. RONALD SIYONI – SHAREKHAN**
- Just sir on the TOT model like have you been able to finalise how we are going to approach it? Like whether any investors have been finalised or you have been in talks with the same? How we are going to go about in TOT model actually?
- **MANAGEMENT – MEP INFRASTRUCTURE**
- For TOT I think we are in talks with couple of financial institutions and funds for partnering with them for participating on these bids.
- **MR. RONALD SIYONI – SHAREKHAN**
- Okay. And when do you see a keen interest in participation from the investor's side from the institutions to go in the TOT.
- **MANAGEMENT – MEP INFRASTRUCTURE**
- I think the institutions are quite keen.
- **MR. RONALD SIYONI – SHAREKHAN**
- Okay. Okay thank you very much sir.
- **MODERATOR**
- Thank you. A reminder to the participants anyone wishing to ask a question may please press * and 1. Participants if you wish to ask a question you may please press * and 1. A reminder to the participants in the conference, anyone wishing to ask a question may please press * and 1. As there are no further questions I would now like to hand the conference over to the management for their closing comments.

- **MANAGEMENT – MEP INFRASTRUCTURE**
- Okay. Thank you so much. Thank you everybody participating on the call, for making time and coming on to our call for this quarter. And we look forward to discussing our results again during the next quarter announcements in February. Thank you very much.
- **MODERATOR**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

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