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C&C Constructions Limited

Investors / Analysts Conference Call

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Moderator

Ladies and gentlemen good afternoon, I am Rochelle, the moderator, for this conference. Welcome to the earnings conference call with the management of C&C Constructions Limited. For the duration of this presentation all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Arya of Citigate Dewe Rogerson. Thank you and over to you Mr. Arya.

Kunal Arya

Good afternoon ladies and gentlemen and welcome to the C&C Constructions Ltd Q3FY2008 conference call. Thank you for joining us today. We have with Mr. G S Johar, Chairman and Mr. Tapash Majumdar, Chief Financial Officer of the company. We will begin this conference call with opening remarks from Mr. Johar after which we will have a brief question and answer session. I would now like to invite Mr. Johar to give us a brief overview of the operations of the company during the period under review.

G. S. Johar

Good morning ladies and gentlemen. Thank you and warm welcome to all of you to the C&C Constructions Q3FY2008 conference call. I would like to state here that certain statements made during this call might be forward looking in nature and might differ from the actual results going forward.

During the quarter we have had good progress across all our current projects and we have bid for various projects valued at about Rs 3,000 crore of which Rs 1,800 crore is directly in the name of C&C Constructions Ltd and Rs 1,250 crore is in our joint venture.



I will quickly run you through our financial performance and then move on to the key developments during the quarter before taking questions.

Our revenue for the quarters stood at Rs 165 crore up 58% against Q3 FY 2007. EBITDA for the quarter was up 67% and PAT was Rs 12.4 crore, up 52%. Our EPS for the quarter was Rs 6.83.

Moving on to our operations, presently we have an order book of approximately Rs 17.2 billion scheduled for completion over the next three years. There may be slight variations from the numbers circulated to you earlier. We are glad to inform you that we have just bagged an order from Afghanistan, valued at US\$ 86 million in joint venture with our joint venture partner B. Seenaiiah & Co. (Projects) Ltd and that is where the addition is. Our current order in the joint venture are at about 40% and 60% are in the name of C&C Constructions Ltd. Our JV arrangement with BSCPL drives us to periodically enhance our bid capacity allowing us to bid for larger projects. These also enabled us to derive operating synergies in terms of equipment and manpower. Our current projects in Afghanistan have achieved completion in 2008. We have this one project that I just mentioned earlier and we have two other projects valued at about Rs 655 crore under bid. The results of which are awaited during the next few weeks.

Going forward we expect our international business to contribute about 20% to 25% of our revenues. Currently, about 96% of our revenue comes from the road constructions vertical where we have several large projects. We have a Rs 4 billion BOT project for the design and constructions and maintenance of a 44 kilometer stretch of the National Highway from Kurali to Kiratpur. In New Delhi we have an order from the transport commission for the widening of the 14.5 kilometers stretch of an existing road to accommodate a High Capacity Bus Corridor. During the quarter we have also secured two contracts from the Himachal Government valued at Rs 2.2 billion for the widening of a 90 kilometer stretch in the state. We have also bagged an order for Rs 574 Crore from Jaiprakash Associates. This is a BOT project that JP is undertaking from Parwanoo to Zirakpur covering the states of Himachal, Punjab, and Haryana.

In the current financial year we have forayed into 3 new business verticals, Water Sewerage, Urban Infrastructure, and Power Transmission. In the water sewerage segments we have secured an order of Rs 73 crore from sub-contracting from Ramky Infrastructure Ltd. from the Jabalpur Municipality. In the urban infrastructure segment, we have approximately Rs 32 crore worth of building and development in the form of commercial and warehouse space mostly in the NCR. In the power segment, we have



quoted for various orders with PGCL and State Governments though we have yet to receive our first order.

I would like to emphasize that our expertise lies in the timely and successful execution of projects in challenging and in inhospitable conditions. Such projects require careful logistics planning; maintaining adequate supplies of material, manpower and equipment. Going forward, we will continue to expand and grow our business segments by actively pursuing projects in new and existing regions, which provide us with opportunities to grow. I would also like to thank you for joining us in this conference call. And now we will be happy to answer any questions or comments that you may have, thank you.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question at this time, please press * and then 1 on your touchtone phone. The first question is from the line of Mr. M D Riyaz from VCK, please go ahead.

M D Riyaz

Good morning sir I am Riyaz from VCK Shares & Stocks of Kolkata.

G. S. Johar

Yes, yes Riyaz.

M D Riyaz

Sir you are engaged in lot of constructions, so you must be facing a lot of commodity risk. Now since all the commodities are surging all over the world how you are hedging this kind of risk?

G. S. Johar

Some of my contracts are covered under escalation clauses and here too about 60% to 65% of the escalation is covered by these clauses, the rest is borne by us.

M D Riyaz

Escalation clause, is this link to WPI?

G. S. Johar

Both WPI and in some cases we have star rates.

M D Riyaz

Can you just throw some light on what are star rates?

G. S. Johar

You know very often it happens that when you have a escalation clause linked to an indices a particular items rate may get skewed steadily and that upsets whatever escalations that you can record which is happening in the case of NHAI contracts particularly for steel and cement . So, some of the contracts that we have entered into now particularly the contract with JP Associates, we have star rates for the major raw materials in order to ensure that whatever escalation happens in these items is fully covered.



M D Riyaz That means you have completely hedged against certain critical inputs like cement or steel?

G. S. Johar No, it would be wrong to say completely, you know but I am fairly hedged against increases in material, you know that there would be some impact on my profitability on account of increase in prices but as a process of de-risking this business we do look at hedging by way of escalation clauses or trying to refine some of these clauses so that any sort of unfettered increase in the prices of a particular commodity are covered.

M D Riyaz Sir I believe, here basically 90% of it is coming from road constructions?

G. S. Johar Yes, 96%.

M D Riyaz Okay. So the majority of your client would be NHAI or government institutions, right sir?

G. S. Johar Yes, in fact one contract that we have from JP which is a contract for a road project in Himachal which is a BOT project that JP Associates have taken.

M D Riyaz In subcontracting, right sir?

G. S. Johar Well yes I would call it subcontracting technically here the employer is JP you know, JP is a developer.

M D Riyaz What are the margins currently you are enjoying in road construction project sir?

G. S. Johar See, we are, PAT for this year for this 9 months has been 7.5%.

M D Riyaz 7.5% is PAT margins.

G. S. Johar And this is primarily because I have not had any Afghanistan business

M D Riyaz And the EBITDA margin sir.

G. S. Johar EBITDA margins would be about 17.5%.

M D Riyaz; Pardon sir.

G. S. Johar 17.5%.

M D Riyaz 17.5%?

G. S. Johar Yes, this is for the 9 months.



M D Riyaz Sir you have not done any industrial constructions or going into foray into this kind of construction?

G. S. Johar We have done industrial construction in the past we created a 2 lakh square foot factory in Himachal and we currently have Rs 32 crore worth of order in commercial buildings and warehouses.

M D Riyaz Sir with the limited amount of exposure in industrial constructions, I would like to ask you as a very subjective question, are you foreseeing any kind of slow down because of this high interest rate, high commodities scenario, any kind of slow down in industrial or some kind of infrastructure constructions?

G. S. Johar I do not see any slowdown in the infrastructure sector. The government seems to be fairly committed to the development of the infrastructure in the Indian economy. And they understand very well that the infrastructure development is what really would take the economy forward. So I do not foresee any slowdown, however, you know we really need to guard against the inflation the increase in prices and your quoting you know has to be very, very selective.

M D Riyaz Okay sir. Sir you said that you are also into water projects?

G. S. Johar Yes we are, we have a Rs 73 crore order from the Jabalpur Municipality. This is a subcontract from a company called Ramky Infrastructure Ltd.

M D Riyaz Sir what kind of margins do you earn on these kind of water projects?

G. S. Johar You know this is the first project that the company has undertaken and I would look at estimated margins on a project like this at PBT of about 12%, but it is a little early to talk of this. It is only when we finish a project like this.

M D Riyaz Our expectation is around 12%, right?

G. S. Johar Yes.

M D Riyaz And sir what percentage of your equipments are actually owned?

G. S. Johar 100%.

M D Riyaz 100% you own, very nice sir. Thanks a lot sir. That is all from my side.

G. S. Johar Thanks.



Moderator Thank you. The next question is from the line of Mr. Aditya Sood from Religare PMS. Please go ahead.

Aditya Sood Sir, congratulations on a good set of numbers.

G. S. Johar Thank you.

Aditya Sood I just wanted to understand sir why you have reported loss at the PBIT level sir for the quarter ended from the overseas operation?

G. S. Johar There has been no overseas operations, if you see there are no numbers for this quarter overseas. And we continue to incur expenses.

Aditya Sood Okay.

G. S. Johar You know we are at the end of the project and the final bill is yet to be prepared.

Aditya Sood Okay and can you throw some light in the JP order you have recently bagged? and this JP contract since it would be contributing close to 25% of your current order book could you throw some light on what kind of margins you would command?

G. S. Johar The contribution would be just above industry margins. However, the crucial issue here is trying to complete the project on time. We have a 26 month period to complete the project. And we are also covered in terms of escalations. By way of sovereigns there are normal indices WPI link escalations for this, but for 3 materials - bitumen, steel, and cement we have star rates.

Aditya Sood But would it be safe to assume that you would be commanding something like 10% margin on the EBITDA level in this contract?

G. S. Johar A little more.

Aditya Sood Okay sir. Thanks a lot sir.

G. S. Johar Thank you.

Moderator Thank you Mr. Sood. The next question is from the line of Suman Memani from Religare Securities. Please go ahead.

Suman Memani Good afternoon sir and congratulations on good set of numbers.

G. S. Johar Thank you.

Suman Memani Sir I have got a couple of questions, from the order book also.



G. S. Johar Yes, sure.

Suman Memani At the last conference call we had an order book of Rs 950 crore.

G. S. Johar Right.

Suman Memani And 3 majors order we received from Himachal Pradesh, from Afghanistan, and the JP which gets an order book to Rs 2,070 crore.

G. S. Johar Okay.

Suman Memani And we have done an execution of nearly about Rs 166 crore.

G. S. Johar Right.

Suman Memani Which then if you deduct then it comes to approximately near Rs 1,900 crore, so now you are saying the order book is Rs 17.2 billion, so the rest of the orders are in the execution or it is in what stage?

G. S. Johar It is in execution.

Suman Memani It is in execution?

G. S. Johar Yes.

Suman Memani Okay. And you mean execution has been completed?

G. S. Johar Some of it has been completed.

Suman Memani And these Rs 17.2 billion is the order as on date?

G. S. Johar Yes this is as on date.

Suman Memani Okay and sir we saw that you have received, given an insurance claim of Rs 13 crore approximately?

G. S. Johar Right.

Suman Memani So what sort of it is and how much you claim for and what was the cost incurred on that?

G. S. Johar See this is the entire cost, whatever loss is suffered on account of the wash out of our existing road or rather existing work done has been reimbursed by the insurance company.

Suman Memani And which location it is?



G. S. Johar It is in Bihar.

Suman Memani Bihar, okay.

G. S. Johar In the joint venture this is a total claim of Rs 25.84 crore of which half of it is coming on to my balance sheet.

Suman Memani Okay so any other claim which we have raised for any other project?

G. S. Johar No, there has been no other loss and we hope there is not.

Suman Memani Yes sir. And we see sir, but there has been significant rise in depreciation cost and the interest cost in this particular quarter.

G. S. Johar Yes.

Suman Memani So can you throw some light on that?

G. S. Johar As far as the interest cost is concerned a major portion is on account of various guarantees given. And depreciation you know what really happens when you start a project you take on a lot of equipment and there is depreciation that accrues. So depreciation, in the right spirit should be seen for the whole year and not for the particular quarter.

Suman Memani Yes I do understand, sir. So what in the CAPEX addition you have made in this quarter?

G. S. Johar CAPEX addition, I think about, just one moment I think across is Rs 44 crore.

Suman Memani Rs 44 crore.

G. S. Johar Yes.

Suman Memani And for 9 months sir if you can give us.

G. S. Johar 9 months is Rs 44 Crore. And the major capital transaction happened during this quarter.

Tapash Majumdar The capital work in progress also get capitalized during the process, so the entire capitalization has taken place in this quarter.

Suman Memani Okay so Rs 44 crore is the amount.

G. S. Johar That is right.

Suman Memani And what would be the leasing and hiring charges for this quarter.



G. S. Johar See we do not work on leasing. We work only on hire purchase, so there is installment and there is interest. And the interest goes into be interest account and the principal amount goes into adjusting the hire purchase.

Suman Memani And so one final question here, can you throw some on the JP project highlight because when this project is expected to complete and whether land acquisition has been completed by JP and when you start, excepted start?

G. S. Johar We have already started, within 15 days of having received the order, we have commenced operations there. The first initial work of scrubbing the road that is done at the beginning of a project has already started you know of course there is always the survey, the survey is done, the scrubbing has already started and we have two months for mobilization. And we have 24 months to complete this job.

Suman Memani 24 months

G. S. Johar So we are very hopeful that we should be able to cover 40% to 45% of the work in the first 12 months and the balance in the next year.

Suman Memani Okay fine, I will come for the follow-up question.

G. S. Johar Okay.

Suman Memani Thank you.

Moderator Thank you Mr. Memani. The next question is from the line of A. Bhandari from PINC Research, please go ahead.

A. Bhandari: Good morning sir, congratulations on good set of numbers.

G. S. Johar Thank you.

A. Bhandari Sir the contracts for which you have bid that is Rs 3,000 crore that have you mentioned, how much would be domestic and international breakup in this?

G. S. Johar About Rs 670 crore would be international and the rest is domestic.

A. Bhandari Sir, the international is the all in Afghanistan?

G. S. Johar All in Afghanistan.

A. Bhandari Okay. So sir, and this Rs 344 crore ordered that we have recently got, I mean what would be the nature of work that we have to do there?



G. S. Johar Roads.

A. Bhandari: Roads and what are the usual tax rate, sir in Afghanistan?

G. S. Johar There is a standard 20% tax, after 50% depreciation.

A. Bhandari 20% tax after 50% depreciation.

G. S. Johar Yes depreciation rate is 50% and whatever tax we pay in Afghanistan gets set of against the taxes in India.

A. Bhandari: Okay, alright.

G. S. Johar There is no additional tax on the company.

A. Bhandari And apart from that Rs 265 crore you mentioned which are in bidding in Afghanistan, those projects are also in roads only?

G. S. Johar Yeah those projects are also in roads.

A. Bhandari Well and that Rs 3,000 crore breakup mostly would be roads or what sir?

G. S. Johar Yes this is mostly roads.

A. Bhandari Okay. And you told that we are venturing into water and sewage, urban infra and power transmission. So, what are the EBITDA margins in each of these segments that we are looking forward, sir?

G. S. Johar On the water front, there EBITDA margins would be about 15% to 17%.

A. Bhandari 15% to 17%.

G. S. Johar Power transmission would be about 10% to 12% and building would be again you know about 14% to 15%.

A. Bhandari Okay. So we expect sir, some pressure on our overall margins as you mentioned that 9 months we have a margin of around 17.5%. So, if lets say we said that water and urban infra and power we are going to increase our share now. So do you expect some pressure on our existing margin, 17.5%?

G. S. Johar You know during this period we have only done about 15% business in Afghanistan. We expect Afghanistan to be at about 20% to 25% during the next fiscal. So, the margins would be relatively lower than the last year that is we are an EBITDA about 20% last



year and assuming about 17.5. So we will be able to maintain this along with the Afghanistan business.

A. Bhandari Okay so will you are saying but basically the margins are going to be remaining the same?

G. S. Johar Right.

A. Bhandari And Sir this quarter we had some other income of Rs 13.5 crore. So can you throw some light on that?

G. S. Johar Yeah I mean this is basically an insurance claim that we have received for the road that we had constructed in Bihar got washed out during the rains.

A. Bhandari Okay.

G. S. Johar This is Rs 25 crore losses we had in the joint venture. And we got the claims and half came on to my balance sheet and half on to my partner's balance sheet.

A. Bhandari Okay so is it the entire amount or we are expecting some more on this?

G. S. Johar No this is the entire amount I mean this is the entire amount that we have received.

A. Bhandari Okay, okay fine sir. And sir our CAPEX plans sir from the next couple of years I mean when we are saying that Rs 3,000 Crore orders we are bidding for. So there would be a substantial ramp up in the top line so to support that any CAPEX plan for the next two years?

G. S. Johar There we would be looking at a CAPEX plan of roughly Rs 100 crore for this business, but Rs 70 Crore to achieve the CAPEX for the existing business and another Rs 30 Crore for the additional.

A. Bhandari This is for FY2009.

G. S. Johar Yes.

A. Bhandari Okay fine. And sir can you tell some details about your BOT projects, sir I am not aware about it, 4 billion this thing total cost right?

G. S. Johar The total cost is Rs 400 crore; We are 49% partner in the SPV and 50% in the contracting arm. This is from Kurali to Kiratpur total project cost is Rs 400 crore, of which Rs 260 crore is loan, Rs 44 crore is grant from the NHAI and the balance is equity from us.



A. Bhandari Okay who is the other partner sir?

G. S. Johar B. Seenaiiah & Co. (Projects) Ltd.

A. Bhandari Okay and this is annuity based or toll based?

G. S. Johar This is toll based.

A. Bhandari Okay so at what stage it is in right now constructions phase?

G. S. Johar Yes it is in construction stage we finished our financial closure and we have spent roughly about Rs 75 crore on this project.

A. Bhandari Okay what is the concession period?

G. S. Johar 2 ½ years for construction and 17 ½ years for operation and maintenance.

A. Bhandari Okay so by when we expect the tolling to start?

G. S. Johar As per the contract terms it is supposed to start by the December 2010, we hope to achieve it a little earlier.

A. Bhandari Okay and expected revenue sir from this tolling once it starts. I mean what is the kind of traffic there and the tolling rates?

G. S. Johar See just keep in mind that current tolling rates it is roughly about Rs 30 crore but this is on a 4% traffic growth.

A. Bhandari This is per annum?

G. S. Johar Yes and this goes to up to about Rs 280 crore over the next 10 years.

A. Bhandari Okay fine sir. Congratulations once again and all the best, sir.

G. S. Johar Thank you.

Moderator Thank you Mr. Bhandari. The next question is from the line of Mr. Sumit Agarwal from HSBC. Please go ahead.

Sumit Agarwal Yeah hi sir this is Sumit. Congratulations for a good set of numbers. Yes sir, I was looking at your margins and it is surprising to know that your margins are in high 20s, 20%+ just wanted to know the reason. If I compare your margins with your other peers they have been something like 10% to 12%. So what makes you get those higher margins?



G. S. Johar

There are two reasons, the first reason that I work in areas that have some sort of logistics or other difficulty in executing contracts. You could look at Afghanistan, you could look at Bihar and if you look at my past, I have worked very, very actively in Port Blair I have worked in the North East. Typically on a project of about Rs 400 crore there are about 8 to 10 bidders, but when we look at a project in say Afghanistan there are 4 bidders, if you look at Jammu & Kashmir, there were two contracts that I had bid for in Jammu & Kashmir and there were just two bidders, so that is one reason. The other reason, we have a very hands-on management and we are always looking at methods to reduce cost. Just to give you two small examples, in Afghanistan we import a lot of Bitumen and Afghanistan is a land locked country. Freights are a very huge element in this whole process. Typical bitumen comes in steel drums, we fabricated 20 ton containers, we imported bulk bitumen at the Iran Port and then carted bitumen in these containers with heating systems on to our sites. I reduced my freight by about 25% and I never ran out of bitumen because there was my storage also. In Bihar, I had my first lot of contracts valued at Rs 1,040 crore from NHAI. I set up a crusher in Nepal, I am the only one who went and committed himself in Nepal. I reduced the lead for the carrying cost of aggregate by about Rs 40 crore. And that translates to 4% of the project cost. Of course when you try and work in areas like Bihar there are execution costs that are higher than the rest of the country, but the margins more or less offset this.

Sumit Agarwal

Okay margins more or less offset this risk. So just wanted to know, to get the sense of what would be the margin in say in an Afghan project or a Jammu & Kashmir project, will it be as high as like 25% to 30%?

G. S. Johar

Afghanistan, I mean we would not quote for a project if it has less than 25%.

Sumit Agarwal

Okay. Also sir just wanted to know is not this a riskier strategy where you go and work in a region where there is lot of political uncertainties and probably as a result of this the execution delays, execution cost increases, or you are bound for more execution delays?

G. S. Johar

I think you have very valid question, I would address this question by two ways. Number 1 over the past that is how I have worked, and I have very successfully delivered, but as you very rightly said that you need to spread yourself out and if you see my current order book I am working in Bihar 22%, I am working in Punjab which is 19%, Himachal 14%, Haryana 30% and Delhi or the NCR 4%, Afghanistan 10%. So you see a fairly spread out geographical spread on my business.

Sumit Agarwal

So in that case probably there might be slower margins because you are working in NCR and those reasons where again the competition would creep in?



G. S. Johar Absolutely, absolutely in fact the decrease in margin from 20% to 17.5% is primarily on account of there being more business in the safer areas.

Sumit Agarwal Okay. So in that case what would be your mix in geographical mix say as of next 3 years or next 4 to 5 years and what would be your margins?

G. S. Johar We would want that about 30% business is coming from the international market whether it is Afghanistan or any other place. There would always be aberrations you know until about 10 days ago it was 100% India and it is now 90% India and 10% Afghanistan. We would expect the Afghanistan business to contribute about 20% to 25% over the next one year and probably depending on the growth of that market or any other market that we start looking at. And we would try to keep this business at about 30%.

Sumit Agarwal And what would be the margins in that case, that you would be looking on a consolidate basis both India as well as the international business put together?

G. S. Johar Barring some unforeseen increases, we would stick to about 17.5%

Sumit Agarwal Okay so this is your stabilized margins that you are talking of.

G. S. Johar Yes.

Sumit Agarwal Okay fine. Thanks a lot sir and best of luck for your future.

G. S. Johar Thank you.

Moderator Thank you Mr. Agarwal. The next question is from the line of Piyush Gupta from Bonanza Portfolio Management. Please go ahead.

Piyush Gupta Good morning sir.

G. S. Johar Good morning.

Piyush Gupta Actually sir I wanted to know that why your profit margins are decreasing?

G. S. Johar Profit margins are a function of the area that you work in. If you are a Rs 100 crore company then you can afford to be working only in one region, but if you are a Rs 500 crore company then there is a geographical spread and each area carries its own set of margins as I have said earlier that we were earlier a 70% Afghanistan based company and 30% India. Now we have spread out where if we look at my last 9 months working I have done only about 15% from Afghanistan and 85% from India. So when you look at



numbers like this, there is bound to be a reduction in profit margins. It would be unrealistic to expect the same set of margins from both the areas.

Piyush Gupta Okay sir and what about the breakup of your order book for next year?

G. S. Johar You want to know the geographical spread?

Piyush Gupta Yes geographical spread.

G. S. Johar Yeah I have 90% in India and I have 10% in Afghanistan. Out of this 90%, about 25% is in Bihar and the rest is spread over Punjab, Himachal and Haryana.

Piyush Gupta Okay and what about the value of that water project for next year?

G. S. Johar Now we have roughly Rs 17 billion worth of orders of which we propose to do about 60% in 2009.

Piyush Gupta Which one, actually I cannot hear properly.

G. S. Johar We have Rs 17 billion of orders and we are targeting at doing 60% of this business in 2009.

Piyush Gupta Okay and what about the profit margin for next year?

G. S. Johar We would maintain the current margins.

Piyush Gupta What sir?

G. S. Johar We will maintain the current margins.

Piyush Gupta Current margins, that means 10%.

G. S. Johar No we are at 8.5%.

Piyush Gupta Okay sir. Thank you very much.

Moderator Thank you Mr. Gupta. The next question is from the line of Mr. Nitin Pandey from Edelweiss. Please go ahead.

Nitin Pandey Very good afternoon sir.

G. S. Johar Good afternoon Nitin.

Nitin Pandey Sir you stated about your three new lines of businesses - water, urban infra, and power transmission.



G. S. Johar Right.

Nitin Pandey Could you please explain a little bit about the strategy of each of the lines?

G. S. Johar See if you look at the water business, under the JNURM program the Indian Government has short listed 63 towns and there is an estimated spends of Rs 150,000 crore. Our strategy would be to build up visibility in these areas, the way we built it up in the road sector by way of subcontracts, by way of joint ventures and then go up the value chain in terms of both the size and complexity of the job. That is as far as water is concerned. On the power transmission we've sort of tried to enter into the power sector through PGCL on their vendor development scheme, but it appears that PGCL is not very serious about those vendor development schemes. So, we are in the process of looking for a partner who carries the necessary qualifications for us to bid for larger contracts with PGCL. In the meanwhile, we are bidding for various contracts under the vendor development scheme with PGCL as well as the state electricity boards. On the Building front, you know the initial lot of our business has come up from your own group companies, develop the necessary skills we have now bid for various contracts valued at about Rs 10 - 30 crore in the building sector and we have just tied up with another company for a project in Afghanistan. We have not bid yet but there is a tie-up in place. And we are looking at a project of roughly about Rs 100+ crore.

Nitin Pandey And sir what exactly we do in power transmission?

G. S. Johar We fix the towers, we string them, we put in all the equipment required and hand it over to the operator.

Nitin Pandey So we source that towers or other equipments from other manufacturers then we do that construction or erection part of that?

G. S. Johar Exactly right.

Nitin Pandey So currently our order book in this business is?

G. S. Johar I have only a Rs 40 crore order in the water sector, Rs 32 crore in the building sector, I have not yet received an order for power transmission. One year ago I was L1 in a contract which kept hanging for a while, we still have not received that order and you know I do not think we will get that order.

Nitin Pandey And sir could you please tell me where we source the towers from? Who is the manufacturer?



G. S. Johar See, there are various manufacturers from whom we source towers. In fact we are also are in the process of setting up our separate unit to manufacture these towers.

Nitin Pandey It would be within the company or ...?

G. S. Johar It would be outside the company. There are very, very different synergies in the manufacturing sector and the contracting sector. So it is not a very wise decision to mix these two businesses in terms of manpower, in terms of HR functions and in terms of strategy.

Nitin Pandey In fact to my mind, if you want to integrate the business you would like to have it your company rather than in some other ...

G. S. Johar You know see that business can do a lot more then just towers, which has got nothing to do with contracting. So, that is and you know towers would cost you maybe 30% to 40% of the business, 60% of the business is going to be from outside towers.

Nitin Pandey Sir, what kind of margins are there in this business?

G. S. Johar You know it is a little early for me to talk on margins in this business.

Nitin Pandey Roughly.

G. S. Johar But we will be definitely looking at EBITDA of about 12% to 15%.

Nitin Pandey And what should be the CAPEX for these 3 divisions within the next 2 years.

G. S. Johar I think not more than Rs 15 - 20 crore. Very marginal.

Nitin Pandey Okay and roughly what kind of revenues we are expecting from these divisions?

G. S. Johar You know over the next 3 years we are targeting at building up 30% of our revenues coming from these three verticals.

Nitin Pandey 30%.

G. S. Johar Yes.

Nitin Pandey Thanks a lot sir.

Moderator Thank you Mr. Pandey. The next question is from the line of Karthik Ganeshan from Irevna Research. Please go ahead.

Karthik Ganeshan Good afternoon sir, congratulations for a good set of numbers.



G. S. Johar Thank you.

Karthik Ganeshan Sir my first question is related to the contracts you got from JP Associates, sir have you started working on that contract?

G. S. Johar Yes we have.

Karthik Ganeshan As in, so what is the timeline for land acquisition if any?

G. S. Johar That is the responsibility of the employer and they have most of the land that is required for construction is available to me.

Karthik Ganeshan Okay and sir as far as the BOT project that you are undertaking, do you foresee any problems in land acquisition going forward?

G. S. Johar A major portion of the land that we have acquired for our construction has already been acquired. For the rest, the necessary notifications have been issued and we do not foresee any major issue in land acquisition.

Karthik Ganeshan Okay that is pretty much across all projects, considering that this is an election year and other factor such as similar factors?

G. S. Johar No I have only 1 BOT project that I am undertaking and here we do not foresee any problems on land acquisition.

Karthik Ganeshan Okay and sir you also have a bus corridor project in Delhi?

G. S. Johar Yes I have.

Karthik Ganeshan Okay and recently, there was a controversy so do you see that affecting your project that you have in hand. I mean due to the recent s-trans?

G. S. Johar Let us put it this way that this is a project that has been conceived by the planners here to try and de-congest Delhi. And there are lot of issues in this planning process you know lot of people are inconvenienced you hear a lot statements, I think the end result of all this is that the project got delayed and that reduces my margins, of course you know if there is delay for reasons which are not attributable to us there are escalations available but they are not enough to cover us. We definitely see this project giving us lower margins, but when you look at the overall scheme of things my share of this project is only Rs 65 crore.

Karthik Ganeshan Right sir and probably it is a very small portion of the entire order book?



G. S. Johar Exactly, though you know it created more noise in the rest of my businesses and the rest of the work.

Karthik Ganeshan Alright sir; thanks a lot for answering questions.

Moderator Thank you Mr. Ganeshan. The next question is from the line of Mr. Bhaskar Bukrediwala from Edelweiss Capital, please go ahead.

Bhaskar Bukrediwala Good morning sir, this is Bhaskar from Edelweiss. A couple of follow up questions in terms of your order book composition, sir you said that your order book is Rs 1,700 crore, now out of this Rs 1,700 crore, Rs 574 crore is order from JP Associates, which you said is a star contract order, so the remaining is Rs 1,125 crore. Now, you have BOT project worth Rs 400 crore, out of which your share is 50%. So let's assume Rs 200 crore, out of this Rs 1,125 crores the remaining is Rs 926 crore, right sir? This Afghanistan order, which you have received Rs 344 crore, is it a fixed price contract?

G. S. Johar Yes, this is a fixed price contract.

Bhaskar Bukrediwala It is a fixed price contract, so if I would add 350 out of this 926, you are approximately say, Rs 550 crore of order book less, so that Rs 550 crore would you like to give us a composition in terms of whether it is a fixed or WPI or how is it?

G. S. Johar See, only the NHAI contracts and the Jaiprakash contracts, I have Rs 413 crore of contracts from NHAI, I have Rs 574 crore from Jaiprakash, and I have roughly about Rs 20 crore on this BRT order.

Bhaskar Bukrediwala The BOT is how much sir?

G. S. Johar No, no I am talking of now the one that carries an escalation. I presume that is your question?

Bhaskar Bukrediwala Yeah, right sir.

G. S. Johar So, Rs 413 crore of NHAI, Rs 574 of Jaiprakash, and Rs 20 crore of the BRT carry an escalation and the rest is not under escalation.

Bhaskar Bukrediwala Okay and this Rs 413 crore from NHAI, this is linked to WPI?

G. S. Johar Yes.

Bhaskar Bukrediwala Okay, right sir. Sir, one more question is terms of, do you have any derivative exposure or any FCCB or foreign currency loan in your books?



G. S. Johar No.

Bhaskar Bukrediwala Nothing so, there is no MTM loss that is expected?

G. S. Johar Not at all.

Bhaskar Bukrediwala Sir, more insight that we needed is could you throw some light in terms of what is the total steel, cement, and bitumen requirement probably as percent of your sales or as percent of your total raw material cost?

G. S. Johar You know normally, these three items constitute roughly about 40% on my cost.

Bhaskar Bukrediwala 40% of your total raw material cost?

G. S. Johar Right.

Bhaskar Bukrediwala Okay and what sir if steel, cement, and bitumen consist to be 40% of your total, is it total cost or total raw material cost?

G. S. Johar Total cost.

Bhaskar Bukrediwala Total cost okay, fair enough sir.

G. S. Johar Okay, yes.

Moderator Thank you Mr. Bukrediwala. The next question is from the line of Nikhal Gala from MF Global, please go ahead.

Nikhal Gala Sir, Nikhal from MF Global.

G. S. Johar Yes.

Nikhal Gala I wanted to know that since a lot of orders are from Afghanistan. What is the safety of the receivables of Afghanistan?

G. S. Johar Safety of receivables or safety of people?

Nikhal Gala People as well as both, because in Afghanistan you need to be repaid right?

G. S. Johar The payments are guaranteed by multinational funding agencies. We get our payments directly from the US, into our accounts into India, so there is no country risk that I carry on my receivables front. As far as the safety of my people is concerned, US State authorities are supposed to provide safety and security to my people. Incidentally I have been working in Afghanistan over the last 4 years and you know there are constraints in



working in Afghanistan in terms of when you can work, how you can work, what place you can work and that is fully controlled by the armed forces of US, UK and other allies. And as long as you work within those constraints, you are fairly safe. I could only say with a lot of confidence that we have not had a single incident except, one incident of kidnapping and that to, of two boys, who decided to get into an area that they were not suppose to go to. We were lucky to get them back and that happened about 3 years ago.

Nikhil Gala

Okay thank you.

Moderator

Thank you Mr. Gala. The next question is from the line of Mr. Amitabh Santhalia from SK Securities, please go ahead.

Amitabh Santhalia

Yes, good afternoon sir.

G S Johar

Good afternoon.

Amitabh Santhalia

Thank you for great set of numbers. Just a few clarifications from that, on the 9 month basis the sales of almost Rs 300 crore, what percentage is Afghanistan contribution is there?

G. S. Johar

15%.

Amitabh Santhalia

And on the full year basis, any guidance for the sales and margins that you will be able to maintain on 17%?

G. S. Johar

We will be able to maintain this margin.

Amitabh Santhalia

And on FY2009 sales, any guidance on that?

G. S. Johar

Yes, we will maintain these margins.

Amitabh Santhalia

No; on sales basis on top line?

G. S. Johar

Yes, you know out of this total order book of Rs 1,700 Crore, about 60% we will execute this year.

Amitabh Santhalia

Okay thank you.

Moderator

Thank you Mr. Santhalia. The next question is from the line of Gurpreet Arora from IL&FS Investmart, please go ahead.

Gurpreet Arora

Good afternoon sir.

G. S. Johar

Good afternoon.



Gurpreet Arora Congratulations on very good set of numbers and your recent bagging of orders.

G. S. Johar Thank you.

Gurpreet Arora I just need to understand, what is the debt of the books on that date?

G. S. Johar Rs 280 crore.

Gurpreet Arora What is the average cost of the debt?

G. S. Johar 11.5%.

Gurpreet Arora So, if I have heard from this set that FY09, it would be doing around Rs 100 crore of CAPEX, can you throw some visibility on how are you going to fund these Rs 100 crore?

G. S. Johar Yes, most of this would you know about 75% would be debt.

Gurpreet Arora And 25% internal accruals?

G. S. Johar Yes.

Gurpreet Arora Sir, you said your turnover composition is around 96% from roads and 4% others and then going forward also, even diversifying into like water, urban and power you said. So, going forward what sort of a turnover composition can we expect, what will be your key focus areas, roads only?

G. S. Johar See, the roads continue to be a key focus area; however, the three new verticals have been added, we will try and build up a turnover of roughly about 30% three years from now.

Gurpreet Arora Okay 30% in these three sectors?

G. S. Johar Yes.

Gurpreet Arora And 70% will come from roads?

G. S. Johar Absolutely.

Gurpreet Arora And it being an election here, I had a little contrarian view of what you said, I mean if the election happens on time, I would see slowing of order book from NHAI during to prior to 6 months of the elections. So, I mean how are you going to tackle that, because 96% of the revenue is coming from roads?



G. S. Johar I think you know whenever elections happen there would be a slowdown that is, no denying that. However, if you look at my order book composition and the total value of business that I have in the immediate short term it will have no impact on me.

Gurpreet Arora Your immediate short term means, 3 to 6 months?

G. S. Johar See that 6 months period whenever election happens, there is an absolute slowdown, but I have enough business to carry me to 2010.

Gurpreet Arora Okay, thank you and all the best for the future.

G. S. Johar Thank you.

Moderator Thank you Mr. Arora. The next question is from the line of Ashish Kacholia from Lucky Securities, please go ahead.

Ashish Kacholia Good afternoon sir. I just wanted to understand going forward, what is the kind of volume increase we see in our business, year-on-year?

G. S. Johar The were close last year that is Rs 330 crore and we have done Rs 300 crore in these 9 months and we would maintain the same ratio by and large in terms of the last quarter sales and then in 2009 Rs 1,700 crore, we are targeting as completing about 60%.

Ashish Kacholia Okay, so that would be about...?

G. S. Johar Rs 1,000 crore.

Ashish Kacholia Yeah, one of the questions I had was, given the business that we are doing, is there any scope and improvement of our working capital cycle?

G. S. Johar Unfortunately no.

Ashish Kacholia So, what is the level of debtors that you anticipate?

G. S. Johar See, not just debtors, but we definitely look at 5 to 6 months of working capital that we would carry. We try and introduce ERP systems, so that we can reduce inventory and may be look at larger projects. There again, there would be some reduction in inventory, but by and large, I do not see any major change in the working capital cycle.

Ashish Kacholia Alright sir, thank you very much and all the very best.

G. S. Johar Thank you.



Moderator Thank you and next question is from the line of Gaurav Lohia from KR Choksey Securities, please go ahead.

Gaurav Lohia Hello sir, congratulations on the good set of numbers.

G. S. Johar Thank you.

Gaurav Lohia Yeah, we would just like to ask, what kind of the growth in order book you are expecting say, 2 or 3 years down the line?

G. S. Johar Well, see growth and order book is again function of our bid capacity and bid capacity is a function of your last year's turnover. We currently carry an order book of Rs 1,700 crore, if we do Rs 1,000 crore in 2009, then my bid capacity on 3 year contract, will be about Rs 3,500 crore.

Gaurav Lohia Sorry, can you repeat that?

G. S. Johar My bid capacity would be Rs 3,500 crore, so I would expect to match my order book this bid capacity.

Gaurav Lohia Oh alright, thank you.

G. S. Johar So, by the close of 2009 I should be looking at roughly a Rs 3,000 crore order book.

Gaurav Lohia Alright, yeah thanks a lot.

Moderator Thank you Mr. Lohia. The next question is from the line of Vikas Verma from B&K Securities, please go ahead.

Vikas Verma Good afternoon sir.

G. S. Johar Good afternoon.

Vikas Verma I just wanted to know in your order book 40% is in JV, so what is the percentage from B. Seenaiiah or is it 40%?

G. S. Johar No, this is our share from the JV.

Vikas Verma So, of the order book, 40% is in JV. So, in the 1,700 crore order book, the percentage in JV of the order book is around how much sir?

G. S. Johar 40% is in the JV.

Vikas Verma Yes and B. Seenaiiah would contribute how much sir?



G. S. Johar No, this is all B Seenaiiah.

Vikas Verma And going forward you look at going forward with B Seenaiiah only?

G. S. Johar See, we have a relationship for the last 8 years now and the relationship has worked very well, so we see no reason to change this.

Vikas Verma Sir, and one more thing that, if you are bidding on some projects then B Seenaiiah can bid independently on that project also sir?

G. S. Johar There is enough business going around so there is no need to start bidding against each other, it hasn't happened till now, but contractually there is no bar.

Vikas Verma And sir, one more thing BOT project, sir the EPC work is done by which company, means you are doing exact EPC or?

G. S. Johar It is done by the JV.

Vikas Verma Okay sir and is the company is going to be bidding for more BOT projects, sir?

G. S. Johar With this current change is qualification criteria, where the buyers are shifted from a contractor to a developer; we stand very little chance of coming in the top 5. So, we are looking at associations with international companies to be able to be part of the consortium that bids for these projects. There is nothing on hand right now.

Vikas Verma Actually, there are lots of BOT projects are going to come, so that is why I just wanted to know that we have that capability of doing that project?

G. S. Johar Absolutely, we do.

Vikas Verma And sir, what is the manpower strength of a company right now?

G. S. Johar We have 1,600 people on our rolls, and there is another say about 2,000 people on the rolls of the JV, of which technically you would add another 1,000 to mine.

Vikas Verma And sir, regarding an international operations, you are also doing work in Afghanistan, then on these which country you are planning to move from Afghanistan also?

G. S. Johar Let me just explain, in the road sector, you know your prime object, there is a very heavy investment in plant and machinery, which is not very, very mobile. You know I cannot sort of look at one contract in country A, one contract in country B. I need to look at place, that has a road program and we have looked at various countries Sudan, Libya, Algeria and we have two things in mind, number 1 we do not want to defocus, as long as



there is business coming from Afghanistan, I do not want to start looking in other country and spread much of our strength, It is only when I see the business tapering off, we would start focusing very aggressively in another country.

Vikas Verma And sir, disserting for international operations we are looking in for road projects, you said that you have one of the building projects in Afghanistan also?

G. S. Johar No, we have not won. We are in the process of tying up with somebody to do bid for that project.

Vikas Verma Okay, thank you very much sir.

G. S. Johar Okay.

Moderator Thank you Mr. Verma. The next question is from the line of Mr. Kaushik KE from Cholamandalam Securities, please go ahead.

Kaushik KE Yes good afternoon sir.

G. S. Johar Good afternoon.

Kaushik KE Sir, congratulations on a good set of numbers.

G. S. Johar Thank you.

Kaushik KE I just wanted to have an understanding on the margin front, I think we see in April to June 2007 that is the last quarter of previous year, your sales from international business was only Rs 7 crore that is net of sales of Rs 130 crore of which revenues from overseas contract was Rs 7 crore, but yet in the last quarter the margins were as usual at the EBITDA it was around 24%-25%, so any specific reason for this, we are just focusing?

G. S. Johar I have not got your question please.

Kaushik KE Sir, for Q4FY07 that is April to June 2007, that is last quarter of previous year FY07 and you made a total turnover of around Rs 130 crore, right sir of which overseas business contributed to only around Rs 7 crore yet your EBITDA margins were pretty high at around 24%-25%?

G. S. Johar Yeah, sure this is primarily for that huge amount of business in Bihar, where the margins are a little higher and there is a whole lot of work in process in Afghanistan with the had bid billed.



Kaushik KE Okay, so but still in the year, fine. So from other regions with similar conditions we have booked our revenue.

G. S. Johar Yes, exactly.

Kaushik KE Okay thank you sir.

Moderator Thank you. The next question is from the line of Mr. Parag Jariwala from Anand Rathi Securities, please go ahead.

Parag Jariwala Sir, I just require some clarification as regards to your project from JP Associates and this was around Rs 570 Crore and I just want to know what kind of EBITDA margin you are expecting on this as, I mean if you see on subcontractor business the margins are lower because of I mean the margin eating up by the contractee. So, can you throw some light on this?

G. S. Johar Yeah, when we look at this relationship with Jaiprakash Associate, this is not a subcontract. You know Jaiprakash is a developer here and as a developer he is using a contractor to execute that job, so it is not that Jaiprakash keeps some margin and then the contract comes to us and part of our margin comes onto us. And the crucial thing here is the ability to finish this contract in time and we are definitely looking at EBITDA of about 17.5% - 20% on contract prices and keeping all that escalations and star rates that have been fixed up, it could even go little higher.

Parag Jariwala Okay, thanks a lot.

Moderator Thank you Mr. Jariwala. The next question is from the line of Hemang Kotida from Anvil Research, please go ahead.

Hemang Kotida Good afternoon sir.

G. S. Johar Good afternoon.

Hemang Kotida What is the level of the debt on the books right now, debt and cash onto books?

G. S. Johar Rs 280 crore of debt.

Hemang Kotida And any major cash on the books.

G. S. Johar You know in our business maybe at the end of the month there maybe some cash of around Rs 30-40 crore, that is more sort of, it just happens to be here.

Hemang Kotida And what is your reason exactly your margin is quite lower in this Q3 at around 16%?



G. S. Johar Well, I did not get your question please.

Hemang Kotida Actually what is the reason behind that your margin is as low as 16% in this quarter at operating level?

G. S. Johar See, our margins are function of the different geographies that we are work in and if in a particular quarter you have done more work in low margin geography, and your margins are lower. So, for any meaningful analysis, you need to look at the full year. The 9 month is a better indicator than the 4 months; the 12 months will be a better indicator than the 9 months.

Hemang Kotida So, on yearly basis you will be able to maintain the margins around 17% and 17.5%?

G. S. Johar Right.

Hemang Kotida Okay sir thank you very much.

G. S. Johar Thank you.

Moderator Thank you, the next question is from the line of Suman Memani from Religare Securities, please go ahead.

Suman Memani Sir, just a follow up questions and my question as you answered regarding margins. The second is that that you told that you have a CAPEX of Rs 44 crore in addition this year, what would be the CAPEX in Indian overseas line?

G. S. Johar Well, there is no CAPEX overseas.

Suman Memani No, but I mean how much assets there in Afghanistan and India?

G. S. Johar Say, roughly about Rs 50 crore assets are in Afghanistan and the rest in India.

Suman Memani And the Rs 50 crore assets in Afghanistan, we did not book any revenue in this quarter from Afghanistan, so that Rs 50 crore was idle or it was being utilized in any form?

G. S. Johar No, no it was being utilized and just that we did a lot of work, the bill was not finalized. And see, incidentally even it is idle, there is no way I can get that equipments back, so I need to live with it, I need to get more business there.

Suman Memani But, we do not have anything by which you can rent out or lease out of such equipments?



G. S. Johar No, there is as of now if you look at the Afghanistan business, contracts go to three Turkish companies, one Chinese and one us and each one of us is formally geared to handle our own business.

Suman Memani Do you have any L1 order book?

G. S. Johar Yeah we have roughly one order for about Rs 114 crore, where the L1, this is a World Bank order from Himachal Pradesh.

Suman Memani Okay, Himachal Pradesh Irrigation Department?

G. S. Johar No, roads.

Suman Memani Okay sir, thank you.

Moderator Thank you, the next question is from the line of Karthik Ganeshan from Irevna Research., please go ahead.

Karthik Ganeshan Just a follow up question sir. It is related to the BOT project in Kiratpur-Kuruli, the total project cost just around Rs 400 crore?

G. S. Johar Yes.

Karthik Ganeshan And sir, your share happens to be 49%? Could you just give you me the breakup that you gave earlier just, could you just give me the debt equity and grant breakup for that?

G. S. Johar We have Rs 260 crore of debt and Rs 44 crore of grant and Rs 104 crore of equity, out of this Rs 104 crore, 49% is mine.

Karthik Ganeshan Okay sir. And you have contracting projects you have in clauses, which cover you against escalations, is there something here as well or you are like totally?

G. S. Johar On BOT projects?

Karthik Ganeshan Yes sir.

G. S. Johar No, funding agencies want to take on a contract more so when it is your own company with an escalation clause.

Karthik Ganeshan So this is like you are not protected at all as far as escalations?

G. S. Johar No, I am not; however, as a matter of precaution in my costing, I have taken some escalations.



Karthik Ganeshan Alright sir. Are the tolls linked to WPI or something?

G. S. Johar Yes, they are linked to WPI.

Karthik Ganeshan So, to that extent you might be maybe basically covered vaguely covered. Would that be right to assume?

G. S. Johar It is okay, you may not be covered on the construction cost, but on the operating revenue you are decidedly covered.

Karthik Ganeshan Okay, alright. Yeah, thank you sir.

G. S. Johar Thank you

Moderator Thank you Mr. Ganeshan. The next question is from the line of Ashish Kacholia from Lucky Securities, please go ahead.

Ashish Kacholia Good afternoon sir, just a follow up question, I wanted to understand our interest in expanding our BOT business, what is the kind of capital that we want to commit for that over the next few year?

G. S. Johar We would look at, let's say about Rs 250-300 crore of capital infusion into the BOT sector.

Ashish Kacholia And what is the typical equity IRR that we are looking for in this BOT business?

G. S. Johar Anything above 18%.

Ashish Kacholia And this particular project that we have already got, what is the anticipated equity IRR?

G. S. Johar On a 4% traffic growth, it would be 18%.

Ashish Kacholia Yeah, how much is it, could you repeat?

G. S. Johar On a 4% traffic growth, the equity IRR is 18%. We expect traffic growth to be much higher.

Ashish Kacholia And given the recent changes in the NHAI model agreement, is there clause in which the government takes away more of the incremental growth or if the traffic projections go beyond the anticipated numbers, could you just elaborate on this?

G. S. Johar Yeah, I think on the current model that is being used by NHAI, there are two issues. The first issue, the process of qualification; the buyers have shifted from a contractor to a developer and they propose to only qualify the top 5. Though we may qualify, but we



may not come on the top 5; so it has become imperative that we join up with somebody, to bid for job line. Now, particularly in the six-laning process, where there are existing toll roads, where tolling starts immediately, the tolling contract or the completion agreement they provides that once we increase beyond a certain number, that it increase benefit goes to the government and not to the concessionary, that is the risk that you carry. If it goes beyond a certain number during the contract period and the contract revolves back to the government.

Ashish Kacholia And that entire contract goes to the government?

G. S. Johar Yes.

Ashish Kacholia But then how do we plan a business based on a fact that the whole contract can go away at any point?

G. S. Johar Yes, you have to take a call on your numbers in a particular manner that you quote that, if you feel that you cannot underestimate your numbers, you got to be very, very realistic in your estimate on your numbers, so we are able to sort cope with any logic.

Ashish Kacholia Okay and so incrementally if the number goes beyond level the entire contract reverse back to the government or the entire revenues beyond that level go back to the government?

G. S. Johar The contract.

Ashish Kacholia So 0-1 kind of a situation there.

G. S. Johar Exactly, you know it gets shortened, of course you also get additional revenue and what you are suppose to sort of get in 9.5 or 10 years, you get it in 7 years.

Ashish Kacholia Okay, so the balance portion of the revenue gets accrue to you immediately, as per the contract or whatever it is, you get the money and government gets the contract back?

G. S. Johar Right, exactly.

Ashish Kacholia Okay, alright. Have any deals been signed with this new contract or are the developers still understanding the implications of this?

G. S. Johar Well, they were 6 contracts that got awarded on this basis.

Ashish Kacholia On this new basis?

G. S. Johar Yes.



Ashish Kacholia Alright, so effectively for investors this means that if there is any equity IRR upside which comes in beyond a particular level, we better not factor that into our calculation.

G. S. Johar Absolutely.

Ashish Kacholia Okay, thanks a lot.

G. S. Johar Okay.

Moderator Thank you Mr. Kacholia. The next question is from the line of Hemang Kotida from Anvil Research, please go ahead.

Hemang Kotida Hello sir.

G. S. Johar Yes.

Hemang Kotida What is your total revenue that you are getting from these particular BOT projects of these Rs 400 crore?

G. S. Johar Can you speak a little louder please?

Hemang Kotida What is the kind of total revenue you get from this 400 Crore BOT projects?

G. S. Johar I think it starts from about Rs 28 crore and goes up to about Rs 280 crore.

Hemang Kotida Okay sir thank you very much.

Moderator Thank you. The next question is from the line of Sharadh Avasthi from SKP Securities, please go ahead.

Sharadh Avasthi You said for the quarter of tax rate has certainly gone up, would it be advisable to assume that this is the tax rate you will continue over the next few years?

G. S. Johar No I think my tax rate, if you see fine print in the accounts that we take out, we do a simple calculation, presuming that if this is my profit, this is a maximum rate of tax, this is what we show. My tax rate is a function of the profitability for the period April to March. My accounts are prepared for the period July to June, so there will always be an anomaly in what we quote in the quarterly accounts numbers that we take out and what finally happens.

Sharadh Avasthi And why does this interest cost suddenly lumps to a huge jump at certain quarters?



G. S. Johar Yeah, the interest here includes bank guarantee charges and these are huge in our case. We have got very large contracts during this period and a major portion of it is on account of bank charges.

Sharadh Avasthi And this order book of Rs 1,700 crore it is totally ours not of the joint venture?

G. S. Johar This is our share of the joint venture, so the joint venture has twice this value.

Sharadh Avasthi Okay, so this net that comes to our balance sheet?

G. S. Johar Exactly.

Sharadh Avasthi And one more question sir, this insurance cover that we have received is for the loss that we incurred during the quarter or previous quarter?

G. S. Johar This is previous quarter also.

Sharadh Avasthi If we suppose that they have gone through with the project, what would have been the revenues?

G. S. Johar Come again, please.

Sharadh Avasthi If the project had gone through-?

G. S. Johar Well, the project is going.

Sharadh Avasthi Okay, partial portion of the project goes?

G. S. Johar Well, you know just Rs 25 crore is the total claim that I have received for the Bihar roads that got washed up and this is for work that I had already done and NHAI already paid me. I had to redo these roads.

Sharadh Avasthi Thank you sir.

Moderator Thank you Mr. Avasthi. Ladies and gentlemen that was the last question. I would like to hand the floor over to Mr. Kunal Arya for any final remarks.

Kunal Arya Thank you very much for being with us this afternoon. I hope that we have been able to deal with most of your questions. If you have any additional questions, please do not hesitate to contact our investor relations team and we look forward to further interactions in the future.



Moderator

Thank you Mr. Arya, thank you gentlemen of the management. Ladies and gentlemen that concludes this afternoon's conference call. Thank you for joining us on the Chorus Call Conferencing Facility and you may now disconnect your lines. Thank you.

