



# Enhancing Connectivity

**Bharat Road Network Limited (BRNL)**

*Behtar Raaste Badhta Bharat*

**Investor Presentation | Nov 2017**

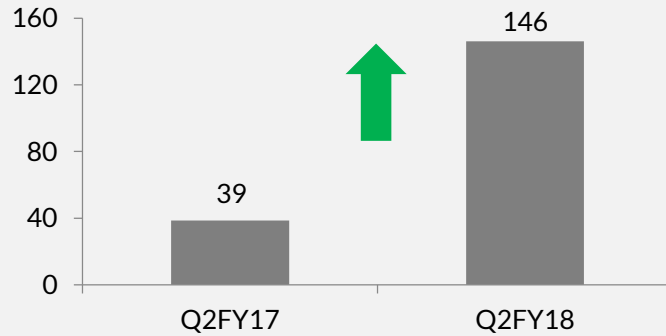


# Safe Harbour

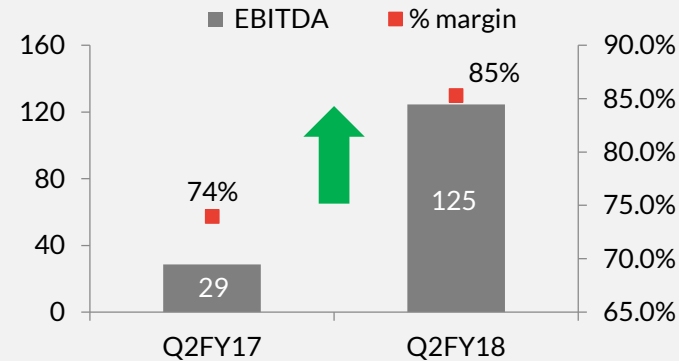
Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements", These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

# Q2FY18 Standalone Operating & Financial Highlights

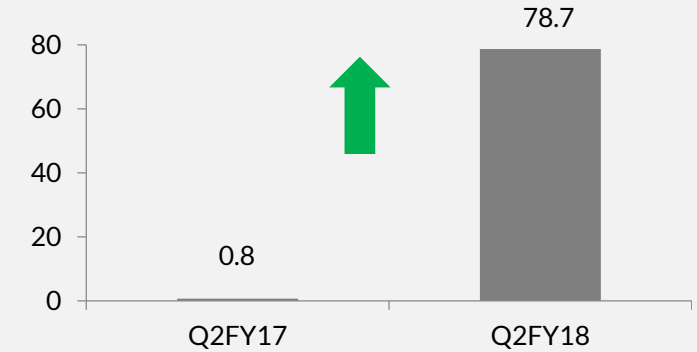
## Revenue (Rs mn)



## EBITDA (Rs mn)



## PAT (Rs mn)



## Operational Highlights

- Consolidation of 100% stake in Guruvayoor Infrastructure Private Limited ("GIPL") by acquiring the remaining 51% shares in the project (subject to regulatory approval) from KMC Infratech Road Holdings Ltd. (Group Company of KMC Constructions) at a consideration of Rs 97 crores.
- Interim dividend of 5% (0.50 p/share) declared for the quarter.
- SJEPL won arbitration award of Rs 104cr with respect to claim against Mahanadi tolling.
- Interest reset and refinancing continues to be prime focus. Interest reset in GAEPL by 180bps, in KEPL by 190bps and refinancing with reduction of 268bps in SJEPL will yield substantial financial benefits and enhance project profitability.
- Passenger Car Unit (PCU) growth in Q2FY18 was 5.6% YoY (7.0% YoY in H1'18) with KEPL registering highest growth of 29.4% (24.4% YoY in H1'18) followed by GAEPL at 12.5% (13% YoY in H1'18). PCU growth of 4.3% in H1'18 compared to FY17.

# Building scale

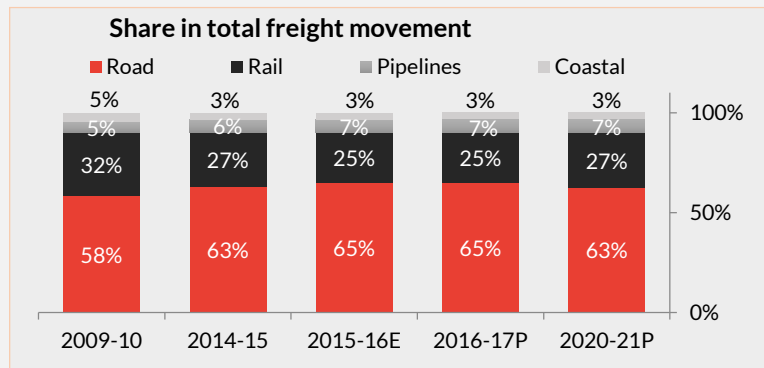
- Incorporated in 2006, BRNL is one of India's leading Roads and Highways BOT Company
- Managing over INR 67 Bn of road assets aggregating 2,095 lane kms
- Diversified operational projects with long residual life
- Professionally managed company governed by experienced Board of Directors
- Focussed on maximizing potential of existing assets
- Organic and inorganic growth - enhancing shareholders' value



# In a growing economy with strong infrastructure impetus...

- India has world's 2<sup>nd</sup> largest road network aggregating ~5.2 million km of roads carrying about 86% of country's passenger traffic and close to 65% of freight traffic.
- The Union Cabinet recently approved mega US\$ 106.7 bn (Rs 7 lakh crore) project to develop 83,677 km highways in 5 years which includes the Bharatmala project of around 35,000 km with an investment of US\$ 82.5 bn (Rs 5.35 lakh crore).
- Government focus on **reviving infrastructure growth** through introduction of HAM and TOT augurs well for the sector.

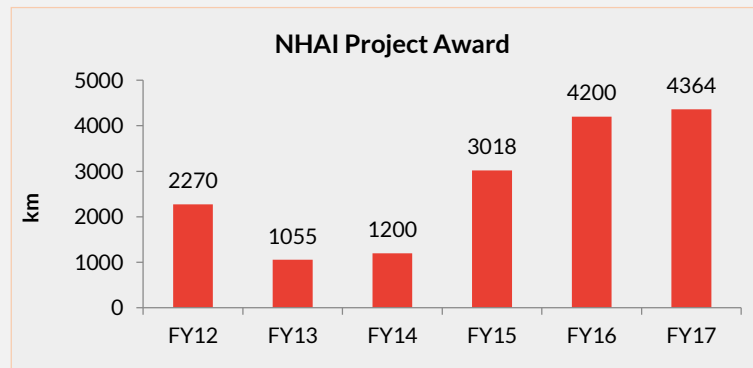
## Increasing Freight Movement



Source: CRISIL Research; E: Estimates P: Projected

- Capacity constraints of the railways has led to the share of roads in the primary freight pie increasing from an ~58% (in BTKM) in 2009-10 to ~65% in 2015-16
- Road freight traffic expected to grow at 7-9% CAGR, to 2,450 BTKM by FY21E

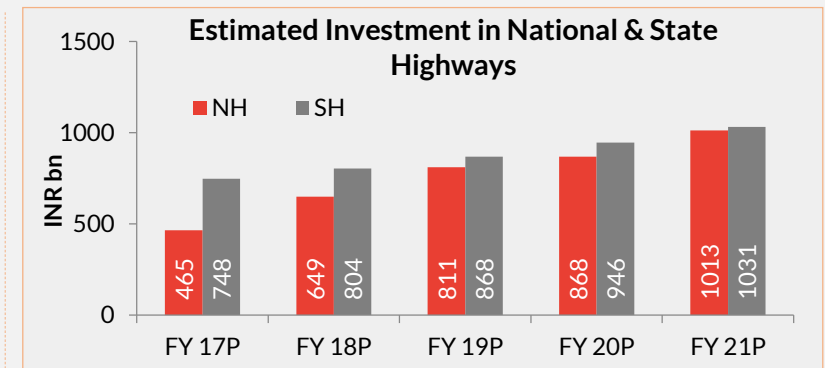
## Pick up in Project Award



Source: <http://www.nhai.org/projectawarded201617.asp>

- Order placements growing at ~12% CAGR during 2012-2017 to 4,364km in FY17 from 2,270km in FY12
- HAM (56%) dominated project awards in FY17 followed by EPC (35%) and BOT (10%)

## Focus on National Highway Development



Source: CRISIL Research; P: Projected

- Investments in National Highways expected to increase to INR 3.8 trillion during FY17-21 and that in state roads expected to increase to INR 4.4 trillion during the same period

# ...with significant focus on Roads

The Union Cabinet recently cleared US\$ 106.7 bn (Rs 7 lakh crore) project to develop 83,677 km highways in 5 years which includes the Bharatmala project thus providing much needed booster dose to the Road Industry.



## Road Construction

### Total Highway Projects

83,677 km

### BharatMala

34,800 km

Expected Completion by  
2021-22



## Total Capex

US\$ 106.7 bn  
(Rs 6.92 lakh crore)

US\$ 82.5 bn  
(Rs 5.35 lakh crore)

## BharatMala Pariyojana

- **Funding:** US\$ 32.2 bn (Rs 2.09 lakh cr) from Market, US\$ 16.3 bn (Rs 1.06 lakh cr) from Private Investments and US\$ 33.8 bn (Rs 2.19 lakh cr) from CRF/ToT/Toll.
- **Asset Monetization:** Government plans to raise US\$ 5.2 bn (Rs 34,000 cr) through monetisation of 82 operating highways under ToT. NHA has tendered out 9 NH stretches of 680.64 km with potential monetization of US\$ 1.0 bn (Rs 6,258 cr).

## Rural roads-PMGSY

- Spending of US\$ 13.6 bn (Rs. 88,185 cr) envisaged under the PMGSY, by central and state government, to construct 1,09,302 km of rural roads over next 3 years.
- In addition, roads worth US\$ 1.8 bn (Rs 11,725 cr) for 5,411 km of upgradation and new roads in 44 LWE districts to be completed by 2019-20.

# Industry Growth Drivers



## Burgeoning Freight Volume

- Movement of freight by roads is growing at a rapid rate thus creating the need for adequate road network to cater to the increased traffic and movement of goods.



## E-Commerce

- E-commerce industry expected to grow at an estimated 40-44% CAGR during 2014-15 to 2017-18 and become major growth driver for road freight.



## PPP model Reforms

- Government's push to revive PPP model through introduction of innovative models like Hybrid Annuity Mode (HAM) and Toll-Operate-Transfer (TOT), liberalization of FDI norms and promoting of new funding avenues like Infrastructure Investment Trusts (InvIT) augurs well for the sector.



## Make in India & FDI Reforms

- 'Make in India' initiatives, steps taken for ease of doing business and FDI reforms is expected to benefit roads sector in terms of higher traffic movement.



## Pick up in vehicle Sales

- Vehicles sales expected to remain buoyant driven by GST implementation and reviving economy thus creating need for major infrastructure investment.



## Government's Road Construction Push

- Cabinet's recent approval of Rs7 trillion road construction plan to develop 83,677 km highways in 5 years is likely to be a huge boost for the road construction industry.

# About SREI

## Our Corporate Promoter

- India's leading holistic infrastructure institution engaged in the sector for about three decades.
- Actively involved in infrastructure project finance, advisory and development, infrastructure equipment finance, venture capital, capital market, insurance broking, SEZ and industrial parks.
- SREI provides customized financing to infrastructure projects and their sponsor companies.
- Total Asset under Management (AUM) of over US\$ 5.8 bn (Rs 37,683 cr) in FY17.
- Financing infrastructure equipment and infra projects, viz, road, power, irrigation, airport, water and others.





# BRNL – A Snapshot

One of India's leading Roads & Highways BOT company

- Focused on identification, bidding or acquiring, development, implementation, operation and maintenance of roads and highways projects.
- Geographically diversified portfolio spread across Uttar Pradesh, Kerala, Haryana, Madhya Pradesh, Maharashtra and Odisha.
- Partnerships with experienced quality conscious EPC players for construction on time and within cost.



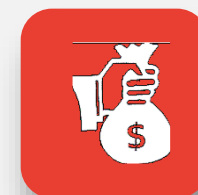
US\$ 1 bn (INR 67 bn)  
of AUM



2,095# Lane  
kms



83% Portfolio  
Operating^



US\$ 0.1 bn (INR 4.5Bn)  
FY17 Toll Revenue

#Of the 2095 lane kms approximately 473 Lane kms are under construction ( GAEPL: 12 Lane kms; SJEPL: 61 Lane kms and STPL: 400 Lane kms) ^ 5 out of 6 projects are operational

Note: 1 USD = Rs 64.86

# BRNL – A Leading Roads & Highways BOT company

## Areas of Operations



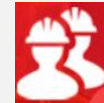
### Project Identification

Locating right projects for bidding or acquiring



### Project Financing

Debt Syndication, Valuations & Financial Modelling



### Project Design & Development

Design & Development for Highways and structural design works



### Project Management

Management and supervision of projects during entire lifecycle



### Tolling Operations and Management

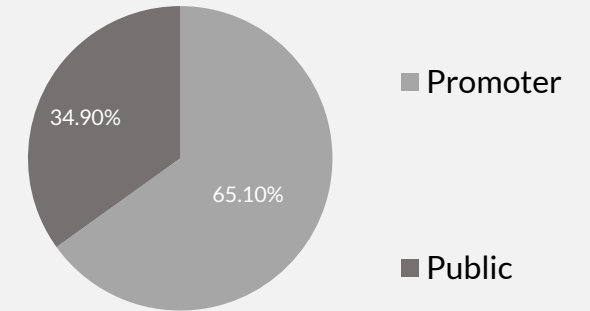
Operation & maintenance of tolling operations



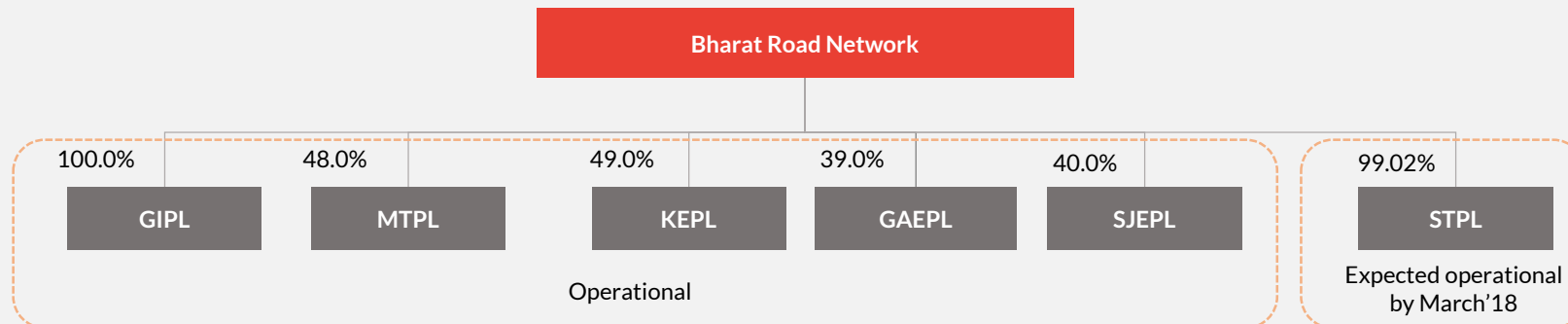
### Project Advisory

Concession Management, Claim Management and Project Advisory

## Shareholding



## Equity shareholdings in various Project SPVs



	Shares (Mn)	(%)*
Promoter & Promoter Group	54.65	65.10%
Public	29.30	34.90%
<b>TOTAL</b>	<b>83.95</b>	<b>100.00%</b>

\*As of March 31,2017; Note: GIPL: Guruvayoor Infrastructure Private Limited; MTPL: Mahakaleshwar Tollways Private Limited; KEPL: Kurukshetra Expressway Private Limited; GAEPL: Ghaziabad Aligarh Expressway Private Limited; SJEPL: Shree Jagannath Expressways Private Limited; STPL: Solapur Tollways Private Limited



# Our Value Proposition



# Key Value drivers

## Strong and Experienced Corporate Promoter

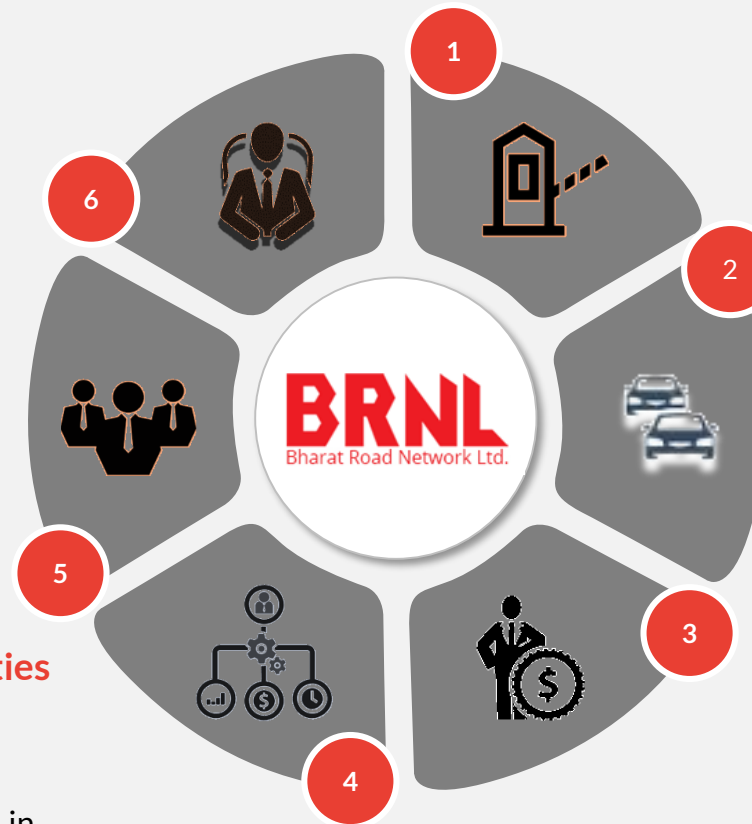
- Corporate Promoter SREI is one of India's leading infrastructure financing institution with **about 3 decades of experience in the sector**

## Experienced and Professional Team

- Qualified & skilled employee base with strong **asset management, execution capabilities and extensive industry experience**

## End to End Project Management Capabilities

- Strong project management skills from conceptualization to implementation
- In-house experienced O&M team** instrumental in introducing technology across tolling operations



## Strong Operating Asset Portfolio with Long Residual Life

- Managing **over INR 67 Bn** of road assets aggregating 2,095 lane kms across 6 states
- 5 out of 6** Assets already operational and the sixth one will be operational by March'18.
- Average residual concession period of appx. **18yrs and 6mths\*** (longest life)

## Robust Traffic Volume

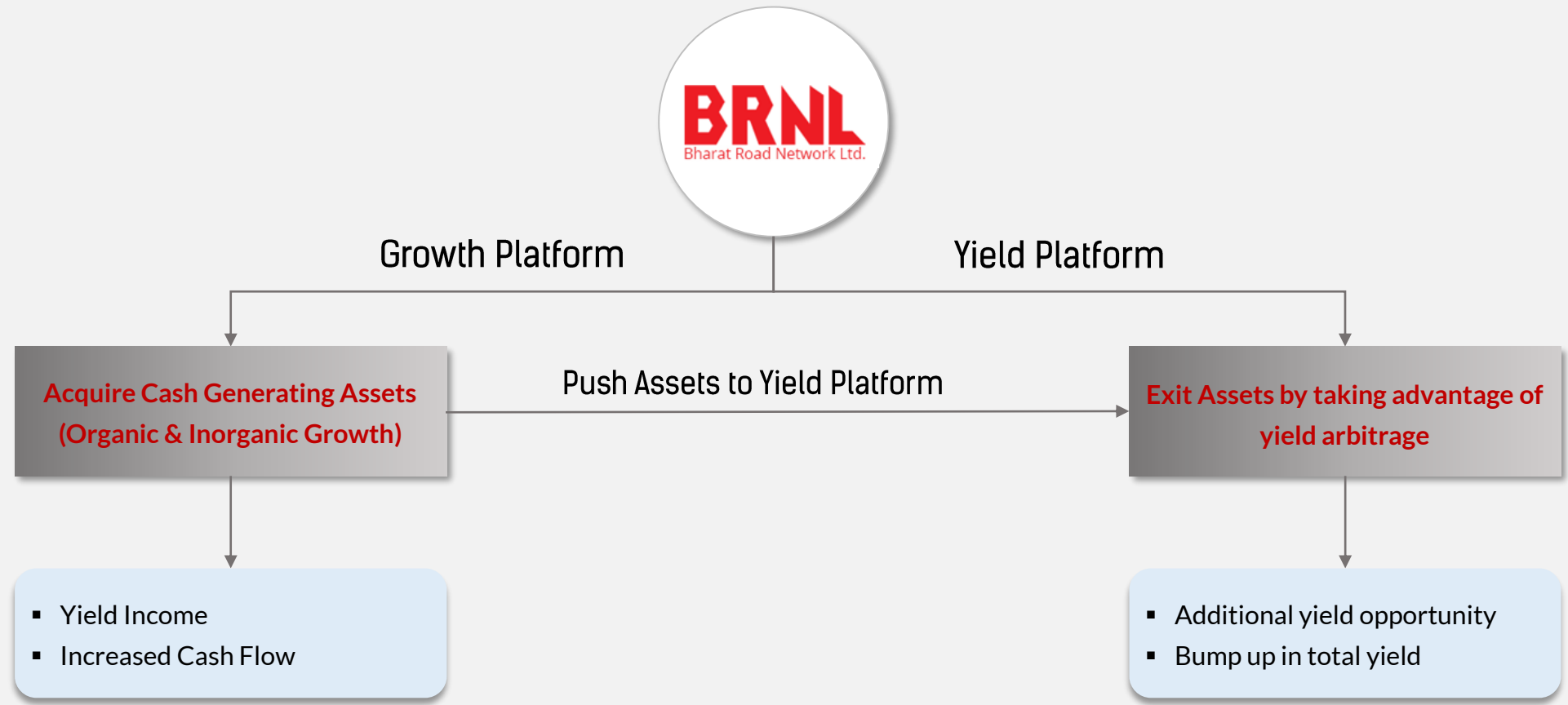
- Strong growth of 5.92% in Traffic in FY17 with Annual Toll Revenue of **INR 4.5bn**

## Financial Engineering

- Strong Debt Syndication Team** for managing interest cost and tenor elongation
- Strong focus on innovative financing structures such as **Bond Issuance**



# Road to Success



- BRNL can be a growth generating platform by way of acquisition of cash generating assets.
- Further, there exists arbitrage opportunity whereby assets with decent yield and long residual period can be churned and monetized by pushing them to yield platform which could result in a decent upside in total yield.

# Strong Upside Possibilities

01

## Traffic Growth



### Smart Cities, Industrial Projects/SEZ and other Infra projects to drive growth

- **SJEPL:** Improvement in mining traffic and upcoming smart cities in Bhubaneswar & Raipur key trigger.
- **GAEPL:** Large upcoming infra projects including Eastern Peripheral Espressway in the Delhi NCR region major positive.

02

## Claims



- Claims worth Rs 1,950 mn are expected to mature in near future, leading to incremental yield of approx. 1.28%.
- **SJEPL** – Favourable award of Rs 104 cr in Sept'17

03

## Loan Refinancing



- Focus on refinancing existing loans at lower rate to bring down cost of borrowing.
- Recently completed refinancing of SJEPL @9.62% (reduction 268 bps) upon provisional completion of Project and GIPL @9.25% resulting in Reduction of 125bps

04

## Asset Acquisition



- Acquisition of cash generating assets could result in additional cash flows and higher growth.

05

## Yield Arbitrage

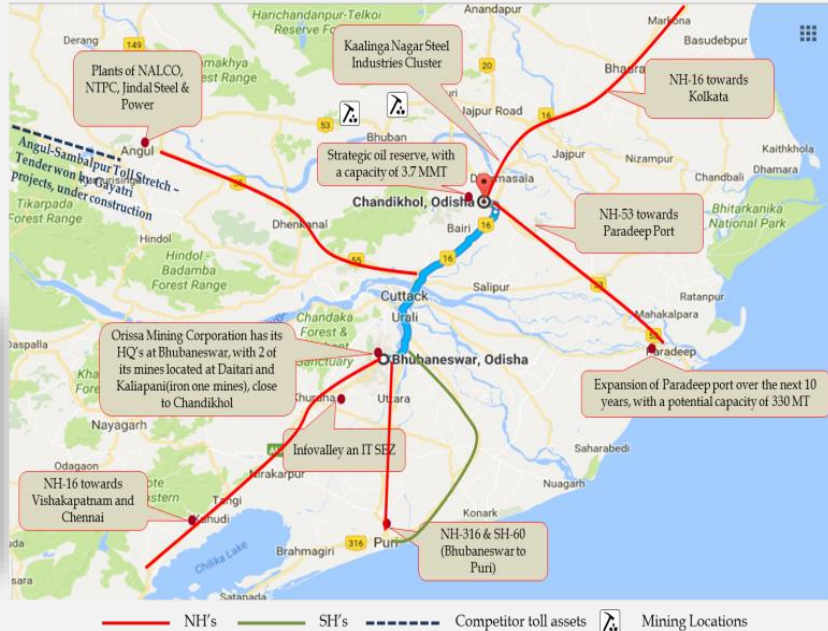


- Assets with fixed cash flow of long tenure can be put on yield platform which could result in a net differential yield.

# SJEPL

## #1 : 6 Laning of Chandikhole Bhubaneswar Section of NH-5

### Project Location



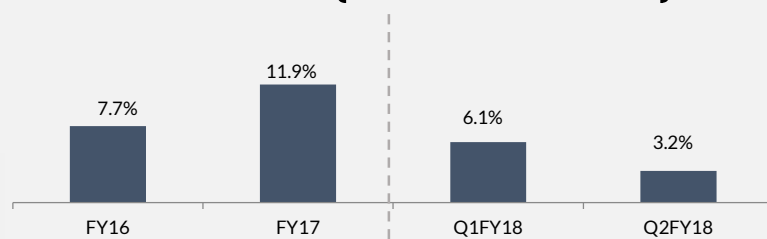
### Project Snapshot

- Located on the NH-5 between Chandikhol and Bhubaneswar
- The end point of the project road at Chandikhol is a major intersection, where NH-200 and NH-5A cross NH-5 through an overpass. NH-200 connects Daiteri mines and then runs towards Raipur, one of the proposed smart cities.

### Development activity

- Expansion of Paradeep port to ramp up the overall cargo handling capacity to 330 mn tonne
- Capacity expansion plan in Kalinga Nagar SEZ, a major steel cluster near Chandikhol
- Revival in Iron ore cargo volume growth at Paradeep port to 8.51 MT vs 2.27 MT a year ago
- Info valley, a JV Integrated IT Park with IL&FS comprising of an IT SEZ with a township of 500 acres land in the western parts of Bhubaneswar
- Bhubaneswar selected for smart city project with a proposal of over USD 708mn

### ADT Growth (in terms of PCU)

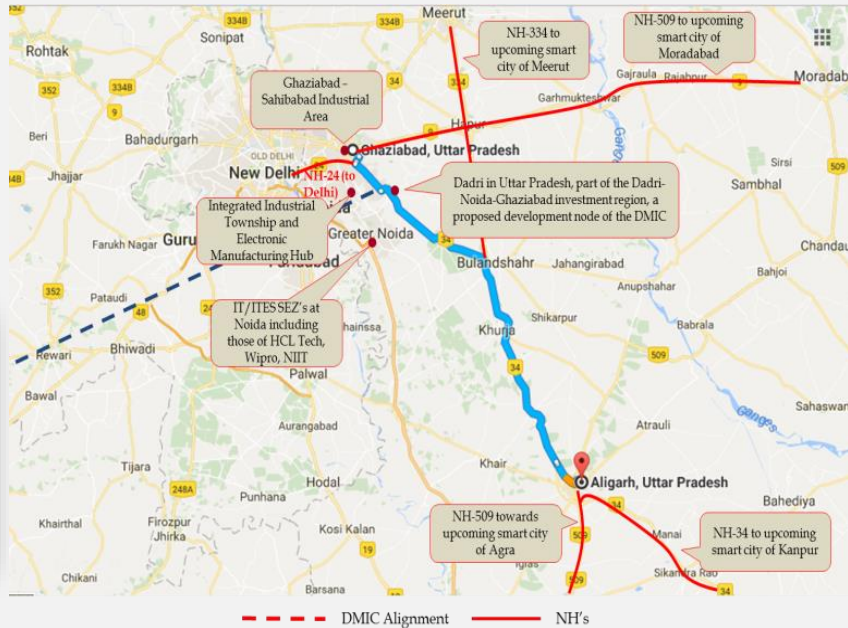


ADT = Average Daily Traffic ; PCU = Passenger Car Unit

*Traffic growth has seen significant improvement over the past 2 years, mainly driven by improvement in mining traffic. With the upcoming smart cities of Bhubaneswar and Raipur adjacent to the project stretch, traffic growth is expected to be strong going forward.*

## #2 : 4/6 Laning of Ghaziabad–Aligarh Section of NH – 91

### Project Location



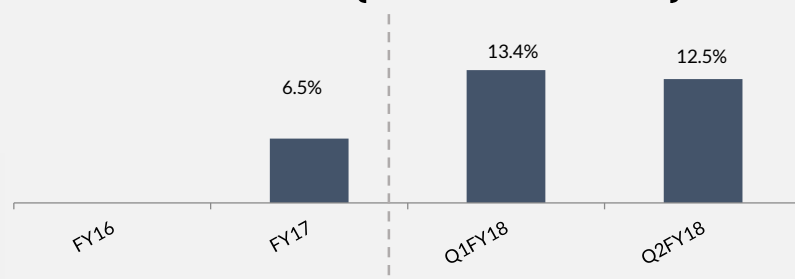
### Project Snapshot

- The GAEPL is located on the NH-91, connects Ghaziabad to Aligarh in UP
- Ghaziabad is hub of engineering, electronics, and leather and textile goods
- Aligarh is an important business centre of Uttar Pradesh and is most famous for its lock industry, brass hardware and sculpture and is a big centre of zinc die casting

### Development activity

- Ghaziabad and Aligarh to be developed as Smart Cities and are also identified under AMRUT
- Under the DMIC Projects, the government is developing an integrated industrial township in Greater Noida, which is expected to be set up by the end of 2019
- Delhi-Ghaziabad-Meerut Rapid Rail Transit Corridor project (RRTC) has been cleared by the Board of National Capital region, at an estimated cost of USD 3.34 bn

### ADT Growth (in terms of PCU)



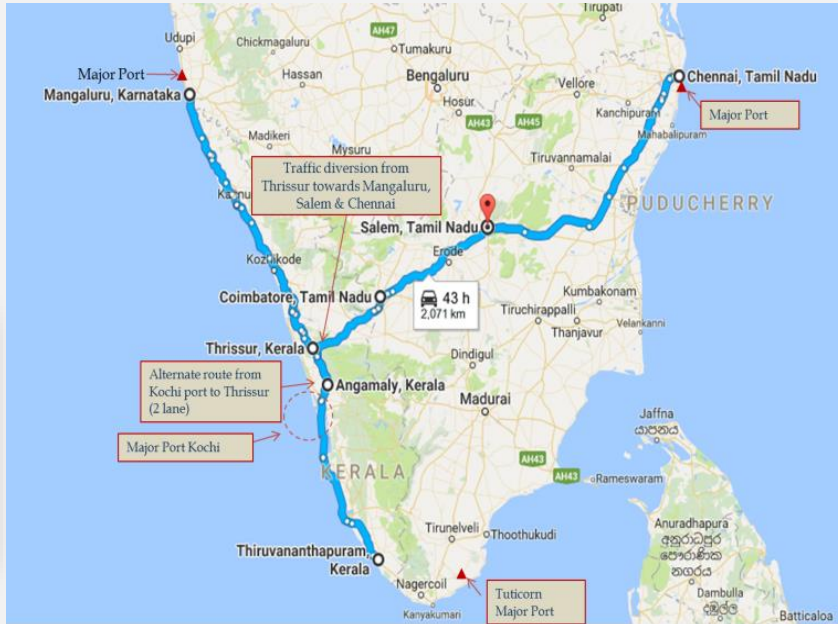
ADT = Average Daily Traffic ; PCU = Passenger Car Unit

*With the project stretch being located close to the Delhi NCR region and large upcoming infrastructure projects in the state, going forward a healthy toll growth is expected*



## #3 : 4/6 Laning of Thrissur – Angamali, NH47

### Project Location



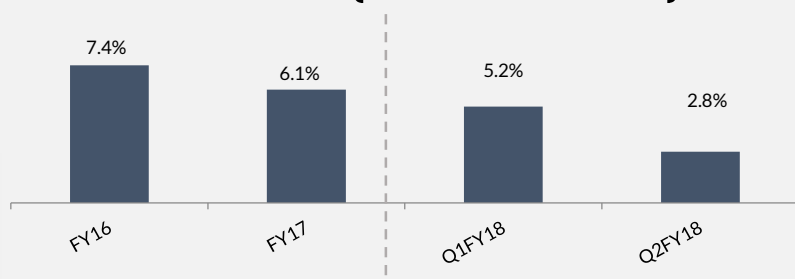
### Project Snapshot

- GIPL Project Road is a part of NH-47 which originates at Kanyakumari and ends at Salem
- Connects the cities of Kochi, Thrissur and Coimbatore and runs in proximity to the Cochin Refinery & Cochin Port

### Development activity

- Export bound traffic originating from key regions like Salem, Coimbatore, Kozhikode etc prefer Kochi port as it is nearest for them
- Kochi smart city, focusing on IT/ITES/allied services, is likely to be completed by 2020
- BPCL Kochi refinery is expected to expand its capacity from 9.5 MT to 15.5 MT
- Proposed KINFRA Gem and Jewellery park, Thrissur

### ADT Growth (in terms of PCU)



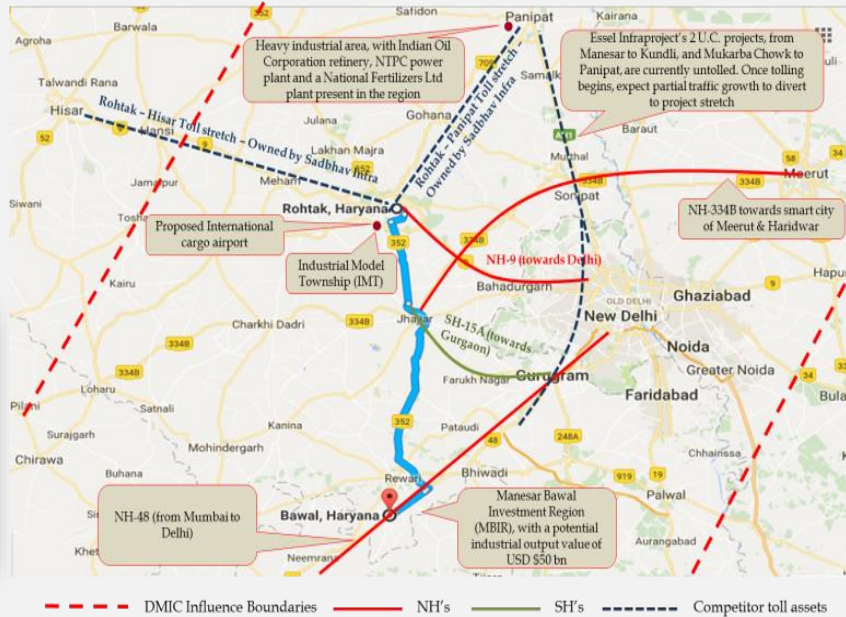
ADT = Average Daily Traffic ; PCU = Passenger Car Unit

*Over the last 2 years, project has seen strong pick up in traffic growth. Given the improved industry dynamics this momentum is expected to continue.*

# KEPL

## #4 : 4 Laning of Rohtak-Bawal section of NH-71

### Project Location



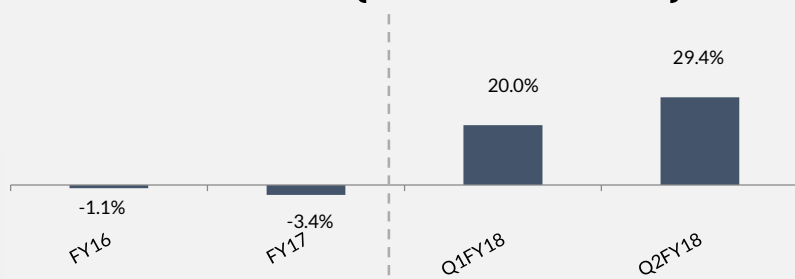
### Project Snapshot

- KEPL Project Road is a part of NH-71, which starts at Jalandhar and ends at NH-8 near Bawal. On its way it connects the cities of Moga, Sangrur and Rohtak

### Development activity

- MBIR, one of the investment regions selected in the 1st phase of DMIC, is serviced by the KEPL Project road.
- The proposed IMT project (Phase II) in Rohtak, is envisaged to have campuses for large industries, such as Maruti Suzuki,.
- An international cargo airport and aircraft maintenance hub is proposed in Rohtak, Haryana.

### ADT Growth (in terms of PCU)



ADT = Average Daily Traffic ; PCU = Passenger Car Unit

*Project has seen significant increase in traffic over the last 2 quarters which is expected to improve going forward. With the upcoming DMIC project & Y Trumpet on NH-8 project route and large infrastructure development plans by the state government, traffic growth is expected to improve.*

## #5 : 4 Laning of Indore – Ujjain Road on SH-27

### Project Location



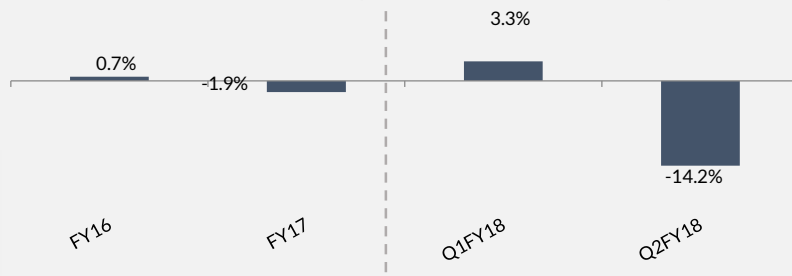
### Project Snapshot

- Part of SH-27 which connects Rajasthan border in the north and Maharashtra border in the south, connecting the cities of Ujjain, Indore & Pitampur on its way
- Indore, largest and most populous city in Madhya Pradesh qualified for Smart Cities Mission
- SEZ Indore, a busy hub, is serviced by the MTPL Project Road.

### Development activity

- Under the UIG program of JNNURM, five projects worth USD 36.4 mn covering cities such as Bhopal, Indore and Ujjain have been approved and are in the transition phase
- Construction of IT parks in 4 major cities of the state - Indore, Gwalior, Bhopal and Jabalpur
- 9 formal approved SEZs that are proposed to be set up in Madhya Pradesh includes IT/ITES SEZ and Gems and Jewelry SEZ at Indore
- Plans to upgrade existing apparel clusters at Indore and Jabalpur and to develop a second textile park at Indore

### ADT Growth (in terms of PCU)



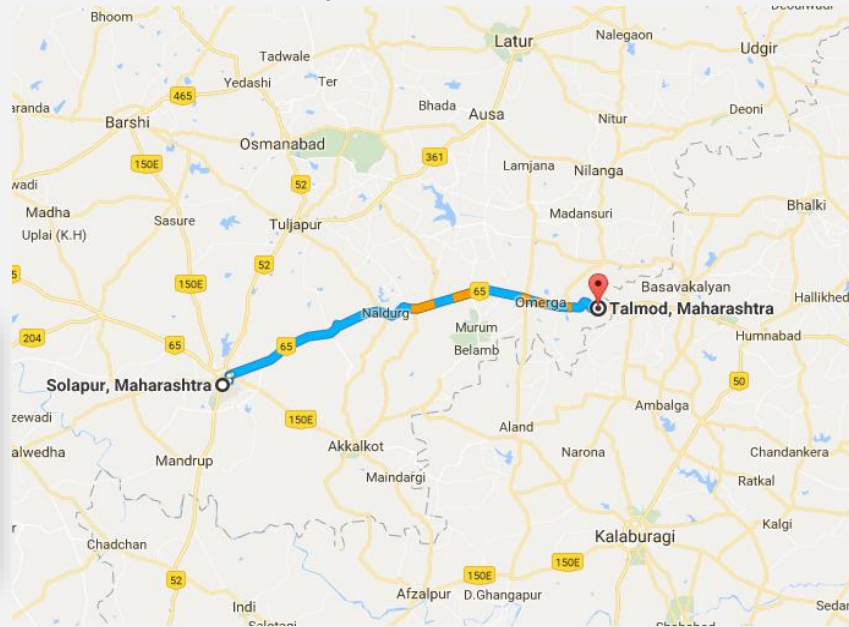
ADT = Average Daily Traffic ; PCU = Passenger Car Unit

*Smart cities infra development and upcoming SEZ and IT parks expected to aid traffic growth*

# STPL (Under Construction)

## #6 : 4 Laning of Solapur Maharashtra/Karnataka Border Section of NH9

### Project Location



### Project Snapshot

- Solapur project is part of NH-9 which connects west and east passing through major cities such as Vijayawada, Hyderabad, Pune and provides onward connectivity to Mumbai
- NH-9 and Mumbai-Pune Express Highway intersect at Pune, thereby providing connectivity to Mumbai and nearby ports
- The Project Road comes within the Solapur District, which is the home to handloom and power loom weaving industry and beedi manufacturing industries

### Development activity

- Solapur is shortlisted for the smart city project among 10 cities of Maharashtra
- As per budget 2016-17, the state government proposed an amount of USD 9.16 million for the enhancement of airports (Solapur, Shirdi, Chandrapur, Karhad, Akola, Amaravati, etc.)
- Development of a bypass and grade separator for freight traffic, with an estimated cost of USD 109mn, will boost the state's infrastructure

*With the selection of Solapur under Smart City plan, traffic growth is expected to be strong henceforth*

# Financial Statement (Standalone)

## Income Statement Highlights

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)
Total Revenue	146	39	278%	38	285%	184	79	133%
Total Expense	21	10	113%	22	-4%	44	20	115%
EBITDA	125	29	336%	16	700%	140	59	139%
Depreciation	0.05	0.02	171%	0.04	10%	0.09	0.03	167%
Finance Cost	14	28	-50%	10	36%	24	63	(61)%
Tax Expense	32	(0.3)		0.2		32	(0.5)	
Profit/(Loss) after Tax	79	1		5		84	(3.5)	
Cash Profit	79	1		5		84	(2.5)	

## Balance Sheet Highlights

Particulars (Rs mn)	Q2FY18
Shareholders' Fund	11,682
Total borrowings	1,697
Investment	9,993
Loan to SPVs incl. of interest	1,697
Cash and Banks	1,566
Total Asset	13,585

# Operating Assets Performance

Particulars ( Rs mn)	H1 FY18						FY17					
	GAEPL	GIPL	KEPL	MTPL	SJEPL	Total	GAEPL	GIPL	KEPL	MTPL	SJEPL	TOTAL
Toll Revenue	360	322	222	56	290	<b>1,249</b>	577	565	389	86	57 *	<b>1,674</b>
EBITDA	349	305	160	46	277	<b>1,137</b>	559	327	280	62	532	<b>1,759</b>
Finance Cost	315	125	283	55	260	<b>1,038</b>	742	247	557	124	529	<b>2,200</b>
Cash Profit	33	180	(123)	(9)	18	<b>99</b>	(183)	79	(277)	(62)	3	<b>(441)</b>
Sponsors Fund	1,514	828	1,848	1,120	591	<b>5,901</b>	1,297	828	769	595	591	<b>4,080</b>
Secured Debt.	4,959	2,126	3,506	787	4,028	<b>15,406</b>	5,184	2,136	3,586	789	3,964	<b>15,659</b>

Note: All the above numbers represent proportionate holding of BRNL in respective SPV's.

In case of SJEPL proportionate amount of revenue amounting to Rs. 329.03 million has been capitalised during its construction period and hence not included in the Toll Revenue of FY 16-17 as above.

# Toll Revenue of Portfolio Assets

Toll Revenue (Rs mn)	H1FY18	H1FY17	YoY (%)	FY17
GAEPL	922	674	36.9%	1,480
GIPL	657	608	8.1%	1,154
KEPL	453	364	24.4%	769
MTPL	117	77	51.7%	178
SJEPL*	724	455	59.1%	964
<b>Total</b>	<b>2,873</b>	<b>1,722</b>	<b>66.8%</b>	<b>4,545</b>

*\*SJEPL has received its first Provisional COD on January 12, 2017; No P&L as the project was Under Construction*

*Note: Toll revenue is 100% of assets*

# Traffic Volume – Total PCU per Day

Project	Q2FY18	Q2FY17	YoY (%)	H1FY18	H1FY17	YoY (%)	H1FY18	FY 17	% change
GAEPL	27,213	24,189	12.50%	28,385	25,127	12.97%	28,385	26,042	9.00%
GIPL	60,533	58,909	2.76%	61,673	59,318	3.97%	61,673	59,891	2.98%
KEPL	22,736	17,570	29.40%	23,311	18,736	24.42%	23,311	20,167	15.59%
MTPL	13,982	16,299	-14.21%	15,217	16,122	-5.62%	15,217	15,570	-2.27%
SJEPL*	42,060	40,754	3.21%	43,400	41,462	4.67%	43,400	43,287	0.26%

\*SJEPL has received its first Provisional COD on January 12, 2017;



# Thank You

## For Details Contact:

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