



“Bharat Road Network Limited Q3 FY18 Earnings
Conference Call”

February 15, 2018



**MANAGEMENT: MR. BAJRANG CHOUDHARY- MANAGING DIRECTOR,
BHARAT ROAD NETWORK LIMITED
MR. SANJAY BANKA- CFO, BHARAT ROAD NETWORK
LIMITED**

MODERATOR: MR. BINAY SARDA- CHRISTENSEN IR

Moderator: Ladies and gentlemen good day and welcome to Bharat Road Network Limited Q3 FY18 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Binay Sarda from Christensen IR. Thank you and over to you sir.

Binay Sarda: Thank you. Good afternoon to all the participants on this call. Welcome to Q3 FY18 Results earnings call of Bharat Road Network Limited.

Please note that we have made the results and the presentation and the same are also available on the company's website. In case if you have not received the same, you can write to us and we will be happy to send the same over to you.

Now to take us through the results and answer your questions today, we have Mr. Bajrang Choudhary – Managing Director, BRNL; Mr. Sanjay Banka – CFO;

We will start the call with a brief overview of the quarter gone past and then we will go into the financials which will then be followed by the Q&A.

I would like to remind you that anything that is said on this call and any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction and uncertainties that we faced. These risks are included and are not limited to what we mentioned in prospectus filed with SEBI which you can find on our website. With that said, I will now turn over the call to Mr. Bajrang Choudhary. Over to you, sir.

Bajrang Choudhary: Thank you, Binay. Good afternoon and welcome everyone. We are happy to share our earnings for this Quarter 3. As we had been highlighting in the earlier quarters that most of the assets that we see going forward we will start seeing healthy sort of cash flows and revenues coming into them which will help us upstream certain portion of the free cash flows as our yield on our investments that we have made onto these assets. So that has helped us immensely in this quarter where we have seen robust sort of top-line for the quarter which was close to 21 crores if you compare it to Q3 last year of 6.14 crores. Our net profit has been 10.89 crores compared to 84 lakhs which we had Q3 last year. Similarly, if you see from the nine months also we have seen a very robust sort of a top line which is close to 40 crores odd compared to 14 of the same period last year and the net profit being close to around 19 crores odd compared to 50 lakhs that we had the corresponding period last year.

Also if you see from the traffic growth perspective we have seen a healthy growth on a portfolio level of around 7% odd. Some assets yes we have seen a slightly tepid growth

whereas in couple of them we have seen growth which is gone into double-digit as well. I will come back on those exact numbers when we come to the numbers of the SPVs. And also looking at the growth in terms of our overall revenue; at the SPV if you see the toll collection, in the 3 months our collection has been 163 crores odd compared to 89 crores previous period. Similarly, if you look at nine months, our total toll revenue has been 441 crores compared to 311 crores last year. But let me just remind you here that these numbers of the SPVs that we are talking about is a 100% performance level of SPV. We are not sharing these numbers on a proportionate basis which you will find is there in our IR pack that we have shared which gives both 100% level numbers and also numbers which is proportionate based on our shareholding into these SPVs.

Coming to individual EBITDA also if you see on different SPVs that we have; our EBITDA is on an average is around 81% and if you do adjustments for non-cash provision that we would have done like major maintenance and some other long-term provisions which we had to necessarily make, if you do adjustments for that then we are close to around 86% of EBITDA margins. And we have been saying in the past as well that if you see these businesses most of the assets as it moves slightly on the mature side, it should reach towards a level of 90% odd of EBITDAs you can easily expect going forward.

Some positive things which has happened, we have also reported that in the last quarter as well that we have been working vigorously on reducing our cost of fund and on an overall basis if you see we have been able to manage around 200 to 250 basis points reduction in our overall portfolio on the debt that is there in most of the SPVs. We are still controlling trying to sort of reduce that further. And our expectation is that we should be in a position to at least save 100 to 150 basis points going forward. Other one positive thing that has happened this quarter that we had announced one acquisition in the last quarter, we have already obtained lenders approvals and we are waiting for an HI approval which is at a very advanced stage to come through.

Now coming to the opportunities and our strategy in terms of growth as we had said in the earlier calls as well that we will look both at organic and inorganic growth to add on to our portfolio. We are looking at opportunities in the market in organic space. I'm sure all of you might be aware that there is a huge pipeline which is there to be bidded out. We are evaluating those opportunities and we will keep on sort of looking at opportunities even in the in organic space to sort of grow our portfolio.

In terms of our individual refinancing status, we have already refinanced one of our assets where the disbursement of refinancing has already happened. We are working on 2-3 more assets which we expect in a month or so for at least close further one or two of them. So with this I think we have sort of captured more or less the critical part and figures of the Q3 performance that we have had and we are open to any Q&A that you all may have, so happy to answer that.

- Moderator:** Thank you sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Diwakar Pingle from Christensen IR. Please go ahead.
- Diwakar Pingle:** My first question is primarily with relation to the traffic volume for GIPL and SGPL traffic. We are seeing a small decline in the traffic growth there, any specific reasons and do you see a revival in growth in those projects?
- Bajrang Choudhary:** It is a short-term phenomenon which has happened, so we have not seen growth of there. What has happened was in Guruvayoor specially there is a particular exit point near the plaza which was obviously as per the concession document was sort of blocked and the traffic was not supposed to use that. But somehow due to some local issue its got opened for 2-3 weeks, so we had lost our traffic from that sort of a leakage point which was again taken care of with high court order and we had further closed to that. So the temporary loss of traffic that we had for at least around 18-19 days is the impact which can be seen in that number. In the other asset which is SGPL, we have seen a slight dip because which has an impact of truckers strike which had happened therefore around 8-9 days and there were some issues in terms of with the mining traffic for a small period of time. So these were the two specific events which had led to a dip in the traffic but post that we have seen a bounce back in the traffic happening.
- Diwakar Pingle:** Can we expect the growth to continue going forward, obviously this quarter has been good in terms of the profitability and things like that and do you have any kind of sense of what kind of growth we are looking at for the future maybe FY19 do you have any numbers that you have in mind, at least an internal target if you don't want to give any guidance for things like that?
- Bajrang Choudhary:** If you see on the traffic revenues as I said that at a portfolio level we have seen a growth of around 7% odd percent and if I look at toll revenue per se if you see the growth of Q3 is around 72% and if I take it for nine months it is 42%. So that we have seen a very healthy growth and we do believe that we will see a healthy growth of traffic to continue. We do expect that if you take both traffic and WPI and other factors we do believe that at least the total revenue on the toll we expected to be in the region of 10% to 11% growth we should definitely see. Though we have clocked a very high number these nine months, but we do expect that going forward, in 2019 and going forward we would expect to be at least see a growth of around 10% to 11%.
- Moderator:** Next question is from the line of Saurabh Deshpande, an individual investor. Please go ahead.
- Saurabh Deshpande:** Can you walk through us new projects that might be on the final stage of acquisition? Also can you put some color on data of currently how many projects roughly have you submitted bid for some time line or anything?

- Bajrang Choudhary:** If you look at our current portfolio, we have 6 assets and close to have 6700 crores the total PPT. We had put a bid for two assets in Orissa; unfortunately, we were not L1 in that. In terms of what was the other query?
- Saurabh Deshpande:** Can you put some color on data? Currently how many projects are roughly have you submitted?
- Bajrang Choudhary:** We had bided for two assets in the state of Orissa. These were NHAI projects and we didn't win these bids. If you see the pipeline, pipeline of the asset to be bided out by the authority is huge one, close to around 90 to 100 projects odd which are there on an average costing of around 800 to 900 crores, so a huge pipeline going forward for the next couple of months. So yes we are evaluating those and also we are looking at opportunities in the market. There are quite a few one which we are working on. It's too premature for us to point out any specific one at this stage. But yes there is a sizable pipeline that we are working on.
- Saurabh Deshpande:** In terms of projects being floated are we seeing domination of HAM projects compared to BOT projects? What is the future strategy in terms of growth?
- Bajrang Choudhary:** For us when we talk about because we are very specialized in only doing PPP projects. So for us obviously in a BOT space we have three formats, one is the toll format, other one is the HAM format and the third one which is about to come is the TOT format. Of late yes, most of the projects that are being bided out are coming out on hybrid annuity but we do expect that depending upon the viability of a particular stretch we will see a decent amount of toll projects also coming up. And yes, the plan for TOT is obviously very aggressive as far as the authority is concerned. So once the first one gets rolled out we will see because the first one is slightly larger in format, so we do believe going forward we will see smaller format TOT assets being rolled out very aggressively.
- Moderator:** Next question is from the line of Neha Menon, an individual investor. Please go ahead.
- Neha Menon:** With respect to Bharatmala project have the tender being floated in the market? What kind of expectations do we have in terms of BOT, HAM projects as a company with respect to the same?
- Bajrang Choudhary:** Bharatmala is an overall scheme that the government is planning to roll out. What they are trying to do is they have already started working on the DPRs of certain stretches which they have identified under that and yes, there are quite a few projects which will come out on BOT HAM or it could be BOT Toll. There are quite a few stretches which are existing today which are part of Bharatmala as well, so where you can see certain augmentation of lanes being done there, so the work is still on that. As I said that Bhartamala is a large scheme by the government and that is why we do believe that we will see a huge opportunity coming up

going forward on PPP where quite a few such projects will be tendered out on HAM and Toll format.

Moderator: Next question is from the line of Priya Sharma, an individual investor. Please go ahead.

Priya Sharma: Overall, I want to know that what has seen good increase in traffic growth and toll revenue collection, can we expect the growth to continue going forward and what is the kind of growth we are looking at?

Bajrang Choudhary: We at a portfolio level have seen a healthy growth of traffic the toll sort on 7% and in terms of toll revenue we have seen a sizable growth of around 72% for the quarter and that is mainly because we had some additional stretches which have come up for tolling. But going forward we do believe that we should have traffic growth in the range of 5% to 7%. Though yes it will differ in terms of asset to asset but on an average we are confident that the asset should see a growth of 5% to 7% of traffic.

Priya Sharma: Can you share your guidance on the FY18 like revenue we are looking for to the end?

Bajrang Choudhary: As we said that for us we have already in the earlier quarter also said that we will look at the top line growth of close to around 10% to 11% which would be factoring both traffic growth as well as the WPI inflation that we see coming up in the near future.

Moderator: Next question is a follow-up from the line of Diwakar Pingle from Christensen. Please go ahead.

Diwakar Pingle: I think one question which I had was on borrowing cost. Where are we in terms of the borrowing cost right now and are we looking at the refinancing this or doing something to kind of ease the burden in terms of interest and things like that?

Bajrang Choudhary: As I said in my earlier remark I mean borrowing cost we have been able to reduce by close to 200 to 250 basis points at a portfolio level. We have an expectation that yes; we should be able to further bring it down by 100 to 150 basis points. Out of our fixed assets one has already been refinanced and we are closely working on at least three assets, so that is something yes, we do see some positive reduction in cost in the coming quarters.

Diwakar Pingle: From a company perspective what would kind of bring in a big wave of growth for the company, is it only through acquisitions that's going to drive growth or do you think the organic things also can possibly give you some growth in the future depending on how the traffic growth fare or there is any other strategy that you have in mind apart from the 5 to 6 projects that we are working on right now?

Bajrang Choudhary: We are not saying that the growth to be either or, we are obviously looking at both the opportunities going forward. Inorganic today seems more attractive but that doesn't mean that we are not looking at organic opportunities. So we are working at both and though we believe that because inorganic it's a bilateral transaction that we land up doing. So that can be closed more faster and we don't need to go compete the way you need to do when you go and bid up for new assets where there is a certain element of uncertainty in terms of when did you can be L1 or not. So maybe going forward we may see large a contribution of growth being done by inorganic opportunities. But for us yes, we are evaluating and we look to both organic and inorganic for growth.

Moderator: Thank you. As there are no questions I now hand the conference over to the management for closing comments. Over to you.

Bajrang Choudhary: Thank everybody for joining the call and if you have any queries feel free to come back to us and we will be happy to take those.

Moderator: Thank you very much members of management. Ladies and gentlemen on behalf of Bharat Road Network Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.