Ashoka Buildcon Limited

To,
The Manager,
The Department of Corporate Services
Bombay Stock Exchange Limited
Floor 25, P. J. Towers,
Dalal Street, Mumbai – 400 001

Scrip Code : 533271

To,
The Manager,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, BandraKurla Complex,
Bandra (East), Mumbai – 400 051

Scrip Symbol : ASHOKA Eq.

April 12, 2017

Sub: Transcript for the Conference Call held on April 07, 2017

Please find enclosed herewith the Business Update (Transcript) for the Conference Call held on April 07, 2017.

Kindly take the matter on your record.

Thanking you,

For **Ashoka Buildcon Limited**

ASHOKA BUILDCON LTD.

Manoj A. Kulkarni
(Company Secretary & Compliance Officer)
ICSI Membership. No. : FCS - 7377

Encl.: As above

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"Ashoka Buildcon Limited Business Update Conference Call"

April 07, 2017

MANAGEMENT: MR. SATISH PARAKH – MANAGING DIRECTOR - ASHOKA BUILDCON LIMITED
MR. PARESH MEHTA – CHIEF FINANCIAL OFFICER - ASHOKA BUILDCON LIMITED

Moderator: Ladies and gentlemen good day and welcome to the business update call of Ashoka Buildcon Limited. I have with me Mr. Satish Parakh – Managing Director and Mr. Paresh Mehta – CFO of Ashoka Buildcon. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parakh for opening remarks. Thank you and over to you sir.

Satish Parakh: Good evening everyone, a very warm welcome to business update call. I have with me Mr. Paresh Mehta, our CFO and our IR Advisors, Stellar Investor Relations. I would first brief you on our business philosophy and approach.

As you all know, we have commenced our business in construction activities and moved in road construction and BOT projects at a very early stage of BOT era in the country. We have always followed a strategy of entering new segment or a geography with a pilot project after utmost commercial due diligence in terms of risk and return and its future potential of becoming sizeable business. We gain our expertise with real experience of the project and then decide of building the business in that area.

We have always remained focused and always tried to maintain our hurdle rate on margin and return on equity while selecting any project. With this strategy, we have entered power distribution EPC business in 2009 and successfully built sizeable business in last decade. Recently we have got small project in city gas distribution in Ratnagiri, the second generation has entered the business few years back and they have gained experience and started taking leadership role, they have brought fresh spots and dynamism in the company.

With induction and active participation of second generation in business and expansion of experienced professional team in our management bandwidth, our management bandwidth has also increased significantly in last few years. We have evaluated many projects in various segments and select projects strictly in line with our philosophy of future business potential of the segment and favorable risk and return profile of the project.

Now I will explain you the rationale for this real estate project; we are witnessing many positive developments in real estate segment in last few years, the RERA Act participation by large players increase in project size growth environment of the country, increasing exit options have opened up large opportunities for the players with strong balance sheet. We believe that there is a significant interest for the yield generating assets, the recent few transactions show an increasing interest of financial investors; private equity investors for these kind of assets. Also structures like REIT – Real estate investment trust in India has improved the exit option for the developers. Keeping above factors in mind, we have evaluated few opportunities in last few months and found that the land parcel near Mumbai International Airport offers a very favorable risk reward profile.

Let me now share a brief on detail on the project we have received. As most of you would be aware by now, we have received the letter of award from Mumbai International Airport Limited – MIAL for the combined land parcel at Sahar Road near existing International Airport, Mumbai on the aggregate lease period of 49 years. On these land parcels, we are developing commercial office space of built up area of 1.17 million square feet. We will make payment of refundable security deposit amounting to Rs. 329.35 crore and annual lease rentals of Rs. 15 crore with escalation of 15% every 3 years. We are in active discussion with couple of reputed real estate developers and evaluating the option of joint venture for the said project with an aim of strengthening our construction and marketing capabilities.

As you are aware that during the last year we have received a highest number of orders entail; Rs. 3,050 crore in our road and power business, this includes projects of, Rs. 950 crore in power distribution and Rs. 2,100 crore under hybrid annuity model. We will like to reiterate that we are very much focused on our road infrastructure business and we are bidding for the project under EPC and hybrid annuity projects. In the long-term we see ourselves as an infrastructure construction company having ownership portfolio of yield generating assets.

With this, we now open the floor for questions and answers, thank you.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. We have the first question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

Parkishit Kandpal: Hi Mr. Parakh. If you could elaborate little bit more on the deal structure, it will be how much equity you will be investing here. Secondly if you can highlight who were the other bidders in this project; whether any other real estate developers who were interested in this and also if you can highlight on, is there any like you have already tie-ups with some tenants here or it is just a speculative building you are looking at as of now?

Satish Parakh: Yes, see this was an open tender and as of now we do not know who were the other bidders in this but there were definitely 16 to 17 players who were interested in this place and there were 5 parcels; out of which these 2 parcels which are adjoining each other, number 2 and 3 is what we have got.

Parkishit Kandpal: And how much will be the total equity investment in this project?

Satish Parakh: Equity requirement would be around Rs. 230 crore and total project would go around Rs. 850 crore to Rs. 900 crore.

Parkishit Kandpal: The total project CAPEX will be around Rs. 850 crore to Rs. 900 crore.

Satish Parakh: Yes.

Parkishit Kandpal: And how will you be financing this refundable deposit of Rs. 330 crore?

Satish Parakh: We have 60 days' time to do all this and definitely we can.

Parkishit Kandpal: No I am saying how will the mix be here, equity and debt? Like it will be entire deal in equity?

Satish Parakh: Equity and loan, debt.

Parkishit Kandpal: So partly equity and partly loan, okay. So what was the rationale, I mean we know there is a huge pipeline of HAM projects which is like expected to come up over next 2, 3, 4 years and I mean this is little bit of, we are unable to understand a sudden diversification into office space, so when there is huge opportunity and similar kind of yields available in the road asset, so why are we first of all diversifying into real estate and are there any other opportunities besides real estate we are looking at, for rent generating assets?

Satish Parakh: See this is giving much more better yield than HAM projects and this is only one off project. As I said we will do a pilot project and then decide whether to build on this business.

Parkishit Kandpal: But what is kind of competitive advantage you enjoy in this segment, this is what I want to understand; there are so many developers in India, already we are struggling with the commercial, though it has picked up but still lot of office space is still and the vacancy rate in Mumbai itself is as high as on a 15% to 18%, so first of all what is the competitive advantage we enjoy in this segment and why we at all want to enter into this?

Satish Parakh: No, here I am capable to sell at a much lesser than the market rate; that is the whole competitive advantage and these are the yield generating envisage for a very long gestation period of 49 years and it will be very effective equity returns.

Parkishit Kandpal: And lastly what kind of rentals you are looking at this property like; if you can quantify and also what will be the total leasable area here because you have spoken about the total developable area but how much will be the leasable area?

Satish Parakh: 1.3x to 1.4x the built-up area which we have stated will be the leasable area.

Parkishit Kandpal: Okay and what kind of rentals you are looking here in terms of…

Satish Parakh: Rental you know, I will be in a position to sell between 130 and 150 per square feet.

Parkishit Kandpal: And this will be a grade A building?

Satish Parakh: Of course, it will be a grade A building.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.

Abhinav Bhandari: Did I get this right that the total leasable area would be 1.17 million square feet multiplied by 1.3 to 1.4 is the FSI which you mentioned?

Satish Parakh: 1.3 to 1.4 is the sellable area, sellable lease.

Abhinav Bhandari: This is million square feet you are talking about or?

Satish Parakh: Yes, million square feet. 1.17 x 1.3 you can take.

Abhinav Bhandari: The other one was; basically if you could tell the breakup for this Rs. 850 crore to Rs. 900 crore CAPEX what you are talking about, broadly what kind of assumptions on per square feet construction have we built on this and does this also include this refundable amount or the refundable deposit which is there?

Satish Parakh: Yes we have included the entire amount. If you see the deposit which we are giving is Rs. 2815 per square feet of built up area, 1.17 not multiplied by 1.3. Then there will be another 130 to 140 would be IDC during construction, even if I take construction period of 4 years which is on a very higher side and plus construction cost would be around Rs. 3500 to Rs. 4000 per square feet.

Abhinav Bhandari: Okay and roughly what kind of timelines are we looking sir, in terms of starting the project and ending it?

Satish Parakh: We will be in the position to start in 1st week of October.

Abhinav Bhandari: Okay and you mentioned that you are looking for a JV partner, so does that mean this equity could get distributed between you and the partner?

Satish Parakh: Yes, there is a possibility, if we get really good offers we will try to have a JV partner.

Abhinav Bhandari: Sure and any other similar projects which are there which you may be evaluating?

Satish Parakh: Not at this stage.

Abhinav Bhandari: Ay idea on the other bidders on this project sir, just out of curiosity how all of a sudden…?

Satish Parakh: There have been 15-16 inquiries per since this, bids were opened not publicly, it was opened and then we were just conveyed this, so maybe in another weeks' time we will know who are the other bidders and all that but there were five plots and out of which 2 is what we have got, 3 have gone to other bidders.

Abhinav Bhandari: Sure got it. So, I mean even after the JV partner comes in, we would still be a majority holder in this project, right?

Satish Parakh: Yes that is as per, considering the agreement also.

Abhinav Bhandari: And the timeline for this equity infusion could be what sir, about 2.5-3 years?

Satish Parakh: Yes around 2.5-3 years.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir first question is that the Rs. 329 crore that we have to pay upfront, can that also be funded by debt or that would be an entirely equity contribution from our side?

Satish Parakh: That would also be debt and equity.

Ashish Shah: So banks would be willing to fund even the upfront deposit component?

Satish Parakh: Yes.

Ashish Shah: That is why our equity requirement is less; at Rs. 230 crore?

Satish Parakh: Right.

Ashish Shah: So what is the overall gearing we are taking here? So Rs. 230 crore of total Rs. 900 crore is what we are saying is equity and the remaining is completely debt funded?

Satish Parakh: 70-30 around.

Ashish Shah: Sir secondly, in terms of clearances what is the status of the clearances and what is really within our scope to get cleared and what is in the GVK scope or MIAL scope?

Satish Parakh: See environment clearance for this entire sky city has been done by GVKs and this built-up area is also like already they have permissions in their hand, so it is basically putting a plan to MMRDA and getting it approved, should not take more than 2-3 months.

Ashish Shah: Okay but that is your scope or GVK scope?

Satish Parakh: Plan of course we will have to design as per our requirement and get it approved. They have already a plan approved by them but we may revise to our requirements.

Ashish Shah: And sir the deposit is payable one it is all approved or deposit is payable irrespective of when the plan is approved?

Satish Parakh: Deposit is payable on effective date which could be 60 days from LOA.

Ashish Shah: So that is time dependent and the approval will have to happen in due time.

Satish Parakh: Approval we will have to take from the authorities depending upon our submissions and approval is whole our responsibility.

Ashish Shah: Sir a little bit on the lease rentals which you said that you could be looking at 130-150, so do we have any benchmarking done or some nearby properties or any comparables which we can at least give as an example to say that this 130-150 is reasonable?

Satish Parakh: Yes, comparable properties which we have seen is a project by Kanakias which is on the Andheri Kurla Road, so they are now quoting around 160 and this lease rental which I will be applying after construction, maybe 2-3 years down the line, so we have still taken little less than today's rate and we are very much capable of, we have a good range in our hand even to play with this lease rentals.

Ashish Shah: Sir in terms of access to this property, will this property have access from the Metro which is coming up?

Satish Parakh: Yes this will have access from the Metro, actually Sahar Metro station is just opposite this property and Sahar Metro station work has already started on ground and secondly this is the same road which is Sahar Road, where you have ITC and other five star properties.

Ashish Shah: And sir lastly from my side is that how should one think about this foray; are we saying that we are testing waters or we have taken a view that this vertical is attractive enough for us to build up our presence and hence incrementally we will be looking at assets or projects which are crossing our threshold of returns so are we testing waters here or we have made up our mind here?

Satish Parakh: This is of course a pilot project, our strategy is to enter with a pilot project but even pilot project we are taking with good amount of diligence and seeing that risk involved is very less, rather reward is proportionately quite high.

Ashish Shah: So what would here be your estimate of equity IRR, in this?

Satish Parakh: This would fetch definitely more than (+20), on a very conservative side.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.

Adhidev Chattopadhyay: Just to clarify on all this, the area which is about how much land area, these two land parcels?

Satish Parakh: Land area is around 22199 square meters, 22,200 square meters you can say.

Adhidev Chattopadhyay: So, roughly around 5 acres?

Satish Parakh: Yes, little more than that.

Adhidev Chattopadhyay: And this was all clear land or was it part of some slum rehab plan which would now been, they have vacated and now you have been allocated?

Satish Parakh: No it is completely clear land, fenced and available.

Adhidev Chattopadhyay: Okay in this 49-year whatever concession period, it includes the period of construction or it excludes that?

Satish Parakh: No it includes, balance period is 49 years, so it includes construction period.

Adhidev Chattopadhyay: Okay including the period of construction of around 3 years.

Satish Parakh: So balance lease available will be 46 or 45 years, depending upon 3 or 4 years of construction time.

Adhidev Chattopadhyay: Okay so we will be having roughly around 1.5 million square feet of office space, right which will be up in the next three years and you mentioned there were other 3 land parcels also, so they would also be competing with our project right, if I am to understand in the same?

Satish Parakh: One of them would be competing, others have restricted users.

Adhidev Chattopadhyay: This refundable deposit is an interest free deposit, right? We do not get any …

Satish Parakh: Yes, interest free of course.

Adhidev Chattopadhyay: Sir then just to ask now we have, so in the overall context all your equity will be funded from Ashoka standalone balance sheet or how do we look at the funding portion of this?

Satish Parakh: There are various options as I told you we are also in advance talk with some of the developers, they will come up with some of the equity stake or it could be funded definitely from Ashoka's balance sheet.

Adhidev Chattopadhyay: Just a longer-term strategy question; now we are going into city kind situation, we are into this real estate rent yielding asset and also Ashoka construction. So any long term plan of getting all these assets together under one bucket and then bringing them for listing as a separate company or something? What I am trying to say, would there be more such projects in the future which you would like to take up and then bring into an overall bucket?

Satish Parakh: No such strategy at this stage but definitely if we are able to build a good portfolio of yield generating assets, we can definitely think of putting them across in a bucket.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Just to give the map side again, you mentioned that in the total project cost of around Rs. 900 crore; Rs. 329 crore is the refundable deposit that we have to pay, around Rs. 130 crore to Rs. 140 crore will be the IDC and the remaining will be, the majority will be the construction cost which you mentioned will be around Rs. 3000 to Rs. 4000 per square feet.

Satish Parakh: Correct.

Vibhor Singhal: So just to delve a bit more on that, so the funding of this project cost as you mentioned around Rs. 230 crore of equity and remaining debt, will we also be looking at let us say, some anchor tenant to begin with and then probably monetizing the project cost by some deposit from them or will it be that we will have to construct the entire project cost?

Satish Parakh: See definitely these options are available, we definitely can have anchor tenants, we can have deposits from the tenants, deposit and lease rental or into effective structure.

Vibhor Singhal: So that can also be used to probably part fund the finance cost, if and when required.

Satish Parakh: Yes.

Vibhor Singhal: And sir as again given out earlier question; you mentioned that this area is completely free from the slum encroachment and all because I think there is a large part of the MIAL real estate which is still encroached upon by slum dwellers, so this is completely free of that and a free land parcel.

Satish Parakh: Yes this is completely free land parcel.

Vibhor Singhal: Right and MIAL has a complete development rights over this parcel?

Satish Parakh: Of course, MIAL has and MIAL has bid out this.

Vibhor Singhal: We just have to basically submit our development plan to MMRDA and get clearances from them.

Satish Parakh: Correct.

Vibhor Singhal: There would definitely be high restrictions I suppose but that would be part of the 1.3 FSI that you mentioned.

Satish Parakh: Yes including that; high restriction is there but including that we are able to consume this kind of a …

Vibhor Singhal: And this is pure commercial right? There is no other use that we can put this property to, in case we want to?

Satish Parakh: Restriction is only on residential, otherwise you can use for multiple uses.

Vibhor Singhal: So this could also be basically used for maybe, if at all hospitality as well?

Satish Parakh: Yes, all other uses are allowed except residential.

Vibhor Singhal: Fair enough Sir. And I think we would be yet to decide whether where do we, how this entity.

Satish Parakh: Yes the product mix we have to decide yet.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir my first question; what is the clause you have here if, let us say, for example you want to get exit from this project, will it possible to do it?

Satish Parakh: Exit is possible by sharing up of an equity after completion and then two years after that and part exit is allowed, 51% is what is we have to retain, COD plus two years.

Nitin Arora: COD plus two years 51% stake we have to retain, from the fourth year I can still exit the complete project.

Satish Parakh: Yes.

Nitin Arora: There are other three land parcels which got bid out the same day you got the order, you said there is one land parcel where the commercials are allowed, two there are some certain restrictions, is it restriction related to commercial activity?

Satish Parakh: Yes, restriction is related to commercial, the other are like hospital exclusive and the other is other use. So one more parcel is where commercial use is allowed.

Nitin Arora: Just, you know you have answered this question, which you have been asked for your strategy. Now if we look at our business which we are into, we started from the construction part, we have went and tested P&D, we build a good BOT portfolio, then worked for almost like a 4, 5 years, we started stabilizing now after a long period of time in the BOT portfolio, certainly the government came into a HAM be implied IRRs, any which ways for those projects were not that great. So we understand that you want to try and test the yields on the higher side but a 20% yield itself is something an arbitrage today what you get in HAM of about 12%, 13% IRRs assuming what the bids we have seen, it is of the major tinkering in the O&M cost what the developers have bid for. So your core business itself is not more than a 12% or a 13% ROE business, we are testing a pilot project where we talked about a 20% IRR business, then ideally or let us say even structurally you should be going into that business in the next three to four years in a much larger way than rather focusing on the core business.

Satish Parakh: See I will reiterate; our core business focus will remain, that is our expertise and there also we have been bidding selectively and getting IRRs more than 16% on an average. If you see current HAM 2 projects, definitely the bottom line is 16% and this business definitely shows much more than that, so pilot project and then completion and if we are able to develop with that expertise and if we feel our balance sheet allows this comfortably, retaining our current business and growing our current business at the pace which it is growing, then definitely this diversification will go ahead. Otherwise, road sector is always there, I do not see another next five years at least we will have very good business there.

Nitin Arora: And sir what about the scale, so you are going into a business which has a lot of competitive intensity, it is something we have never worked for, totally related to the demand environment and rather the activity surrounding that area, again a business which is beyond your control, the similar way the traffic happens in our country. So what is your sense on the scale with respect to investment? So for example, at the time of your gas project, you talked about the diversification, today we are again talking about diversification based on the higher yields. So what kind of a scale you want to achieve to get that diversification into the business. So is this something related to your balance sheet capability because you have generated starting good amount of cash recently only because there was a lot of pain in the BOT cash losses, still Sambalpur is in the building stage. So where you decide to stop the diversification or where you do not decide to stop the diversification and try test some more pilot projects, so what is the threshold you decide inside your company that this is something where our balance sheet goes away, I am right now free of capital, let me try some diversification, if that goes higher that goes lucky for us, we can still build on it. So how do you decide that parameter?

Satish Parakh: No this is definitely project by project it is decided, we are not looking that and we also do not hope that we will get such lucrative projects all along but definitely if we are able to develop expertise and get good projects and depending upon balance sheet scale we may build this business, there is nothing wrong in building a business which is throwing up a .. and having control completely on the business then definitely we can expand but if pilot project does not prove to our expectations, we are not proceeding that business.

Nitin Arora: Sir my last question was that absolutely taken your point that the diversification is something what you are trying, if I add up the equity requirement of two pilot projects going beyond Rs. (+300) crore, you would have taken easily a HAM projects which according to you generates a 16% IRR up to about Rs. 8000 crore to Rs. 90000 crore with the same equity requirements and that too into your comfort area which you have an experience from last ten years, so ..

Satish Parakh: See we have been bidding HAM projects, around more than 20 projects we have bid and we could win two projects and there is a huge opportunity going ahead and HAM projects my balance sheet definitely supports, I do not have to bring in new fresh equity for HAM projects.

So HAM project is a very focused business and that definitely will develop independently, there is no restriction on its equity, it is not going to bring any pressure on bidding of my HAM projects.

Nitin Arora: I am not talking about the pressure; I just thought that you have the same money you can use in your core businesses and to earn more returns on it because according to you the IRR difference is not much.

Satish Parakh: See I will explain you, the HAM projects are like in ACL where we have 39% outside equity partner, 61% is what we have to put, 40% is what government gives, so out of entire my EPC itself I am able to service my HAM project. So no fresh equity is required by HAM project. If I am able to get at my hurdle rates, it can be built independently.

Nitin Arora: Getting your point Sir, thank you very much and all the best,

Moderator: Thank you. We have the next question from the line of Inderjeet Singh from Macquarie. Please go ahead.

Inderjeet Singh: My two questions where if you could give me some clarity. This upfront payment, how much time do we have to make these payments and you said that it can be partially funded by banks; can banks fund, how would this be seen, would not be this seen as a land transaction?

Satish Parakh: There are institutional fundings available for these kinds of products and 60 days is the timeline we have.

Inderjeet Singh: And second thing you said that you expect to start work in October but do not you think that could be fairly ambitious given that you are still open in terms of what kind of product we want to offer and then go to BMC or MMRDA or whichever is the relevant authority or CIDCO to get all building plan approvals and all those kind of things. So do you not think October is kind of fairly ambitious timeline, given that bureaucratic delays are fairly common in this space?

Satish Parakh: No October will not be a very ambitious, I think it is a very sufficient time looking at the project clearances which are already been place, like environment normally takes time and this is already in place.

Inderjeet Singh: Does not building approvals take time?

Satish Parakh: Building approvals in MMRDA maximum time is three months.

Inderjeet Singh: Okay and this would be under MMRDA, not under BMC?

Satish Parakh: It is under MMRDA.

Inderjeet Singh: And there would not be those kinds of approvals in terms of height restriction because being closer to the airport?

Satish Parakh: Yes there are height restrictions, including that height restriction this is what buildable area we are getting.

Inderjeet Singh: No I am just asking purely from a timeline in terms of approval point of view?

Satish Parakh: Those all are very crystal clear by-law stated know and this all homework has been done even pre-bidding know?

Moderator: Thank you. The next question is from the line of Devam from ECuRep Secure. Please go ahead.

Devam: Firstly, wanted to understand, now with this project how much equity do we totally require across HAM, CGD, real estate over the coming two to three years?

Paresh Mehta: We have an equity commitment for all our HAM projects and the two BOT annuity projects at APL level of around Rs. 250 crore and this probably will entail of around Rs. 230 crore, so that is what we will be spending in the present set of projects.

Devam: Sir it is so when you are saying Rs. 250 crore you are factoring 51% stake of Ashoka Buildcon.

Paresh Mehta: So this is 100%, so if I take 61% it further goes down to around Rs. 170 crore.

Devam: Okay so Rs. 170 crore for HAM you are saying and for real estate project you are saying Rs. 230 crore and then COD will require some small portion towards the next four years.

Paresh Mehta: Over the next four years overall around Rs. 30 crore, so maybe Rs. 8 crore to Rs. 10 crore per year maximum.

Devam: Okay, so basically you are currently, of course your standalone back is on the lower side, at around Rs, 140 odd crore in December and you have a fairly large equity base, so till what level of debt equity on standalone level are we comfortable up to because this is all going to be investments physically, so how much would you be okay with doing on that kind of investment side in terms of standalone debt?

Paresh Mehta: On a standalone debt we will continue to play our game such that the standalone debt is almost only related to working capital requirements, so any additional equity will always be through other internal accruals or liquidation of assets of the group; that is the assets which we have in our ABL and our subsidiaries and of course as we have already said that it could be some joint venture partnership where we could bring in a new partner who participate both in the project equity funding as well as participation in the project.

Devam: If we consider this that way and let us say what you are saying is that roughly it is Rs. 270 crore plus Rs. 230 crore and another Rs. 450 crore of debt, is that we are looking at bringing it from internal accruals or from commitments from either sale of ACL stake or some other JV partner.

Paresh Mehta: Exactly, all these options are wide open, so I think so on equity requirement fund I think so there is no challenge at all.

Devam: But because currently if we look at your numbers, then it is Rs. 400 odd crore investment, we do perceive that unless we have, I mean apart from internal accruals, you already have some JV partner or some ACL stake sale in advance stage, you will not be able to manage that only from internal accruals over the next two years.

Paresh Mehta: Yes internal accruals will be there at ABL level where EPC internal accruals are there and at ACL level definitely there is a possibility of infusion from the new ventures, the due investors who would be replacing the current investors, this one opportunity is always there. And the new JV partners in this real estate sector.

Devam: But one thing we are very clear on that; we do not want any standalone debt, even 10% or 20%, no standalone debt related to investments or loans and advances for this yield generating asset.

Paresh Mehta: No exorbitant debt which will disturb the balance sheet at all.

Devam: So finally, as far as mentioned that you are looking at the start date as of October, now which are the major or which are the tricky clearances which are required to be taken before you commence this project in October, anything which is challenging which is remaining on ground or you would feel that there is absolutely no challenge in because environmental is already in place and you are saying that MMRDA thing is under control, so broadly you are saying that you are very confident of starting out in October or you would say that there are a couple of more clearances would be wanting to push there on the completion of the project ?

Satish Parakh: No we are very confident on starting in October.

Moderator: Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vara: Sir the lease rentals will start from the first year or after the COD?

Satish Parakh: Lease rentals will start from first year, Rs. 15 crore per year will start from the first year.

Abhijeet Vara: Okay and what is your internal IRR for this project at the estimate which you have said; Rs. 130 lease rental?

Satish Parakh: Yes this will be as I told you on a very conservative basis, at Rs. 130 it comes out to (+22%).

Abhijeet Vara: Also during the construction also you can off load some stake to your JV partner, right?

Satish Parakh: Yes, from the very start, right from paying of the first tranche.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: The question is slightly away from this transaction which has been announced but in a way updated, so we are obviously envisaging a decent amount of equity we put in two, let us say the HAM and the real estate portion, is it a base case or it is a scenario wherein you would envisage money going in or scenario building up wherein if we may query, we would have to buy it out the stake or do you think that is a scenario which one should not be building in today at all?

Satish Parakh: I do not think that is a scenario at all.

Aditya Mongia: So there would be an investor who would replace, so that is not going to be a cash out go for us, is our base case today?

Satish Parakh: Correct.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Just one question; do we have any expertise in real estate construction or will this, the construction of this building will have to be outsourced?

Satish Parakh: No in past we had been building buildings, maybe last decade we have not done much building works but it will be evaluated, internal expertise also can help and we can outsource also. Both options are open as of now.

Parvez Akhtar: And after starting work in October, do you foresee a construction period of about 3 years or 4 years?

Satish Parakh: Looking at the fact condition, we should be able to complete even in two years but on a conservative side we are taking 3-4 years.

Moderator: Thank you. The next question is from the line of Rahul Modi from Antique Stock Broking. Please go ahead.

Rahul Modi: Sir just one question, who is the other company that has won the other land parcel where who will be doing commercial?

Satish Parakh: No, we are not aware of the other; it is a very recent kind of development so maybe some time to understand.

Moderator: Thank you. The next question is from the line of Avinash Sule from QIA. Please go ahead.

Avinash Sule: Just wanted to get a high-level question on the 49-year term that you have mentioned, I believe the mere lease for the land is 30 plus 30, with 19 I guess left in the first one, how are you getting comfort on the renewal of the lease because there is no guarantee that MIAL will get it, right? Or have they given you all some indemnities or assurances on that?

Satish Parakh: No, they have, see MIAL is 30 plus 30 and on that basis only they have given (+19) and MIAL has right to extend, they do not have any ambiguity in the agreement which they have signed with Airport Authority.

Avinash Sule: Right, so you are comfortable with that agreement?

Satish Parakh: The creator has very clearly stated that MIAL has right to extend 30 years.

Moderator: Thank you. That was the last question, as there are no further questions I would now like to hand the conference back to Mr. Parakh for any closing comments.

Satish Parakh: Thank you everyone for the participation on the call we would like to reiterate that we are very much focused on our road infrastructure and Power distribution business and we are bidding for the projects under EPC contract as well as BOT and Hybrid Annuity. The current commercial Real estate project will expand and strengthen our position in growing construction industry. We once again assure you that we are very cautious that we meet our hurdle rate on rate of return expectations on investment. In case of any further queries, please be in touch with us or Stellar Investor Relations. Thank you very much for the participation once again.

Moderator: Thank you very much. On behalf of Ashoka Buildcon Limited that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.