



YuHe Expressway, Chongqing, China

Analyst Presentation



重庆渝合高速公路

Chongqing YuHe Expressway

股权转让协议签字仪式

Company Shares Purchase Agreement Signing Ceremony

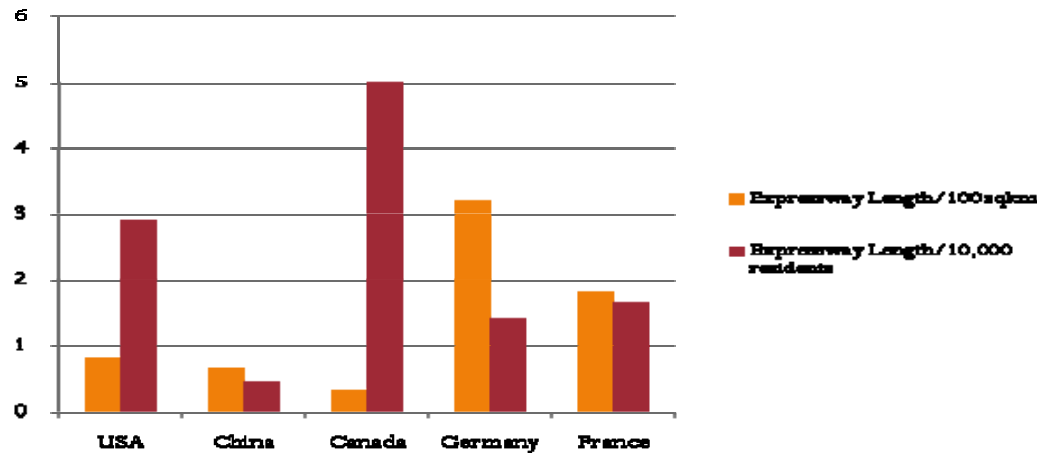


Standing from Left to Right: Hari Sankaran - Vice Chairman and Managing Director, IL&FS | Xie Zhongwen - Chairman, Singapore Cooperation Enterprise | Karunakaran Ramchand - CEO (Infrastructure), IL&FS | Rahul Chhabra, DCM, Indian Embassy, Beijing, China | Kamran Khan - Program Director, The World Bank Urban Hub in Singapore | Huang Qifan - Mayor, Chongqing City | Ravi Parthsarathy - Chairman, IL&FS | Ling Yueming - Vice Mayor, Chongqing City | Chen Si Cong - Deputy Director, SASAC | Teng Hongwei - Director, Chongqing Transport Commission | Li Zuwei - Chairman, CEG | Xu Renan - General Manager, CEG

- One of the growth strategies envisaged by IL&FS Transportation is inorganic growth through acquisition of operational projects
- Benefits offered :
 - Reduces the gestation period of a project
 - Operational assets can be acquired at good valuations
 - Exponentially increases stable revenue base comprised mainly of toll/annuity
 - Helps in maturing the portfolio faster
- Orient our business primarily as an asset play driven by the growing need of transportation infrastructure in developing economies with benefits of a growing long term portfolio
- Improve EBITDA margins and ensure sustainable profits with healthy growth
- In our lookout for secondary projects, we have focused on India and have also looked at projects in other emerging economies
- It was in this process that the China project was evaluated and bid
- The acquisition also increases our technical qualification for NHA projects and may look at avenues for participation in bids in joint venture with CEG

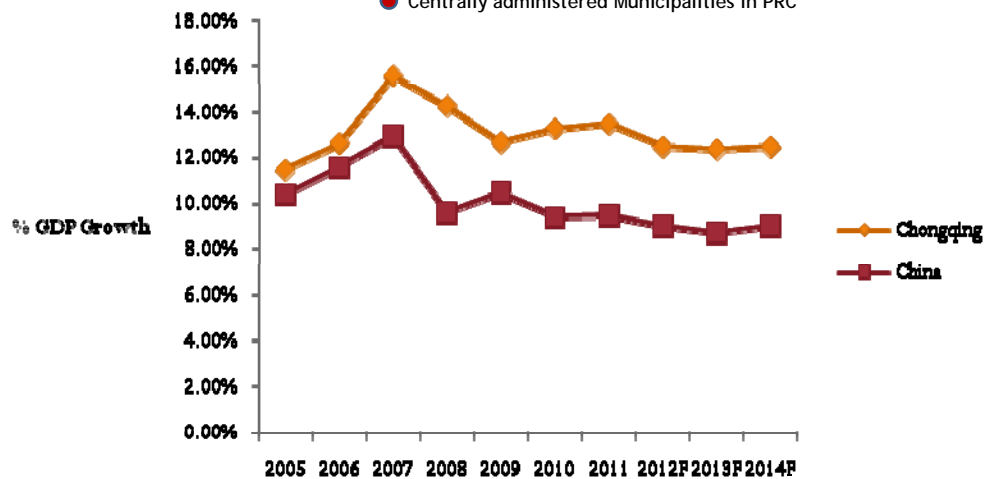


- **Steady Growth**
 - YoY GDP Growth +9.1% 2011 Q3
 - YoY Export Growth +17%
 - YoY Passenger car sales +6.1%
- **World's second largest expressway network**
 - 74,000 kms – Existing Expressway Network
 - Jiangsu Expressway Ltd. – 715 kms
 - Shenzhen Expressway Ltd. – 712 kms
 - Anhui Expressway Ltd. – 426 kms
 - 100,000 kms : Planned Expressway by 2020; accelerated to 2015
 - 3 million kms - 2020 Growth target highways and expressways
 - 70% - World's total toll roads in China
- **High potential for toll roads investment**





● Centrally administered Municipalities in PRC



- Only municipality in western China directly under the Central Government
- Fastest growing municipality in the country
 - GDP growth – Q3, 2011 – 16.5%
 - Major Industries
 - Automobiles and Motorcycles manufacturing
 - Aluminium equipment manufacture
 - Chemical industry
 - Foreign trade > \$12 billion
- Preferential policies
- Population: 32 Million +
- Urban Population: 52 %
- Existing Expressway Network – 1,800 kms
- 1,000 kms of Expressways at \$2.38 Billion by 2015



- CEG is an enterprise owned by State Owned Assets Supervision and Administration Commission of Chongqing (SASAC)
- Nodal expressway company in Chongqing
 - Length: 1,856 Kms
- Projects funded by multilateral institutions like the World Bank, ADB, JBIC etc. which are working with CEG to make it a reliable and sustainable model
- Chairman – Mr. Li Zuwei,
 - Ph.D, Senior Engineer, 20 +years experience
 - Communist Party Secretary
- Growth Avenues
 - Potential for developing additional 1000 km by 2015
 - Enter into international forays
- Operations
 - Motels -Shopping Centres –Resorts
 - Efficient land usage
 - Dedicated Incidence response teams
 - Advanced IT systems for road management

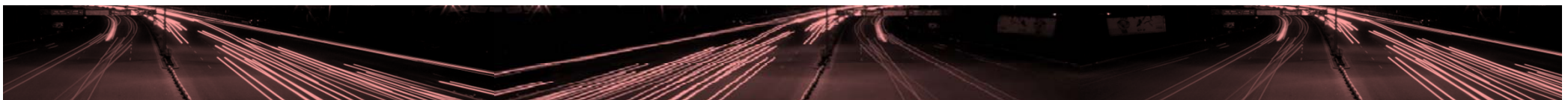


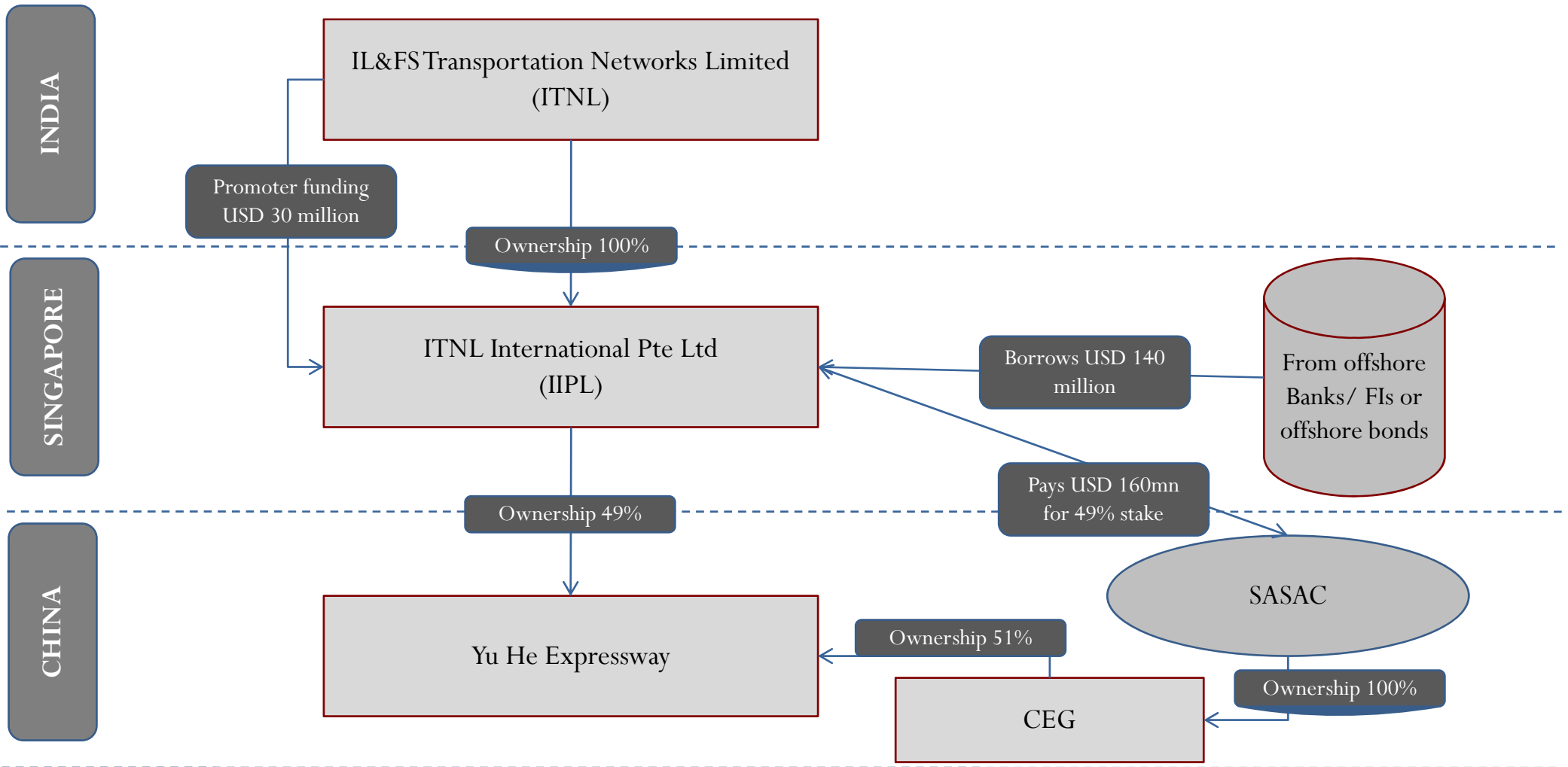
Location	One of 8 radials in “2 Ring – 8 Radials”	
Length (58.72 km)	From: Inner Ring Road, Yu Bei District	To: Hechuan County
Carriageway	2x2 with hard width shoulders	
Concession	Term : 30 yrs	Residual : 20.5 yrs
Structures	Bridges	55 nos. (8 Km)
	Tunnels	5 nos. (7.2 km)
	Interchanges	2 nos.
	Service Areas	2 nos
	Toll Stations	5 + 1 nos.
Design Speed	60-80 km/hr	
Vehicle Categories	Passenger	4 (Seat Capacity)
	Goods	5 (# of Axles)
Toll Methods	Passenger	$f(\text{type, kms})$
	Goods	$f(\text{type, weight, kms})$



Ownership Pattern	
CEG : 51%	SASAC 49% (to be acquired by IIPL)

Initial Project Cost	RMB 3 Billion	Debt:Equity 1.35
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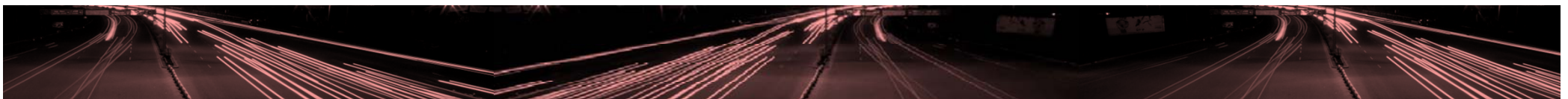




The borrowings by IIPL are to be repaid through the inflows from the project received as dividends and fee for services

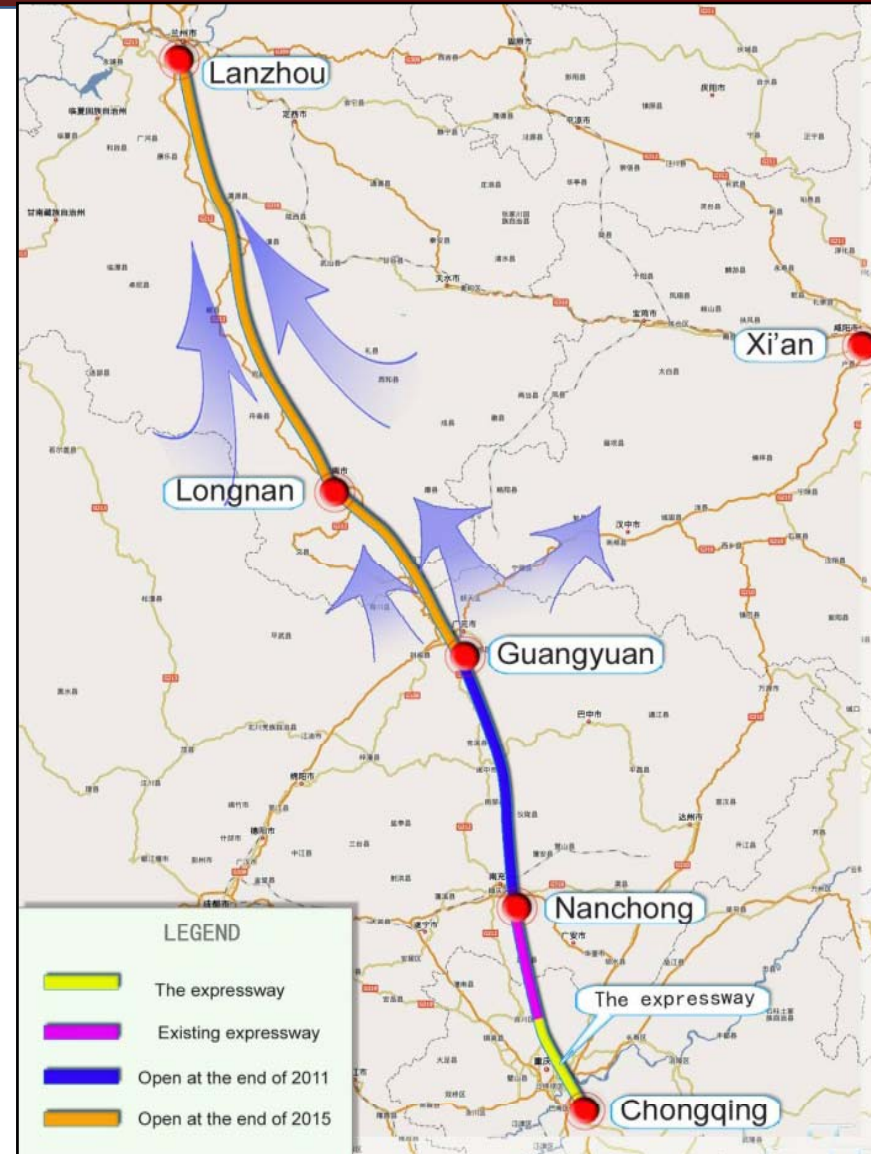


- Transparently bid out with assistance from World Bank and Singapore Government
- Project revenue mix of toll collection and assured revenue provides revenue stability
 - Toll revenue charged from users at 5 locations (27.1 km) provides around 60% revenue in CY11
 - Subsidy for non-tolled portion (31.6 km) to contribute around USD 22mn (~ 40% of revenues) in CY11
 - Rentals & other revenues from service areas (currently less than 1%)
- Protection under concession agreement:
 - Against any reduction in toll rates from the current applicable rates
 - From capacity augmentation obligations
- Joint Venture Agreement to reimburse bid expenses and to indemnify :
 - Any reduction in assured subsidies
 - Any increase in tax rate from 15% in the next 10 years
- Project offers management fee linked to revenues earned by the project. Such fee would be linked to O&M, financing, technology sharing , new markets etc.
- O&M opportunities for Elsamex. ITNL group also gets right to nominate persons in key positions (CFO and Technical Director)
- Dispute resolution through international arbitration



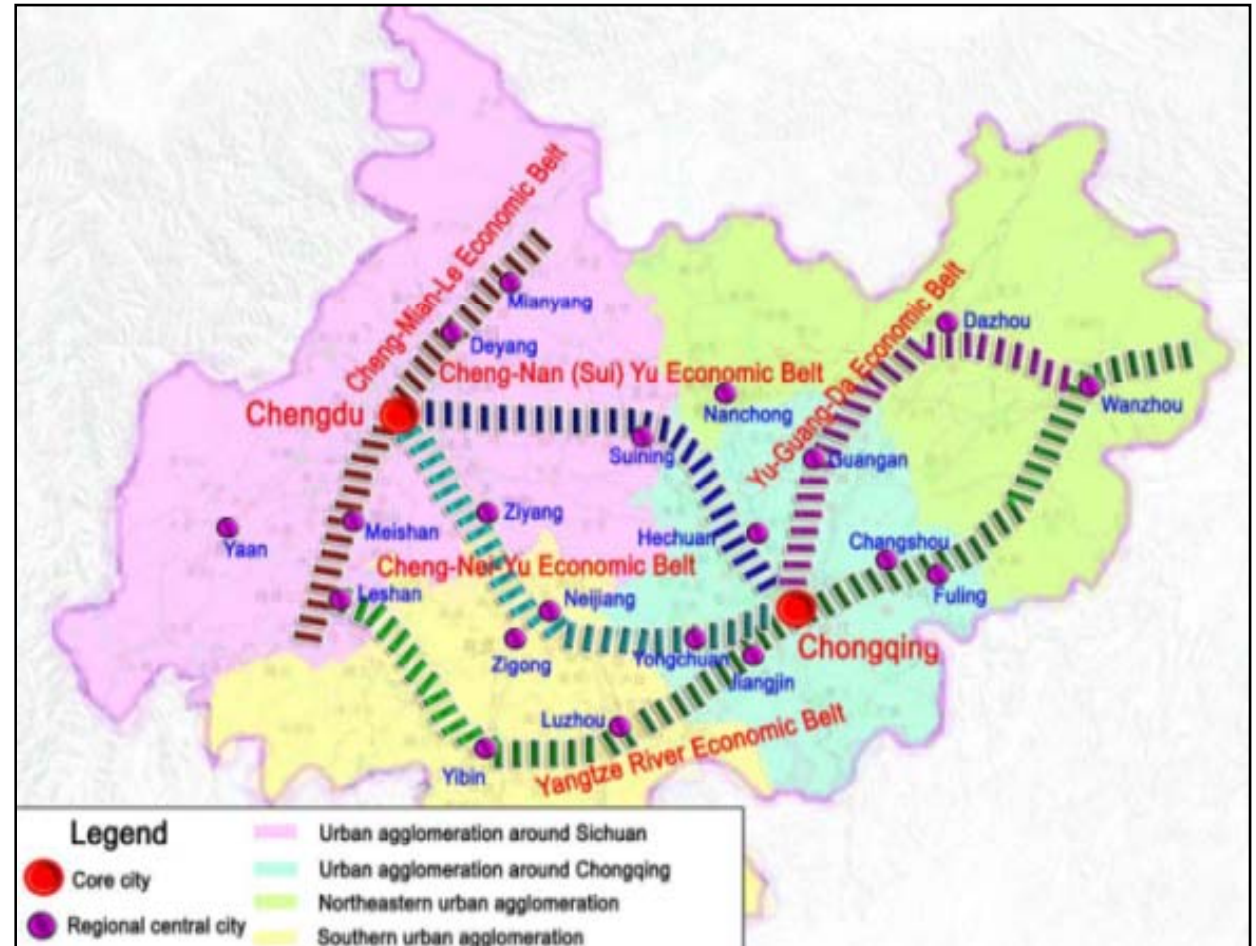
2012 - 14

- Development of Liangjian New District
 - 3rd National Economic Zone
 - Preferential Industrial policies
 - Financial centres
 - Logistics hub
 - Manufacturing
 - Exhibition Centre
- Completion of Nanchong – Guangyuan Expressway
 - Enhanced connectivity



2015 onwards

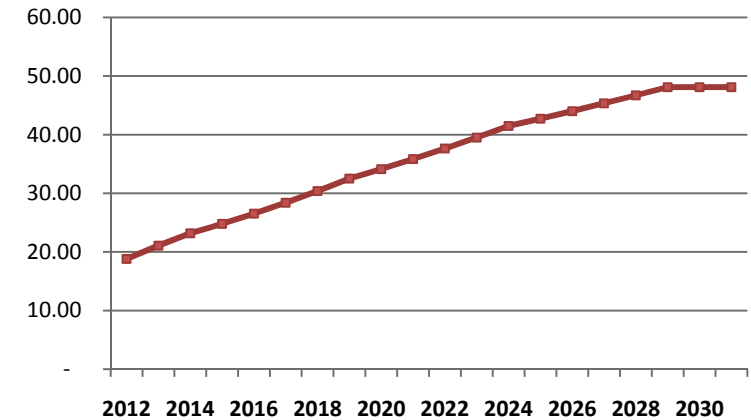
- Chengyu Economic Zone development goal
- Chongqing - focal centre
 - Technology and innovation centre
 - Financial centre
- Completion of Guangyuan - Lanzhou Expressway
- Chongqing 3rd Ring Road
- Improved road network



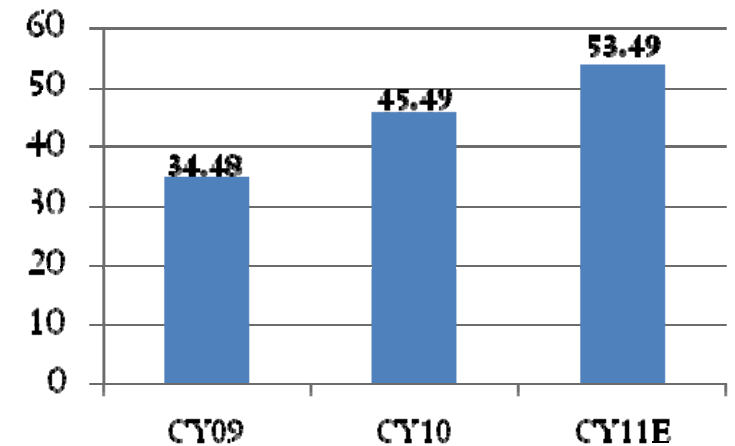
Financial Parameters*	In USD million	
	CY11E	
Toll Revenue	30.95	
Subsidy Revenue	22.31	
Lease Revenue	0.23	
Total Revenue	53.49	
EBITDA	46.06	
Depreciation	16.94	
Interest	16.42	
PBT	12.70	

- Subsidies are guaranteed a minimum growth of 5% year on year (currently ~40% of revenues)

Contracted Subsidies (in USD mn)



Revenue in last 3 years (in USD mn)



- Increase in Sustained revenues from toll/annuity
- Improvement in EBITDA margins
- Increase in Earnings Per Share
- Improvement in Debt Equity Ratio
- Enhancement of ITNL experience / qualification









Thank You



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