



“Kalpataru Power Transmission Limited Q1 FY 2017 Earnings Conference Call”

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MODERATOR: **MS. BHOOMIKA NAIR – IDFC SECURITIES LIMITED**



Moderator: Good Day, Ladies and Gentlemen and Welcome to the Kalpataru Power Transmission Q1 FY 2017 Earnings Conference Call hosted by IDFC Securities Limited. As a remainder, 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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bhoomika Nair from IDFC Securities. Thank you and over to you Ms. Nair!

Bhoomika Nair: Yes. Good morning, everyone and welcome to the Q1 FY 2017 earnings call of Kalpataru Power and JMC Projects. Today we have the management being represented by Mr. Manish Mohnot - - Managing Director, Mr. Kamal Jain -- Director (Finance) and CFO; while JMC Projects management is being represented by Mr. Manoj Tulsian -- Director (Finance) and CFO.

I will now hand over the call to Mr. Manish Mohnot for his initial comments. Over to you, Sir!

Manish Mohnot: Thank you, Bhoomika, Good Morning, everyone. We have declared the quarter one results of both KPTL and JMC and a copy of Results, Press Release and Presentations have been sent to all of you all.

Before proceeding for the Q&A session, I would like to take you through the key highlights of the results and recent developments. We have adopted IndAS Accounting Standards for both companies starting from 1st April, 2016 this has led to several adjustments and restatements of financial figures. Although we have tried our best to explain the same in the Press Releases and Presentation but I am sure, many of you would have specific queries to get better understanding. In this call, we will try our best to resolve all the queries even afterwards you can reach to our finance team through our IR team.

On the performance front in KPTL, we have not achieved top-line growth primary due to weak opening order book of last financial year and additionally some impact of commodities. Although the growth which we have achieved is very close to our budgeted numbers of the year and we are very hopeful with the number of quarter one that will still achieve about 20% to 25% growth target going forward. We have received good order inflow in the last three - four quarters across the geography and execution is picking up fast in several projects.

In the first quarter of the year we have announced order inflow of over Rs. 1,950 crores, in the second quarter till date we have announced order inflow of over Rs. 1,900 crores so, total order inflow for the year till date is closer to Rs. 4,000 crores. In addition to this we have L1 position in access of Rs. 2,000 crores primarily coming from international markets. Looking to order visibility I think the next two years' growth is not a concern for us although on quarterly basis we might still have some dips coming in based on whatever are the quarter numbers.

Last few quarters especially the last quarter was also very good from working capital perspective due to our continued focus on project closures, recovery of retention money and strong



execution. From margins perspective the reported margins are 11% as per IndAS format. This include an impact of around Rs. 9 crores due to change in Accounting Standards which is non-recurring in nature. After adjusting the impact we are in the range of 10.25% and this is the range we likely to maintain for the entire year. JMC top-line had decline by 4% with operating margins at 9.5% as per IndAS accounting.

During the last quarter, we have faced labor issues resulting to weak execution in few projects especially in southern regions. For the full year, we are on track to achieve top-line growth of 8% to 10% with operating margins in the range of 9.5%. During the last quarter order inflow of JMC was around Rs. 240 crores that includes water pipeline project in Sri Lanka. Currently at JMC we are in L1 position of about Rs. 1,300 crores among this most of the contracts would be materialized hopefully within this quarter itself. Overall order book position is healthy of around Rs. 6,000 crores with good mix of government and private orders in the ratio of 40 to 60.

On our road BOT project portfolio, all of our four road BOT projects are operational on full toll and full length basis. During the last quarter we had collections of around Rs. 50 - Rs. 51 lakhs per day. We are observing some traffic growth on few stretches. On overall basis we expect the tariff growth of 5% to 7% by the end of this financial year.

In Shubham Logistics overall business is impacted due to low utilization of our warehouses across the country especially much lower in Maharashtra and MP. We are also rebuilding our management team and revisiting the business model on the trading and arbitrage unit. During the last quarter KPTL has subscribed to the rights issue of Shubham and infuse addition Rs. 70 crores to fund their working capital requirements. Post this issue KPTL's holding has reached to 80% in Shubham.

With this update, I would like to open the floor for the Q&A session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Yes, hi, good morning, sir. Sir, firstly wanted to understand on the margin side you explained that because of IndAS there was a Rs. 9 crores positive impact in 1Q FY 2017 operating profits but if we compare for like to like 1Q 2016 there was not a very big shift in margins that way so, what was this Rs. 9 crores related to and on a comparable basis based on IndAS what is your expectation, how the margins could probably look for the rest of the year?

Manish Mohnot: So, Renu, the Rs. 9 crores for quarter relate to similar areas which was there for the quarter one of the previous year so, the key one of that is the change of method for determination of input to output, right, the one which we have clearly explained in the quarter one previous year also, that is a significant thing which would continue for the current year as a whole and in terms of our recognition of revenue method where we were earlier doing it on the output based and we are doing it on input so, that is a key thing and the balance is about small in nature but it is similar



to what we saw in the previous year quarter one there is not such a big impact coming on a Q-o-Q basis.

Renu Baid: Sir, for last year full year will it be possible for you to share what was the operating margins under IndAS for FY 2016 as a whole?

Manish Mohnot: Renu, the numbers for the full year still not being done by the auditor and we have still not completed the balance sheet and the numbers for the full year as a whole but we do not expect a huge impact coming in, it might be a small impact but numbers are still being worked on by the auditors as of now.

Renu Baid: Sure.

Manish Mohnot: To answer your question where do we expect margins to be, right without IndAS we still expect margins to be in the range of 10.5% and my gut feel is that the impact of IndAS should streamline in going quarter two onwards because it is a big impact which comes on the opening numbers. I think the number should be in the range of 10.5% only going forward on an annualized basis.

Renu Baid: Okay. Sir, second on the revenue side, in the management presentation we had share that we had positive impact of commodities on the margins as well. So any insight with respect to how the revenue execution mix has been both in the respect to domestic and exports both growth wise and overall with respect to the mix in sales?

Manish Mohnot: From a mix in sales perspective quarter one domestic and exports was nearly 50%-50% from a transmission perspective so, if you look at the infra T&D portion domestic and revenue would be 50%-50% and if you look at the balance portion which is infra others, right there has been not significant growth as compared to previous year but there also railways and pipeline in the range of 50-50 each.

Renu Baid: Okay, sure. Thirdly on Shubham Logistics, we did mention that still we are struggling through so, overall what was the brief at least the headline financial performance of this sub and how are we expecting the year for them to pan out?

Manish Mohnot: So we still expect the quarter to be a difficult quarter for Shubham as far as numbers are concerned although they will have a positive impact coming out of interest given that the entire rights issue came in the last week of June itself. You will see some positive uptrend coming from quarter three onwards when we see all the crops coming in where we see warehousing revenue increasing significantly and this year with a good monsoon across the country, we expect quarter three onwards to see some better results in Shubham. Quarter two we might still continue be in the loss not a similar number but still in a loss of anywhere in the range of 1% to 12%.

Renu Baid: Okay. And my last question on the ordering outlook we have seen fairly strong momentum for the last four months to five months and overall, how do you look at the entire year panning out especially the pockets coming in from the domestic market PGCIL and SEB's, what are your



comments with respect to order flows and competitive price pressure? Thank you so much and that is all from my side, sir.

Manish Mohnot: Our order intake target Renu for the year is in the range of Rs. 8000 to Rs. 9000 we already visibility of around Rs. 6,000 crores while we stand now. On the order book visibility, we are seeing a lot more traction coming out in the African market internationally not seeing much traction coming out of PGCIL as well as some of the Middle East markets. The domestic markets we see a lot of traction coming from SEB's and we expect a lot of orders to come from there and also a lot of traction is being seen in the infrastructure others business which has basically pipeline and railways and that also might be a pleasant surprise as far as orders books is concerned.

Renu Baid: Okay. Sir, within SEB's any specific SEB from whom you are expecting better uptick with respect to order finalizations this year?

Manish Mohnot: We are working with six - seven SEB's which includes Tamil Nadu, West Bengal, Karnataka, Gujarat, so this is a mix of six or seven SEB's where we are seeing a lot of traction coming in.

Moderator: Thank you. Next question is from the line of Arfad Sayyed from Quant Capital. Please go ahead.

Arfad Sayyed: Hello, hi, sir. Sir, my first question pertaining to Shubham Logistics, I believe you have increased the stake to 80% so, if we can share a timeline that it may go 100% next couple of years?

Manish Mohnot: I do not think we have any plans to take it to 100% right now our stake is around 80%, right, it entirely depends on the requirement of funds of the company but we do not have as of now have any plans to take it beyond the level at which we are.

Arfad Sayyed: Okay. And sir, can you share how many years it will take again from here to be in a great shape what we are seeing in past couple of years for this company, let us say if we can turn out as much as possible, so you can share timeline how many let us say quarter to turn on at profitable level?

Manish Mohnot: I definitely do not expect the company to be positive in the current year, right, it would be much better than what we saw in the previous year from loss perspective but getting into the profit zone it might take us least one more years, so next year is when we can expect something's to turnaround. Although on quarterly basis you should see quarter three - quarter four to be much better than the quarter one - quarter two results as far as Shubham is concerned.

Arfad Sayyed: Okay. And sir, last question, again on Shree Shubham Logistics you deferred your IPO for last year so, any time line from when you expect to file your DRHP again?

Manish Mohnot: We have not thought of any timelines for DRHP our current focus is to rebuild the team and the business as of now the IPO is completely deferred and we have no plans in terms of a timeline as to when the IPO would come.



- Moderator:** Thank you. Next question is from the line of Sanjeev Panda from Sharekhan. Please go ahead.
- Sanjeev Panda:** Sir, you said about working capital this time it is better and also we saw our interest cost has gone down so, if you can help us to understand one aspect is like how the working capital should be for the whole year? second, on the interest part, does our effective interest rate has gone down if it's what level currently?
- Manish Mohnot:** Sanjeev, our quarter one at Kalpataru standalone level is in the range of Rs. 530 crores, our target for the year end is in the range of of Rs. 700 crores or so, we definitely expect our loans to go up going forward, not necessary in quarter two but quarter three and quarter four where you will see a lot of execution coming in. as far as percentage of interest cost as a percentage of revenue, I think it will continue to be in the range of 2.5% will be right now at the range of 2% to 2.2% but we believe 2.5% to 2.75% is likely to happen on annualized basis.
- Sanjeev Panda:** And sir, what is our current effective rate all the borrowings that we have?
- Manish Mohnot:** It is a mix of different kind of borrowings but the effective rate would be anywhere in the range of 9% to 10%.
- Sanjeev Panda:** Okay, sir. And sir, considering as you said, order book position scenario looks better in flow for the whole year, can we assume that 20% to 25% kind of top-line growth that we had initially thought of in the last year, can we sustain that despite the weak or rather I would say the subdued....
- Manish Mohnot:** Sanjeev, our order book as of now is very-very good, it was not so good at the beginning of the year right, if you look at our order book as of now we have visibility in excess of Rs. 11,000 Crores while we speak without the L1. Given that we are very confident of very good growth coming in quarter three and quarter four because typically in a business order book to revenue takes a minimum lag of six months you need design and survey and all of that so, that is why given the current visibility and order book, we are very confident of 20% to 25% growth on annualized basis which we will see primarily growth coming up in quarter three and quarter four.
- Sanjeev Panda:** Okay, fine, sir and any development that you would like to highlight on Thane or Indore project?
- Manish Mohnot:** We have launched the Indore project the sales are already on, we have already sold around eight to ten units and we will continue to sell. Thane projects now, 40% of it is sold and 60% is leased out so, there is nothing which is idle, we continue to look at options of exiting Thane project as and when we have opportunity.
- Sanjeev Panda:** And Indore project sir, like total how many units we have and what kind of average per unit realization that you are looking for?
- Manish Mohnot:** Per unit realization would be very different depending upon what kind of unit it is, we have closer to 100 residential units plus we have a shops and commercial space also, 8-10 of them



have been sold and we just launched it a few months ago, so you will see attraction coming in once the building comes up slightly more.

Moderator: Thank you. Next question is from the line of Girish Raj from Quest Investments. Please go ahead.

Girish Raj: Hi, thank you for the opportunity. So, we understood your commentary on the Middle East market, if you can specifically talk about the Saudi market post the restructuring at the ministry level how will they tend up pipeline phenomena and KPTL's ground level assessment of the opportunity within Saudi Arabia? Thank you.

Manish Mohnot: Girish, we have seen a lot of tenders come from Saudi in the last nine months to 12 months but all these tenders have got deferred for some reasons or the other. So, if you look at the ground level assessment our assessment is that while there will be a lot of work which will come on over a period of time, we are not sure whether that is going to come in the current year or the next year. So comparatively to what happened definitely this year our belief is that we will see less traction as far as the transmission opportunity is coming but from a long run perspective we definitely expect that market to have a lot many more opportunities

Moderator: Thank you. Next question is from the line of Pawan Parakh from HDFC Securities. Please go ahead.

Pawan Parakh: Sir, my first question is can you actually help us understand this input days and output days of revenue recognition I mean very basic understanding of this thing?

Manish Mohnot: Sure, Pawan. Pawan, I will just explain you from our business perspective and you will have to be patient for half a minute to listen to this clearly. If you look at our business of Kalpataru, the tower there was bought out and there was erection. Typically in a project you know load different levels of prices on tower, bought out and erection looking at work flow,. In the past whenever you did anything on towers or bought out you would recognize the entire revenue margin for that item based on the billing to the client, right. So if the billing to the client had let us say a 30% margin or a 20% or a 10% whatever that percentage was, on that particular item you would take the revenue and the margin that was output based, right so whenever you had an output based revenue the margin according to that would be done. So, you would have typically higher margins coming out on towers and bought out and erection would be low margins and sometimes losses also and that is why if you look at our balance sheet also in AS-VII you see a huge provision coming out of future losses, right, we had a provision of Rs. 90 crores at the year end coming out of future loss. Going forward now, it would be input based, wherein on totality for the project as the whole the margin levels will be exactly the same, irrespective of tower, bought out or construction if the margin for the project as a whole is x percent it would be x for all of them. It will be a cost plus so, whatever cost we have incurred plus that x margin for all components of the project. Now, it is input based versus output based what it was in the past.



- Pawan Parakh:** Please on the third T&D project that we have the Bhutan one, how will be the cash flows from the I mean if you could give some idea as to year wise over next two years - three years how much cash flows we are going to infuse into this project now?
- Manish Mohnot:** From a percentage basis I think 10% to 15% would go into the next two quarters of the current year close to 40% of next year and the balance year three.
- Pawan Parakh:** Okay. So when you say about Rs. 700 crores to Rs. 800 crores of loan outstanding by the end of FY 2017 you already have factored in this cash outflow as well?
- Manish Mohnot:** Yes, we have already factored in the cash outflow of this as well.
- Moderator:** Thank you. Next question is from the line of Bhavyesh Divecha from L&T Mutual Fund. Please go ahead.
- Bhavyesh Divecha:** Thanks for taking our question. On the SEB's which have been gaining traction and a lot of orders are coming in, is there any significant change in the dynamics of the orders as compared to PGCIL order in terms of a) the working capital and also the dynamics of the profitability in the EBITDA margin side? Thank you.
- Manish Mohnot:** Couple of things which are changing on the SEB fronts, one the order book size - the typical order size which use to be in the range of Rs. 100 crores to Rs. 200 crores now you see SEB's coming up with much larger orders and which gives us an advantage in terms of size from a value delivery and profit perspective. Second, a lot of SEB orders we have to see funding coming in from some of the domestic financial institution investors, financial institution as well as international financial institution investors. So, along with their own funding you are also seeing a lot of funding coming in from people like KFW, ADB, REC, PFC, all of that. On the working capital cycle, I think it is very similar to where PGCIL so, there is not a big change as far as PGCIL and SEB working capital cycle is concerned.
- Bhavyesh Divecha:** And on the receivable problems we understand that you highlighted that all these projects will be funded by PFCs, REC's, ADB's and all. But the part which is funded by SEB's on their own books from their own resources would there be any significant problem on the receivable portions of these SEB's?
- Manish Mohnot:** I think that is a call we take at the time of tendering itself to look at the credit risk while tendering but wherever we decide to tender I think typically the funds are allocated for all these projects because majority of the projects are very critical in nature so, we have not seen much problem coming in yes, some SEB's sometimes we face a problem but it is not long-term it is more a short-term issue.
- Bhavyesh Divecha:** Okay. And we gather couple of years back so, PGCIL had become very selective in terms of the selection of vendors for all the transmission line based upon the balance sheet strength and the execution capabilities. So, is that SEB's when they are coming out with the orders are also



equally selective in terms of the new orders or even the smaller developers are putting their bids and are able to win the bids.

Manish Mohnot: You know the pre-qualification for each of the SEB's is very different in nature depending upon the kind of project, depending on the urgency of the project and the size of the project they have different pre-qualification, some places there are five people to six people who qualify some places there are 10 people to 12 people who qualify, competition whether it is five people to six people or 10 people to 12 people is very similar in nature but you see at least minimum five players to six players competing in each of them

Bhavesh Divecha: Okay, thank you. And just one last thing on the margin side, the margins on SEB order book would be similar to that of so PGCIL book?

Manish Mohnot: Yes, on the domestic front typically the margins are very similar in nature.

Moderator: Thank you. Next question is from the line of Vikram Kotak from Crest Capital & Investment. Please go ahead.

Vikram Kotak: Good morning, Manish. Thank you for taking the call. Actually my most of the questions have been answered but one question, you are now targeting 20%-25% top-line growth and your borrowing has come down in first quarter, if you have to achieve this 25% growth what will be your borrowing at the end of the year or will be your interest cost looks like at the end of the year if you will achieve 25% but do you need to borrow more, that is the one question which I have.

Manish Mohnot: So our target working capital loan funds which we are right now at around Rs. 530 crores level we targeted year end to be in the range of Rs. 700 crores, right which is where we begin the year we begin at around Rs. 600 crores but with the growth of 20%-25% we expect it to be in the range of Rs. 700 crores. Obviously our target would be to keep it below that but you know given that new orders of starting and given that growth is going to happen realistically it should be in the range of Rs. 700 crores.

Vikram Kotak: Sure. And what kind of benefit you are getting in the cost of borrowing in last six months or so or what kind of basis points your cost has reduced and what is your expectation there?

Manish Mohnot: So we have seen our borrowing cost come down across all different varieties of borrowing at some places it has been 50 basis points, at some places it has been 25 basis points but average 50 basis points to 75 basis points reduction we have seen in borrowings primarily for short-term borrowings.

Moderator: The next question is from the line of Ankush Mahajan from Edelweiss. Please go ahead.

Ankush Mahajan: Sir, just trying to understand, my question mostly related to JMC what happens why the top-line de-growth is there this time and what kind of guidance that we are looking for the full year?



- Manish Mohnot:** I will just ask Manoj to answer this question.
- Manoj Tulsian:** Good morning. We have given a guidance of 5% to 10% growth in the year.
- Ankush Mahajan:** But in the earlier call the guidance was 10% to 12% in the last concall. So, what exactly happened that we are giving guidance for 5% to 10%?
- Manoj Tulsian:** If you see Q1 it is slightly subdued because of labor execution challenges and I think Q2 would be very important to see how the growth for the full year pans out. Q2 comes out good because I think some of the labor issues now got resolved then possibly we would be able to go back to 10% or 12% also.
- Ankush Mahajan:** Okay. So, are we seeing any slowdown in the real estate projects that comprises in our order backlog?
- Manoj Tulsian:** Not really because most of the developer orders from southern India, other than that most of our building and project orders are from the government department only so far so fine.
- Ankush Mahajan:** Still we look 5% to 10% revenue growth?
- Manoj Tulsian:** Yes, because you know some of the orders also got delayed which we are expecting to start with we have got delayed to Q2 and Q3 now so, that is also putting some pressure on the overall growth for the year.
- Ankush Mahajan:** So mostly these orders are from building and factories.
- Manoj Tulsian:** Yes.
- Ankush Mahajan:** Okay. And sir, this time the debt level has also gone up from Rs. 636 crores to Rs. 665 crores in one quarter. Any specific reason sir?
- Manoj Tulsian:** No, because you know some of the receivables got delayed but we are very confident that by the year end the debt levels will come down to the March 2016 level or may be even slightly below that.
- Ankush Mahajan:** Okay. So would you guide us for the toll collection in four projects?
- Manoj Tulsian:** This quarter our average collection has been around Rs. 50 lakhs which has marginally improved over Q4 of last year around 2%-3% growth we can see depending on sector and depending on the traffic category. So that is what we have seen, we had projected around 5% growth for the year...
- Ankush Mahajan:** And it's a top-line growth?



- Manoj Tulsian:** In that you know yes, we feel that you know by the end of the year we should be able to cross the number.
- Ankush Mahajan:** So sir, in this 5% how much that we look traffic growth and toll revision growth that is toll revision?
- Manoj Tulsian:** Toll revision rates have actually not happened this year because the inflation was negative there is hardly any impact of increase of tolling rates on account of inflation. Most of it what we are talking is traffic growth only.
- Ankush Mahajan:** Okay. So how much is equity now we are putting in this BOT toll project for this year FY 2017?
- Manoj Tulsian:** We have put around Rs. 580 odd crores by June end and we put the try to put maximum another Rs. 50 crores during the year.
- Moderator:** Thank you. Next question is from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead
- Abhijeet Vora:** Thanks for taking my question. Sorry, I joined late so, I might be repeating the questions. Despite having strong order flow for last four quarters the top-line execution is subdued for the current quarter, any particular reason specially you said it takes about six months from order flow to execution...
- Manish Mohnot:** This is for Kalpataru Power, right?
- Abhijeet Vora:** Kalpataru, Yes.
- Manish Mohnot:** So, I think if you look at our order book traction the real inflow of order started from January onwards, as of December end our order book was still in the range of Rs. 5,500 crores to Rs. 6,000 crores, right. So, 6 to 11 has happened in the last four months to five months. So, given that I said that you will see good traction coming in quarter three and quarter four. Also a lot of these order are EPC contracts where there is a critical component of design which you need to submit to the client and the approval takes its own period of time. So, given that again our believe is it will take quarter three and quarter four for real revenue growth to happen.
- Abhijeet Vora:** My number suggests that you have been seeing Rs. 1,500 crores for the quarter's flow from Q2 of last year September of 2015...
- Manish Mohnot:** Which is what the standard would be right, Rs. 1,000 to Rs. 1,500 would be a standard to be on normal growth path looking at our revenue of Rs. 4,400 crores if I get orders of around Rs. 1,500 crores, I am still very close to the revenue for the quarter as a whole. A real jump in terms of order came in the last Rs. 4,000 crores which we declared in the last four months and also quarter four of last year where we had huge orders of Rs. 2,500 crores plus. So with that I think going forward from quarter three onwards you should see good set of top-line numbers.



- Abhijeet Vora:** So the execution will jump to about Rs. 1,500 crores - Rs. 1,600 crores on the...
- Manish Mohnot:** Yes, from quarter three onwards you should definitely see those kinds of numbers.
- Abhijeet Vora:** Okay. Second thing sir, on margins will it be that on a higher top-line we will be able to better absorb fixed cost or it is not the case because the variable cost is quite high 70% EBITDA margin might remain in 11% or so...
- Manish Mohnot:** So our projections and margins still continue to be in the range of 10.5% on our order book which we have today we believe that our margins will continue to be in the range of 10.5% while yes, it definitely helps us to absorb the fixed cost but you know the top-line growth coming at this speed we do not expect the margins to go up significantly it should come down to the current level.
- Abhijeet Vora:** One final question, what will be the loss funding for Shree Shubham in FY 2017 how much of support from Kalpataru to Shree Shubham?
- Manish Mohnot:** I do not see a significant loss funding or an actually nil loss funding from Kalpataru to Shubham. In the current year is concerned they will continue to have losses but they have their own reserves to take care of that. We have already put in the rights issue in quarter one of Rs. 70 crores I do not see anything beyond that happening in the current year definitely.
- Moderator:** Thank you. Next question is from the line of Aditya Moghe from Kotak Securities. Please go ahead.
- Aditya Moghe:** My first question was more on the standalone operations they started with Rs. 700 crores as a yearend debt level. To me if you are growing at about 25% we were essentially building in a decline in working capital days of sales over this year versus last year otherwise numbers would have higher, am I correct in kind of making this comment?
- Manish Mohnot:** Perfectly, correct.
- Aditya Moghe:** So, where is this reduction working capital coming from, is it sustainable according to you?
- Manish Mohnot:** Yes, there are three aspects of reduction in working capital, one is advances, right a lot of our new projects have much higher advances then the normal level of advances so, normal levels use to be more in the range of five to ten and now we are seeing of advances on some of our new projects being in the range of 10 to 15, a few of them even has 20%. Second we are also seeing increase in the number of creditor days, so if you look at our balance sheet, if you look at the last three years on a constant basis the creditor days has gone up which helps us in reducing the working capital. Third a lot of our big international projects which we have closed in the last few years we are seeing that retention money coming in like big ones being Congo and Ukraine which were very-very big we have seen some retention already coming and the balance would come in the next six months. With this three factors or four factors we definitely expect our



working capital cycle to come down. Also on the inventory if u look at our inventory numbers we believe that we should be able to achieve lower number of days as far as inventory is concerned going forward it has come down in quarter one as compared to what we were at the year end and we believe that it should further come down going in quarter two - quarter three - quarter four.

Aditya Moghe: Sure, that explains. The second question was on JMC, the margins this time around higher and possibly did by IndAS little changes. As the case for the standalone operations should we also expect margins to normalize over the year for JMC?

Manoj Tulsian: Yes.

Aditya Moghe: So what will be the guidance for the full year?

Manoj Tulsian: Our earlier guidance on the Indian GAAP basis was around 50 basis points to 60 basis points of improvement this year and I think we would be on track for the same.

Aditya Moghe: So it will be close to 9% kind of number?

Manoj Tulsian: Yes.

Aditya Moghe: Sure. The third question, and again that is important for us to understand this if Shree Shubham so, last time around again there was a hint given the strategy to continue the operations will be, we have stayed somewhere during this year. Any more clarity which is emerge on that front, we are listed in holding onto these operations for longer term?

Manish Mohnot: See as of now, we are trying to make sure that we re-strengthen the team, we had a few exits coming out of Shubham which we had discussed in the last few calls. So, as of now we have clearly decided we will focus on core business of warehousing and related services and not focus too much on arbitrage and trading and we are rebuilding the team also. Given the current monsoons, as I said earlier we believe quarter three we should see a good pick-up in warehousing business while we continue to look for strategic partners wherever we get an opportunity but today the focus is clearly to rebuild the team and focus on growing the business going forward.

Aditya Moghe: In terms of utilization now that you are saying that the business is going to be primarily warehousing where do we breakeven and where are we right now?

Manish Mohnot: So breakeven levels would be anywhere in the range of 80% to 90% on each of the states. Right now on Rajasthan and Gujarat we are more in the range of 60% to 70% and as far as MP and Maharashtra is concerned we are as low as 20% to 30%.

Moderator: Thank you. Next question is from the line of Nirav Shah from Geecee Invest. Please go ahead



- Nirav Shah:** So first question is on JMC, any loss funding we are expecting in FY 2017 because we will be lower than our breakeven rate of around close to Rs. 57 lakhs to Rs. 60 lakhs per day collection.
- Manoj Tulsian:** FY 2018?
- Nirav Shah:** Yes, next year sir, on the road BOT.
- Manoj Tulsian:** Next year right now we are assuming that it would not be require for any funding of loss.
- Nirav Shah:** Because sir, from the current Rs. 50 lakh collection if we grow by 5% we are somewhere around 52-53...
- Manoj Tulsian:** Yes, 53, and next year if we are able to reach around Rs. 57 lakh - Rs. 58 lakh then we do not need to fund anything.
- Nirav Shah:** So that is the breakeven Rs. 57 lakh - Rs. 58 lakh, okay. And on Kalpataru front sir, when did actually the money went out of the balance sheet for the rights issue?
- Manish Mohnot:** For Shubham rights?
- Nirav Shah:** Yes, sir.
- Manish Mohnot:** In somewhere in the last week of June.
- Nirav Shah:** Okay, so that is part that Rs. 530 crores of debt figure?
- Manish Mohnot:** Very much.
- Nirav Shah:** And sir, did we receive any recovery of the loans towards subsidiaries say Indore and Thane real estate projects any recovery in Q1?
- Manish Mohnot:** Nothing in Q1.
- Nirav Shah:** Nothing in Q1. So, any target for FY 2017 that we expect?
- Manish Mohnot:** As far as the loan numbers are concerned?
- Nirav Shah:** We still have Rs. 150 crores to the Thane real estate project.
- Manish Mohnot:** Yes, so you know we have already sold the 40%-60% is leased out. As I said, we are continuously looking at options of exiting that project. So as and when we have an opportunity we look at it but we have not targeted any significant inflows coming from Thane and Indore on a debt levels for the current year because whatever comes in Indore will go for its construction



cost and Thane since it is completely leased out it will be the normal lease earnings. So, as far as the budget is concerned we have not considered anything significant in the current year.

Nirav Shah: Got it, sir. But just look at the Thane real estate project we had around Rs. 194 crores of loans given to that SPV and right now we have Rs. 147 crores with 40% actually sold out and balance 60% is remaining. So we expect full recovery of this Rs. 150 crores?

Manish Mohnot: Yes, we expect the entire amount should come back.

Moderator: Thank you. The next question is from the line of Charanjeet Singh from B&K Securities. Please go ahead.

Charanjeet Singh: Sir, if I look at the standalone power transmission business so, Africa is like 28% of the overall international side and in the initial remarks you mentioned that going forward also we are expecting more orders from this region. While markets have been more driven the commodity pressure so, do you see any impact on the execution of these projects and how are the terms and conditions of these projects in the international market specifically Africa?

Manish Mohnot: Charanjeet, as far as the African market are concerned it was very similar to what it was in the past, right majority of these projects are funded by global funded institutions, a lot of these projects are fixed price in nature so, at the time of tendering we need to be careful of loading in this extra cost of at least for steel because while we can hedge aluminum, currency and zinc but still we have to load that cost for steel looking at 12 months to 24 months perspective. So nothing changes as far as our bidding style is concerned, on a fixed price projects we typically bid in for build in for all that additional cost which is considered for the future whether it is x percent or y percent or z percent that is always a call but historically we have seen over a period of time much hit coming from there.

Charanjeet Singh: Okay, sir. And sir, in terms of competitive intensity within the domestic market because as you mentioned may be PGCIL also may not see that kind of ordering may be SEB's may come for an ordering so, how is this competitive intensity right now in the tenders which have been placed till date?

Manish Mohnot: See the competition continues to be intense the only difference is that places you see you know the big players competing which is five to six of them and at some places you see 10 to 12 of them but whether it is 3 competitions, or 5 or 12 I think the competition continues to be intense at the nature of our business and I think you know that we continue to be what it was in the past.

Charanjeet Singh: But sir, in terms of differential between L1 and L2 so, how that has moved whether there has been more of a sanity in terms of how bidders are now bidding with banks tending to become more critical about the lending they do.

Manish Mohnot: We definitely have seen some sanity coming in over the last couple of years may be more than two years, last two years - three years we have seen some sanity coming in terms of bidding



numbers no longer see L1, L2 differences being like 10% - 15% - 20% - 25% that sanity is definitely is there but still one off we see a few players coming in who still continue to take orders at very aggressive levels but that is the nature of our business.

Charanjeet Singh: Okay, sir. And the last question from my side is on the sir, railways front, do you see any further pick up in the ordering going forward in the second-half as a lot of tenders thing has been streamlined by ministry and we see railways becoming a much larger proportion of our revenues going forward in the future?

Manish Mohnot: We are seeing a lot of traction coming on railway tenders and we bid for a lot of tenders in the last six weeks to eight weeks so, definitely we are seeing that order book likely to grow up much faster than what we have seen some of our other segments so, it is a matter of time and I agree with you quarter three - quarter four that order book should be much different than what it was in the past.

Charanjeet Singh: So, sir, just a follow-up like how large this bid pipeline for which we would have bid and what are the kind of jobs which we have bid for?

Manish Mohnot: In railways we bid for orders in the last six weeks to eight weeks exceeding of around Rs. 1,000 crores to Rs. 1,500 crores each of the tenders would be in the range of Rs. 150 crores to Rs. 200 crores and tenders for RVNL core all where we can.

Moderator: Thank you. Next question is from the line of Amber Singhania from Asian Market. Please go ahead.

Amber Singhania: Sir, what is the debt and cash level with Shree Shubham as of now?

Manish Mohnot: Shree Shubham debt is in the range of Rs. 385 crores as of the quarter end, June was around Rs. 385 crores, cash numbers would not be very significant, around Rs. 30 crores worth of cash in their books.

Amber Singhania: So have we used the rights issue money to repay the debt or how is that, sir?

Manish Mohnot: Some portion of it yes, some have been used to utilize to repay the working capital so, not everything so, that is why there is around Rs. 30 crores - Rs. 35 crores cash still left in the books.

Amber Singhania: Okay. Secondly, like last year we had a significantly high loss from Shree Shubham and so far this year also we have not yet finalized the strategy going forward and the team is not place in the full way so, what kind of outlook we are seeing for Shree Shubham this year would the losses be significant as compared to last year also what exactly is happening here when do we get clarity about the business plans on those?

Manish Mohnot: Yes, so it is not that there is nothing happening on the team building, right we have had at least five or six senior guys joining us in the last three months to four months so, we have seen a lot



of traction as far recruitment of senior people is concerned we will continue to recruit a few more senior people over this quarter. We are rebuilding the team across various levels not only senior management but also middle management and junior management and the process is continuously on so, from a team building perspective we believe that by the end of quarter two, we should have a very comfortable team from a long-term perspective. As far as visibility on numbers is concerned I think we will have to wait for one more quarter, hopefully from quarter three onwards we will have good visibility of numbers going forward on a warehousing piece and a few states our performance is very-very bad and not only necessary due to internal reasons but also because of external reasons with this good monsoon coming in this year we expect these two states to do well this year but to give you a good visibility we will still need a few more months to come out with a clear plan of numbers.

Amber Singhania:

Okay. Secondly, just one question on Shubham like we see last year pretty tough for Shubham lots of key executives left we had to call off our IPO and then suddenly such a huge losses when we were seeing a very steady growth on the company, so what exactly went wrong there if you can share with us what was the reason as such on that part?

Manish Mohnot:

So two aspects or three aspects one, we got some surprises coming around the trading and arbitrage where we saw a lot of volatility coming in a few commodities. There was one was this entire trading and arbitrage business where we saw some surprises coming in. Second, there were a few markets which were doing very well on warehousing primarily Gujarat where we saw a few commodities trading got stopped by the regulatory agencies for reasons related to the price fiscal that commodity because of that we see a big dip coming in the Gujarat entire warehousing revenue and third, was the exit of our few senior management who were effectively running the business, the combination of all of them we had some impacts coming in and that has structured in the numbers which we have declared till now.

Amber Singhania:

Okay. Sir, one question on the Kalpataru side, we guided a debt level of roughly Rs. 700 crores at the end of the year whereas we will not be having any additional revenue coming in from any monetization because we are not expecting as well as Thane we are not expecting much. Apart from that we also need to put around 15% of the money towards Bhutan BOOT in this year plus we are targeting 20% of growth over all in the core business. Do you think with the increasing working capital requirement and all these cash outflow which will be happening without any addition in flow this debt number we will be able to maintain which guidance you mentioned?

Manish Mohnot:

Let me just answer your question step by step, right each of the points you raised, I agree with you we are not expecting any monetization of Thane and Indore. In my call earlier I have said that I am expecting some good advances coming in from all my new orders which you have got in the last six months, right whether it is Senegal, whether it is Afghanistan whether it is few other international domestic orders. That will be one key factor of getting in cash flows and as I mentioned earlier we have seen creditor days increasing gradually and we see that going up still going forward and that would be the second reason and third a lot of amount if you pay for our BOOT project, some portion of it will also come back as advance because as far as the EPC



contract is concerned we still have to give advance to the EPC contract which is with KPTL. You would not see big impact on the advance on the debt coming with the current year, the debt impact would come in the next year so, with all these factor we still believe we should be in the range of Rs. 700 crores by the year end.

Amber Singhania: Okay. Sir, just last question from my side is that as you mentioned about the input output in the initial part of the call. So, would it be fair to assume that projects where we have already build 30% margins towards the tower supply initially and now we are moving towards output and that will have a significant impact on the numbers going forward in terms of restating of previous years and giving margins towards the latter end on the EPC side of that 9%-10% whatever was there. So what kind of impact we will see in terms of restatement of earlier years and going forward....

Manish Mohnot: We do not see a significant impact coming because of restatement because a lot of it would go into the opening reserves in the transition a lot of needs to happen in the opening reserves which is being done right now by the auditors so, from margin perspective we do not see significant impact coming in. 30% was just an example, typically we do not get that kind of margins in any of supplies that was just an example to explain one of your colleagues in the call. So, you will not see a significant impact as far as margins are concerned on an annualized basis.

Amber Singhania: Okay. And going forward it will be even out throughout the execution of the project?

Manish Mohnot: Yes.

Amber Singhania: Fine.

Moderator: Thank you. Next question is from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: Sir, my question was on JMC Project so, just wanted to understand total funding requirements in this year in FY 2017 in terms of equity to SPV we understand it is approximately Rs. 50 crores as per your expectation what would be the CAPEX and other working capital requirement?

Manoj Tulsian: Ankita, Rs. 50 crores to Rs. 60 crores as we said for the SPV this year and another Rs. 60 crores - Rs. 65 crores on the CAPEX side. Working capital we are not expecting absolute numbers to go up we are working hard to ensure that if we can reduce the working capital by three days - four days so, that this growth of around 8% to 10% what we are talking would be able to fund through existing working capital deployed only.

Ankita Bora: Okay. And in this quarter we have seen some jump because of increase in receivables. Are we seeing any kind of pressures in terms of payments from real estate segment or which are the sectors in particular you want to highlight there is some pressure in payments?

Manoj Tulsian: Not really you know because ultimately we look at all the numbers on a particular day right like June end so, some of the receivables which got delayed in the month of June end and which we



have already received in July so, it was just that June end some of the receivables got delayed which we got in second week of July that is why I am confident that we will be able to maintain our debt levels for the full year despite funding in SPV and we are in fact trying that if we can reduce it to some extent.

Ankita Bora: So what is the main thing that you want to highlight which will rise reduction in debt going in this year because we have commitment in terms of CAPEX and equity funding.

Manoj Tulsian: We have some new international orders where we will get some significant advance during the year and other then that we are working with some of the areas like our assessments on service tax which are pending and a lot of money is stuck there, we are trying to complete most of them and try and realize some of those refunds during the year.

Ankita Bora: Okay. Any L1 position and what kind of order inflows are we expecting?

Manoj Tulsian: We have right now L1 position of more than Rs. 1,200 crores.

Ankita Bora: Okay, domestic or international?

Manoj Tulsian: These are all domestic.

Ankita Bora: Okay. And order inflow targets for this year?

Manoj Tulsian: Around Rs. 2,700 crores to Rs. 3,000 crores for the full year.

Ankita Bora: Okay. And international orders is in the same African geography only are we were looking at some project in Sri Lanka also....

Manoj Tulsian: That we have got this LOI recently so, yes, everything what we are targeting any international order will be from Africa only.

Ankita Bora: Okay. And just can you give me some order inflow break up for this quarter?

Manoj Tulsian: We only have got two orders right now which is around Rs. 200 odd crores - Rs. 250 odd crores out of which one is this Sri Lanka order which is now Rs. 125 odd crores and we got one order in the building side.

Ankita Bora: And sir, one more question any progress on monetization of BOOT projects?

Manoj Tulsian: We will come back to you, whenever there is some significant development which we need to inform to all of you we will come back.

Moderator: Thank you. The next question is from the line of Bharath Seth from Crest Investment. Please go ahead.



- Bharath Seth:** Manish Ji, right now you said that we have order book of around Rs. 11,000 crores of and L1 position is Rs. 2,000 crores and we expect top-line to grow around 25%. So based on where do we see end of the year I mean order book and how do we say that further ramping up the order book can help us in next year top-line growth?
- Manish Mohnot:** We expect our year end order book to be in the range of Rs. 10,000 crores as far as standalone Kalpataru is concerned. I have mentioned earlier that we have got already closer to Rs. 4,000 crores we have good visibility next Rs. 2,000 crores, right so another Rs. 3,000 odd and we should be at the level of Rs. 10,000 crores by the year end. Where we can see a big difference would be the domestic order book, right because last six months to nine months except a few SEBs we have not seen a lot of traction coming from domestic orders we believe that in the next few quarters those might change and that could drive a lot of growth going forward into 2017-2018 and 2018-2019. On the international front we are seeing traction in Africa which will continue to grow but a good surprise can be the domestic orders instead of the international ones. Also, I think as I said earlier some of the middle markets where last 9 months to 12 months we are seeing a lot of orders getting deferred that can also help us to grow our order book going into the future whether that is going to quarter three, quarter four or next a few quarters I think that is where all of us have a question which is not yet answered.
- Bharath Seth:** On, this Rs. 2,000 crores L1 how much is from T&D and how much is I mean railway and pipeline?
- Manish Mohnot:** 75% of it is T&D and the balance is 25% Railway and pipeline.
- Bharath Seth:** So how do we see railway order book I mean ramping up because a lot of people are talking of a lot of traction in railways so where we see I mean ourselves?
- Manish Mohnot:** We have bid for orders of around Rs. 1,500 crores in the last six weeks to eight weeks, right which is much higher than what we have bid for the entire year as we if look we look at the previous year so, from a traction perspective obviously we see a lot of traction coming in. I am sure, in the next month or so we will see a lot of these orders opening up and with this I definitely expect the railways order book to be much higher than what it was in the past.
- Bharath Seth:** Okay. And now Manoj Ji, this is regarding JMC. Sir we said that full year we are expecting top-line growth of 5% to 10% correct?
- Manoj Tulsian:** Yes.
- Bharath Seth:** And we are guiding that when we have already achieved say in lower volume on the sales side 9.5% margin so does it mean when our traction will improve our some of the overhead will spread over fixed overhead so, still margin will be lower than what we have already achieved in Q1?



- Manoj Tulsian:** So see this is again 9.5% in margin as per the revised stated IndAS which we have said we will get margin realized and we will actually be stable at around 9% margin. There is some impact of additional margin which is reflected in this because of restatement.
- Bharath Seth:** Okay. Because earlier our guidance was also as per old accounting around 9% correct?
- Manoj Tulsian:** Yes. So, you know these are impacts which will be there visible for a few quarters and then I think by the year end it will get stabilized.
- Bharath Seth:** Okay. And sir, how do we see I mean although say interest cost has remained almost segment from Rs. 25 crores to Rs. 23 crores despite almost a reduction of Rs. 100 crores debt Y-o-Y so, where do we see full year I mean earlier we were looking of Rs. 80 crores - Rs. 85 crores kind of full year interest so, still we hold there I mean?
- Manoj Tulsian:** We still feel around Rs. 85 crore would be a good number to achieve. This money of rights issue only came by the end of February, right and Q1 has not been that good in terms of some of the thing some of the advances which we suppose to receive plus the other initiatives which we have been talking, I am pretty confident that Q2 and Q3 would be good enough to bring down the interest cost for the full year to around Rs. 85 crores.
- Bharath Seth:** And we are already L1 in say around Rs. 1,200 crores to Rs. 1,300 crores which is domestic so, international what is the status I mean where do we expect I mean international to start flowing in I mean?
- Manoj Tulsian:** So international right now there is nothing in the pipeline we have a few bids which will be there in Q2 and Q3 so, you know you can expect looking at the speed at which we get these orders converted even after a L1 position may be by year end we will be able to hear something good.
- Bharath Seth:** Okay. And it is on road side only or any other infra?
- Manoj Tulsian:** No, roads and flyovers.
- Bharath Seth:** Okay. And how is the profitability on those projects?
- Manoj Tulsian:** So far so good, it is the region that we are looking at international now as a larger space.
- Bharath Seth:** Okay. And any I mean last time we were talking of apart from Ethiopia we were looking for two - three more countries so what is current status?
- Manoj Tulsian:** We have a few bids in Tanzania and also in Ethiopia I think what is what is clearly visible right now we are working on few other countries.
- Moderator:** Thank you. The next question is from the line of Rabindra Nath Nayak from Dolat. Please go ahead.



Rabindra Nath Nayak: Sir, two questions, can you please give the breakup of the advances that is lying in the balance sheet right now and if you can give the overseas and domestic break up of this that would be helpful and the retention money that is expected to come in the next quarters if you can guide that and the third is why there is a change in approach of your customers to give the advances right now?

Manoj Tulsian: The advances continue to be in the range of Rs. 300 crores to Rs. 400 crores, I think similar to what we had at the yearend so, there is no significant jump as far as advances in quarter one is concerned. Retention money I think because we close a lot of projects in the last year and I said a couple of our very large project internationally right that retention money is due and that is why it is coming back. To answer your third question, why are a few clients are giving higher advance? See, it typically depends on the client the country and the nature of the project, right, it is not something which is driven by us, definitely when someone has a funding institution which is ready to give large advance, right then they would like to go because a larger advance for them means lower EPC cost, right interest cost comes down from EPC perspective, it is just that the nature of some projects which have helped you us to achieve which we have won and due to which this will happen. So, it is not an industry change it is just a few projects but those are the projects which we have won in the last few quarters and that will help us in the current year.

Rabindra Nath Nayak: Okay. Is it from the African region or across the globe?

Manoj Tulsian: It is more from the Africa region.

Rabindra Nath Nayak: Okay. And sir, can you quantify the retention money that is expected in the next two quarters or like that?

Manoj Tulsian: I think it will be difficult for us to quantify the retention money but if you need the exact numbers you can come back to our finance team they will be able to help you.

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

Aditya Moghe: Sir, the question was more related to the interest cost number of 2.5% of sales that you are suggesting for FY 2017 essentially if I just take let us say 25% growth on your sales that number would be possibly higher on a Y-o-Y basis, may be Rs. 120 crores or so, against which we have a debt of about Rs. 700 crores which we are targeting and may be some acceptances of about Rs. 200 crores. Just want to get a sense of if this maths kind of essentially **(Inaudible) 1.0.0** that the interest cost will be much higher so, just want to get a sense from you, this 2.5% number will actually be lower for this year or not that is the question.

Manish Mohnot: Yes, I think the answer which I gave was 2% to 2.5%, right that is the range I had given we are assuming year end of Rs. 5,300 crores - Rs. 5,400 crores a 2% to 2.5% would take this anywhere



in the range of Rs. 110 crores to Rs. 120 crores, that is the range that I had given in my earlier response to this question.

Aditya Moghe: So about a 11% kind of interest cost broadly?

Manish Mohnot: See again the quarter end numbers are not exactly the same for throughout the quarter right at some of the point you reach numbers of Rs. 700 crores then your collections change so, it is very different for every month, right so, if you look at the first quarter also the interest cost does not represent a Rs. 530 crores debt, on a Rs. 530 crores debt it would be much lower. So the numbers would be very different on a day to day basis on a monthly basis. What we are targeting as a yearend number in the range of Rs. 700 crores as far as debt is concerned.

Aditya Moghe: Sure, sir. The second question was on JMC the interest cost over there again you can correct me there is about 13ish percent or so at this point of time on an average basis. Can that number go down anytime soon or so should we kind of maintain those kinds of levels for JMC?

Manoj Tulsian: You are talking for the full year?

Aditya Moghe: Yes, let us say FY 2016, yes.

Manoj Tulsian: Yes, so as we just now said that you know FY 2016 absolute number should be around Rs. 85 odd crores depending on the growth that should be around 3% to 3.5% on the total sales for the year.

Aditya Moghe: Sure. Lastly on the Indore project, what is the quantum of investments which are still pending?

Manish Mohnot: I think from our side majority of investments have been done now it might be small investments which might come in which might not be significant because going forward we believe that the collection should take care of the construction cost, so we do not see significant investments coming in.

Aditya Moghe: And what was the reason behind essentially changing name of the subsidiary to Saicharan from Energylink, was there any material change which has happened over last year?

Manish Mohnot: No, I do not think there is any material change on that.

Moderator: Thank you. Next question is from the line of Amber Singhania from Asian Market. Please go ahead.

Amber Singhania: Just one last question, now we are seeing GST is more or less done and will be implemented through so, the rate which currently is applicable to us is around 14% and GST will have a significantly higher rate. Do we see any impact coming into us may be FY 2018 and onwards or will we be able to pass it on completely to the customers how the project agreement currently contract stands as of now?



- Manish Mohnot:** Amber, we still not calculate the impact of GST on our order book but clearly we have look at a lot of international orders you will not have any impact coming on GST. So, on domestic orders a lot of our orders have a pass through although few orders we might see some cost coming in we are have still not calculate the exact impact but may be by the end of quarter two or sometime quarter three we will come back with likely expected number if at all there would be.
- Amber Singhanian:** And generally is there any rule with the government orders be it PGCIL or SEB's that all these cost is generally the pass through, is it the case or is it...
- Manish Mohnot:** Majority of the government order there is clause which is that any change in any of the taxes will be pass through but still it might have an impact because sometimes you have bought out at different prices so, I am just saying while it might be pass through you might still have some impact on it.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Ms. Bhoomika Nair for her closing comments.
- Bhoomika Nair:** Yes, I would just like to thank everybody for being on the call particularly the management for answering all the questions. Thank you very much, sir.
- Manish Mohnot:** Thank you, everyone.
- Moderator:** Thank you very much, members of the management. Ladies and gentlemen, on behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.