"Power Mech Projects LimitedQ3 FY-19 Earnings Conference Call"

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MODERATORS: MR. CHIRAG MUCHHALA - NIRMAL BANG EQUITIES PRIVATE LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Power Mech Projects Limited Q3 FY19Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Muchhala from Nirmal Bang Equities Private Limited. Thank you and over to you sir.

Chirag Muchhala: Thanks Bharat, on behalf of Nirmal Bang Equities Private Limited we welcome you all to the Q3 FY 19 results conference call of Power Mech Projects Limited. The management is represented by Mr. S. Kodandaramaiah - Director Business development and Mr. Jami Satish – Chief Financial Officer. I know handover the call to the management for your opening remarks post which we can take questions. Over to you sir.

Jami Satish: Thanks Chirag. Good afternoon all, this is Satish, CFO of Power Mech. We are happy to share Q3 results of Power Mech Projects Limited. During Q3 FY 19, Power Mech was able to deliver an excellent result because of its strong order book which we have been consistently working for last 2-3 years in various sectors. During FY 19, Q3 we did around Rs. 608 crores of revenue and that has contributed mainly from Rs. 191 crores from Erection business, from civil Rs. 249 crores and O&M is Rs. 146 crores and from electrical work it is to Rs. 23 crores, whereas last year Q3 FY 18, revenue from Erection was Rs. 142 crores , civil work was Rs. 58.6 crores, O&M Rs. 144 crores and electrical was close to Rs. 10 crores and the total revenue for Q3 FY 18 was Rs. 354 crores whereas Q3 FY 19 the total revenue is Rs. 608.61 crores. So there is a growth of almost 72% which is mainly because of the strong backlog of order book and if we see 9 months cumulative in FY 19, the total revenue for this year is close to the Rs. 1603 crores and the breakup is Rs. 547 crores from Erection business whereas last year it was Rs. 427 crores, civil is Rs. 599 crores whereas last year it was Rs. 224 crores, O&M is Rs. 413 crores whereas last year it was Rs. 387 crores, electrical around Rs. 44 crores whereas last year it was around Rs. 17 crores. So there is a growth of almost 52% if you see 9 months in FY 19 as compared to 9 months in FY18.

And in terms of EBITDA, Q3 we did close to Rs. 81 crores whereas last year it was around Rs. 49 crores, there is a growth of almost 65% and PAT is almost Rs. 34 crores whereas last year it was around Rs. 18 crores. There is a huge growth of 87%, and if we see 9 months in FY 19, the EBITDA is Rs. 217 crores as against last year Rs. 145 crores which is almost gone up by 50% and PAT is almost Rs. 87 crores whereas last year was Rs. 53 crores which has gone up by 62%. So with a growth of 52% of revenue during the 9 months, the PAT has gone up by 62% whereas EBITDA has gone up by 50% and for Q3 with a growth of 72% in revenue, the EBITDA has gone up by 65% whereas PAT has gone up by 87%.

And in terms of domestic and international mix, Q3 of the total, 79% is from domestic business and whereas 21% is from the international business. And in terms of power and non-power, the revenue mix is 66% from power and 34% is from non-power. Whereas for 9 months the revenue from the domestic market is almost 77% and international business is 23%, and from power it is 68% whereas from the non-power sector it is 32% and if we see last year, the revenue for Q3 from domestic business, it was 72% and international was 28% for Q3 and for 9 months, revenue from the domestic business was 80% whereas international was 20%. Similarly, for last year Q3, the revenue from power was 91% for Q3 and for non-power it was 9% and whereas 9 months for last year the revenue from power was 93% and from non-power it was 7%. So there has been a change in the business mix.

The growth is mainly because of the strong order book which we have been working consistently over a period of 2-3 years. The performance in terms of P&L has been tremendous and there has been also an improvement in terms of the balance sheet numbers. Further dependency on BHEL and power is coming down which is also helping a lot in terms of better working capital management. In terms of the receivable cycle, the debtors if we see as on 31st March 2018, it was close to 72 days. Now it has come down close to 63 days, this is because of a reduction in the dependency on BHEL. Apart from that taking of fast track projects where the working capital cycle is 30-40 days like railways and mechanical, piping, IOCL and AMTZ Visakhapatnam and some of the projects where we see the working capital turnaround is very good. Similarly retention money, if you see last year it was almost like close to Rs. 258 crores, half year it was close to Rs. 300 crores now it has come down to around Rs. 285 crores in spite of growth in turnover by 50%. Retention money in terms of absolute numbers has come down and in terms of number of days it has come down to 48 days. So changes are helping lot in terms of working capital management. We could able to maintain the debt level more or less the same. Our working capital utilization if we see as on 31stMarch 2018 to 31st December 2018, there is a slight increase of Rs. 40 crores in spite of growth of 51%, which we could able to manage the debt level at a decent level. Going forward we will try to see that this level is maintained in spite of the growth in the turnover because of improvement in the final bills and realization of retention money and improvement in the debtors collection.

And in terms of order book, we have got decent backlog of almost close to Rs. 6700 crores. We could able to crack some of the key projects which we have been working for quite long time. One key project is in O&M in public sector Raichur Karnataka government for which we we were trying for more than one year and we were able to grab the order recently. It is close to Rs. 109 crores. Apart from this, we have got one more good contract from Railway from RVNL for construction of PEB sheds and the structures buildings and also OHE and signaling works close to Rs. 74 crores which we are at L1.

We also had a big breakthrough in OHE Electrical Railways this year which is close to Rs. 350 crores in Bikaner. So the order book mix is changing. Today we have very strong order book backlog of Rs. 6700 crores. With that the target of Rs. 3800 crores of order book additions whereas the additions up to date is close to Rs. 4000 crores, we have exceeded the target what we had set for ourselves. This leaves a strong backlog for next year too. The way the performance happened in Q2 and Q3, In Q4 also the performance may be in same line . So the final numbers for 12 months more or less whatever we have guided will be exceeding and we are expecting to have a backlog order book by year end FY 19, close to Rs. 6200 crores assuming the Q4 turnover. So this will leave a decent backlog for next year too. If we seethe trend in the last 3 years, the conversion to the opening backlog, it is almost in the range of 40-42%. In FY 18 the conversion to the opening backlog is 42% and if you see the conversion to the average order book for FY 18 was 39% whereas for FY 19 we are likely to touch 51% to the opening order book, whereas the average conversion to the average order book will be close to 42%. Taking into this factor, FY 20 also we are expecting a decent growth of 22-25% on top line, may be EBITDA and PAT slightly may go up at a higher number because of absorption of fixed cost and our efforts to retain the debt level at a decent level. So we are confident that the business mix and the business plan what we have been guiding since 2 years, we are on track. May be FY 21-22 we will have a consolidation of the business mix till that time we will be growing at 22-25% that is the target internally we have set for ourselves.

Now I request Mr. S. Kodandaramaiah Ji to share some of the recent developments and sector view.

S. Kodandaramaiah: Thanks a lot. Coming to the points Satish has brought out of the Q3 results, the positive thing has been there, the thing what he thinks I have to say is the 2 years of diversification measures have been consolidated and a traditionallystrong power based company we had 80-90% of the flow of work and also orders, now you know it has come down to 55%. But what has happened in between is we all know I think we have discussed many times, the diversification and the effort to see similar jobs how we can focus it on the non-power sector and then some of the infra projects and then you know, our industrial share and then you know petrochemicals and the exports, O&M. Now this is where the growth has come, doubling of the order backlog or order booking and then the increase in the order backlog to almost 60%, it has happened as on date and this is…the take away is that you know the key projects which has come are in Bangladesh, we have done (+) Rs. 300 crores export jobs and the two projects are being implemented there; one is Maitree and another is Bola. Then including Bangladesh in export itself we are implementing about 12 project worth of more than Rs. 1200 crores and they are in track and the implementation has started at Nigeria (+) Rs. 450 crores apart from the jobs going on in Bahrain, Kuwait, Oman, Saudi Arabia also. The other focus which has to be positive is that the O&M t business if you look at it …we will exceed our expectations of what we were planning. We may reach order booking of Rs. 700 crores in this year.. The main initiative has been due to the impact of the state sector business particularly from NTPC, then KPCL – Karnataka Power Corporation Limited and then you know, MPGENCO. Almost 3,000 MW I have come into the additional business line and also there is an improvement in the O&M outlook, of course in a small way in the international sector, that is slightly growing, and the hydro side also substantial repair, maintenance and operation contracts have also come into play. All these initiatives are contributing to the growth in the backlog of the O&M sector by almost 32%. In fact now the present back-log of O&M is Rs. 1,143 crores and that should help

Satish to improve the numbers in terms of conversion, and in the coming year and this year also we will be doing reasonably well.

Now the mechanical side if you see, there is in a positive growth in all the sectors including the exports sector . The back-log has improved from 1984 close to Rs. 2,330 crores it is almost 17%, that is also a major breakthrough because we want to consolidatethe mechanical business which has mainly come in the non-power sector to cross country pipelines, the steel plant work, refinery work and these are the things the focus will continue and then of course civil has seen a quantum jump. There are many projectsin the irrigation projects and then the Sarva Shiksha Abhiyan. Then the new projects which you have taken from the power sector based on better valuation of the tender in Uppurrand then in Telangana.These are the jobs you know which will help us in continuing the product and service line of the power sectorof the traditional ETC business and of course diversifying which has happened which is the success, if one can say at this stage is that the electrical group has done exceedingly well in terms of getting a breakthrough into the Rural electrification jobs, railway electrification job where a huge opportunity is there, almost a Rs. 1 lakh crores of investment is going to come up and the Northwest Railway work which has been taken up in the last couple of months and in fact the first billing on the supply side of about Rs. 20 crores we are going to do in this month .. Therefore, this will be around 24 months contract and with advances available and timely billing and collection cash flow is not a problem, working capital cycle is managed with in the project billing provisions. Therefore, in terms of the back-log as Satish already said, we are looking at the end of the year Rs. 6,200-6,300 crores. Of course, there are some projects in the pipeline maybe another Rs. 150-200 crores we will see how we can shape-up, we are in the L1 stage..

Now what we are looking at is that down the line, our focus will be non-power sectoron the mechanical side, because that is the key for redeployment of our resources, our equipment, and our man-power and our organization strength and we are now implementing many of the non-power projects like, Dolviwhere we are doing a Rs. 125 crores steel plant work.

Huge investments are expected in the petrochemical sector and then you know refinery sector. What we are looking at the coming year is that how to look out for the opportunities which are going to come of interms of investment in petrochemical for Rs. 60-80 thousand crores and we are already in discussion with some of the agencies who can help us to get into the qualification mode and where we are going target and what I can say is that the background of the successful implementation or diversification, in fact export business has been consolidated, implementation has improved, delivery has improved, three projects have been successfully completed, 10-12 projects are on implementation, therefore there is a base available and buildingstructure available and then project management systems are available. That will continue to grow. There we have identified about Rs. 2,500 crores of opportunity for the coming year.

Now coming back to the domestic sector what we have done is a mapping of about Rs. 24,000 crores of opportunity for the coming year and our intention is to see that , we don’t want to take all the opportunities. What we will do is that selectively we will go after the opportunities and see if the consolidation and basic infra available for the conversion in the coming year,in getting Rs. 2,400 to Rs. 2,500 crores ofsales. We will be selective on each of the opportunitey and also look geographically, along with and margins which can be targeted. . In all the sectors we will be selective and focus on new order with due care.. Therefore we will continue to maintain that at least Rs. (+4,000)crores of the plan for new orders has been drawn up in different sectors, export, sector non-power sector we are planning about Rs. 4000 crores of opportunity. In the domestic power sector over Rs. 2000 crores of opportunity is there, then in the electrical side there is a huge opportunity but what we are looking is about Rs. 400-500 crores of order booking , the civil and other infrastructure both in the power side and non-power side, therefore that mix of the opportunity has been mapped out and the team has drawn up a plan and we will selectively go on that and see that how we can build-up the strength in terms of the margin and proper implementation of the project. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Gupta from Bamboo Capital Partners Pvt. Ltd. Please go ahead.

Ankit Gupta: Sir I just wanted to you know, get some information how much cash flow from operations have we generated in this 9 month?

Jami Satish: 9 months cumulative is around Rs. 36 crores. It is positive.

Ankit Gupta: Okay. And secondly on the business sideso if you look at the 9 months, some growth has come from Erection side but majority of the growth has come from civil side, so that has been almost Rs. 250-260 that sort of incremental revenue has come from civil side, and even in backlog sir, percentage of civil orders has increased considerably. So you know going forward let's say in FY 20-21 do you think the…like, what is the target like in terms of revenues, how much revenue will come from civil and other works?

Jami Satish: If you take the civil pie, we have chosen some of the special edged areas, and not like the crowded civil for example like railway. There we are seeing much better working capital management and collection as compared to what we typically do in civil for the Erection power plants. So one is the focus on the railway we wanted to increase. We have started with one project and nowthere are three projects and the first project is about to complet. Now we also have got direct credentials. So this will also help to increase the EBITDA by another 2% because for the first project we didn't have the credentials and we had to tie up with someone, so we were losing almost 2%. Probably going forward this can be pushed up to 13-14% and almost 6-7 % of revenue should come from the railway business. Apart from that our existing business of 8-10% from the core power and civil foundation works what we have been doing since last 6 years,that will continue. Apart from that we also wanted to pick and choose factory buildings and industrial construction specialized works the way what we did for Andhra Pradesh government constructing AP Medtech Zone. That was a fast track project close to Rs. 340 crores and the target was 24 months but we have done that work in a record time of 16 months. We could deliver the numbers more than what we do in O&M business which is typically having highest margins. We see last one and half year, the mix of choosing the right project is helping a lot in improving the working capital as well as the margins front. Going forward the idea is to retain around 35-40% of our total revenue.

Ankit Gupta: Okay from civil?

Jami Satish: Yeah from civil that includes our railway close to 7-8% and to some extent civil from the power sector which we have been doing that will be 10% and the rest will be pick and choose where we see the customer is good, the cash flow is going to be good and margins are going to be good.

Ankit Gupta: secondly on the BHEL side, how much does it contribute to our revenue currently?

Jami Satish: At present, it is around 17-18% from BHEL sir. Now in recent orders we are factoring the delays because those days if we see 3-4 years back, their payments used to be 35-45 days or maximum of 60 days but now it is going to 90-100 days. The good part is that the payments are healthy and there is no risk of even default of even single rupee but we have to compromise in terms of number of days delay. Now for all the new projects even the project what we have taken in Maitree Bangladesh all we have taken at a good rate considering the payment cycle.

Ankit Gupta: Okay, and how much was it contributing let's say a year back or 2 years back, the BHEL?

Jami Satish: Years back it was almost 35%, 2 years back was almost 45%. If you go back to 4-5 years back was almost 70% .

Ankit Gupta: That is a considerable reduction and contribution?

Jami Satish: Yes.

Ankit Gupta: And sir one thing we were noticing is that you know in terms of retention money despite you know a revenue increasing at such a high growth rate, almost you know 60% growth in revenues we had seen in 9 months, but our retention money has actually not increased means, hardly 10-15% has increased in the 9 months. Any particular reason for that you know?

Jami Satish: Yes , the accumulation of retention money is mainly because of the BHEL project where it is the nature of the contract where the payment is linked to the completion of the project and thereafter the warranty period. Now if we see like 2011 to 2015-16 the company has grown almost close to 35% CAGR. Retention money also gone up accordingly. . Now since 3 years our O&M pie has gone up, which is almost 25-30% apart from that our international business has gone up to 20% and some of the projects like railway and all we are choosing where the retention money clause is not there. Dueto the change in the revenue mix the retention money accumlation is coming down, and Every month we are seeing Rs. 20-25 crores of money coming from the retention money. This is helping to support all the new projects whatever we are taking. Going forward this number as a percentage to the revenue will substantially come down.

Ankit Gupta: Is it also that you are given some bank guarantees on this retention…?

Jami Satish: No, in BHEL and few other contracts no provision contractually to replace with BG . We tried but the contract doesn't allow. Wherever like some of the contracts; government contracts it is not possible, however in private sector we are negotiating now. In international, some projects we took the retention money by exchanging the BG and we have also got back the BG sso there is a provision that once you have completed the project, there is option to take out and transfer by the time we reach the completion of the project we can take out the BG as well as the money. But whereas in case of government contracts it is difficult.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital & Investments Pvt. Ltd. Please go ahead.

Dhwanil Desai: I have two questions, so first is you know we have embarked on a journey of kind of reducing our dependence from power and diversifying into more areas including focus on O&M, and that has kind of turned out very well for us till now. So going forward and that has also opened up lot of avenues for us for a new growth initiative. So going forward you know, how do we see ourselves mainly slightly more longer term maybe 3-4 year perspective you know, how likely it is that we will continue to grow at 20-25% while maintaining our margins. I mean, or do you see any risk to that kind of a construct?

S. Kodandaramaiah: Yes Mr. Desai, I think the pointis that what you said is very right. I think with the present changes we have made in the product mix and how confident are we going to alignand one is the growth initiative, whether it will be maintained, whether the opportunities are available.

Management See ultimately we have to align ourselves with a market condition. We had seen a down trend in the market for the power sector about 4-5 years back, therefore the initiative started on non-power. Now their focus has shifted non-power exports going to increase in the O&M and of course the civil side, other than the regular civil we also diversify into other areas. Now what we are looking at is that, there are couple of industry sectors where in substantial investment is coming up. It is obvious in fact you know, the ongoing investment which is going to come up in the petrochemical sector is about Rs. 70,000-80,000 crores in terms of the new fertilizer plant some old fertilizer plant getting retrofitted their refinery which is going to come up in Barmerand then the existing oil refineries undergoing modifications and new investments for conversion and also up gradation and then the focus of the cross country pipelines where we have seen the results and we are implementing, therefore there are investments coming up in all these sectors and steel for example we have seen so many changes taking place in the market, in the acquisitions and also speaks about the capacity expansion, all are going parallely. There is a capacity expansion going on in the petro chemical sector, in Brownfield investment then again a Greenfield investment arealso coming up and then steel plants are also doing the same thing, and then as per the oil and gas sector you said cross country pipeline also there is continuous focus because of the city gas distribution needs and the new focus to distribute the gas to every nook and every corner of the country. That is where I have told you the mapping of Rs. 24,000 crores of opportunity. What we are looking at is mainly the construction opportunities available at project sitest and which we can tie up with somebody where we are not qualified and where we are qualified you know, we can directly bid and we can take it and that focus will continue to be there. Because as far as the power sector is concerned, I don't think more than 4,000-5,000 MW will be added every year in terms of ordering and there is already a lot of competition and we are already have taken the decision to be very selective on this sector.. Now as far as the O&M is there we have mapped about Rs. 1000 crores of opportunity for the next year and about 25% of the present order backlog will come up for renewals also and apart from that we are trying to shift whether there can be focus and utilize our strength in providing services for the captive power sector little bit medium capacity power plant, 100 MW or 200 MW because we largely grew with very large capacity units. But still you know, if there is an opportunity we want to look at the captive power sector also. So that is how the mix can be continued but this ratio of power to non-power I think it will slightly come down further in the coming . The expertise we have gained for example, the AMTZ implementation was a huge success in terms of you know, monthly instrumentation of plant]s cash flows and also timely execution of the project. Now that type of similar projects you know wecan workand wecanbid**.** There are many such opportunities some in the special economic zone and such type of things we can definitely see. The same thing I told about the non-power in terms of the steel plants and petrochemicals also. Therefore, in all these segments s we continue tobid,t that is why when I said Rs. 4,000 crores we are little bit positive that we can continue that growth in the next one or two years in terms of ordering also.

Dhwanil Desai: Okay. And so I mean, again if I understand correctly, the margin profile is slightly better in non-power, international and O&M. So you know, with the scale kind of kicking in and we growing at, weakenedpaceat least we should be able to maintain margins. Is that the right assumption to make?

Jami Satish: Yes, certainly, like railway and the AMTZ we had the estimate which was slightly less than mechanical business but we have seen in reality that is doing better than the mechanical business and some of the projects are close to O&M business margins. The reason being if it is fast track and if implementation is faster, we are able to negotiate better pricing with our creditors and supply vendors and in terms of absorption of overheads,working capital is minimum & lower interest cost is helping a lot. So yes we are confident that the margin profile what we are maintaining minimum of that definitely at any cost it will be maintained. We're seeing that how to improve because with growth of 20% to 25% definitely some sort of absorption of fixed cost like admin and staff cost which is a substantial amount for our size of company because we have almost close to 7000 people working with us. So this should move towards 13.5-14% range that is what we are working now. O&M and international business is quite good, it is doing well. The mechanical, BHEL especially its 12.5-13% that is the range we are working because the opportunity size has come down now. It is a limited opportunity though there is a couple of projects but we are again going selective with BHEL also not all the projects we are taking. And in Civil we are choosing only with better terms ..

Dhwanil Desai: Okay, and so again how do you see the near term environment because there is lot of election related uncertainty and do you see some kind of a slowdown in order flow in the last 3-4 months and going forward in next 3-4 months and if you could elaborate on that?

S. Kodandaramaiah: I think what I would like to say you know, what we are looking at these opportunities are those projects which are getting committed. So the investment cycle has started and these plans are all on foot both in the public sector and private sector, that is how we're certain. As far as the export side is concerned yes, there also we are certainly looking where the investments are positively firmed upthat is where we have our expectations.. Therefore except maybe certain aspects which can happen drastically different from a new government comes or some state governments have something you know, we don't anticipate that something will be totally go out of line. That is what our assessment is.

Jami Satish: And if we see the business mix , theO&M is a stable business model. This has nothing to do with the government and mostly it is driven by the IPP and some of the state electricity and now NTPC is active, that trend will not change with respect of the government and international 20% that is anyway is set now. Apart from that the mechanical business like IOCL and BHEL all , these are all like institution driven where spending to the government change in all won't much impact. In Civil also railway and powerand some of the projects which we have choosen like AMTZ and all , in all these projects we are seeing that the investment commitments are there. We had set the target of Rs. 3,800 croresand we have already crossed Rs. 4,000 crores and for next four months we have strong visibility where we can take the new orders also. So it should not impact at all.

Moderator: Thank you. The next question is from the line of Rushid Parekh from Capital Market Publishers India Pvt. Ltd. . Please go ahead.

Rushid Parekh: Satish, firstly you mentioned that if I heard it correct68% of the total revenue for 9 months is from the power sector and the rest is from non-power, correct?

Jami Satish: Yeah 68% is from power and 32% is non-power.

Rushid Parekh: So this power would have grown by around 15% year-on-year. Is that correct?

Jami Satish: It is 11%.

Rushid Parekh: Okay so you know you had spoken a lot about the non-power sector but what is happening as far as the power sector is concerned? Is it that the entire sector nothing is moving or we have cautiously decided to make sure that we want to be away from the power only?

S. Kodandaramaiah: You see we don't want to write off the power sector. See,O&M as Satish said and we have seen the growth in the order backlog it has gone up by almost 32% that will be a steady factor and renewal should be there that we don't find much of a drastic change in that. But as per the new investment and the new ETC business on the mechanicals and the power is concerned the present trend is that you know the total investment will not exceed 4,000-5,000 MW per year. And on the upper side it may go to 6,000 MW therefore what has been 18,000 MW, 20,000 MW it has come down to 20-25% but that is a reality and we have to live with that. But the strength for us is that since we have built a base, alternate base in the non-power and then exports and O&M we have got the sense and the ability to survive without the earlier business what we had in terms of the power and we have reconciled to that. And now it also helps us that when we can get equivalent projects here with the same margin or a little bit better margin why we should go aggressively for bidding in the limited opportunity profile of power sector. That is our take on that.

Rushid Parekh: And within power, are we there in the renewable energy space as well?

S. Kodandaramaiah: No, no as on today it is already a highly competitive market, it is development workand our type of business model you know, we are high resource oriented and you know we need lot of physical work at project sites to be done and there is no huge physical work in terms of mechanical, electrical, Civil works etc. It doesn't match at all our business model unless we want to become a developer which we have no intentions.

Rushid Parekh: Fair enough and on the non-power space which is around Rs. 515 crores of turnover for the 9 months in a breakup in terms of which sector or how much would be from railways, how much would be from the Vizag project and you know other bifurcations please?

Jami Satish: Railway around Rs. 54 crores we have done for 9 months and then from IOCL piping work close to Rs. 40 crores and electrical the last leg at Hoshangabad which we completed recently that is around Rs. 45 crores. Apart from AMTZ which was a fast track project, we have done close to Rs. 235 crores.

Rushid Parekh: Okay, and the Vizag project would be how much and how much would it mean, you know as on date in terms of order book?

Jami Satish: Major work is mostly completed because World Health Organization wants to have their conference during December, we have done that project in a record time. All the major works completed, now spme common work which is close to (+) Rs. 60 crores which is likely to be completed in next 3 months.

Moderator: Thank you. The next question is from the line of Pratiksha Daftari fromAequitas Investment Consultancy Pvt. Ltd. Please go ahead.

Pratiksha Daftari: Sir if you could just shed some light on the Sarva Shiksha Abhiyan project that we are doing. So how is the execution coming up and do we still aim to finish that in say 18-19 months? That is my first question, and second question you mentioned about some new order from RVNL, if you could elaborate a bit on the details of that order?

Jami Satish: Sarva Shiksha project is a 24-months project, but we have set targets to close it slightly in a lesser period may be 20 or 22 months.Groundsurvey's have been completed and the construction activity will start by end of March or beginning of April. There are total 6,000 plus school spread in 3 district and the survey have already been done along with the Department and we have set our office in Visakhapatnam because we have one project in Visakhapatnam AMTZ and the second is Gudivada to Machilipatanam railway project which is again in Andhra close to Vijayawada. Wee have set our central office in Visakhapatnam and we will be monitoring all these projects from Visakhapatnam. We will recruit close to 200 persons From April onwards the work will start so from there around close to 20-22 months to complete the project. And coming to the railway project one project Gudivada to Machilipatanam, track laying work from single to double lane work, where almost (+) 80% work is already completed. If all goes well, we will be closing in the next eight months and we're working towards getting the incentive. Because there is a clause if we complete the project on time, we have incentive clause, we are working for that. And the second largest project is the Bikaner one which is Rs. 350 crores that is OHE electrical part we are working at Bikaner, and that also started, we recently did close to Rs. 4-5 crores of billing and complete ramping up will start from this month onwards itself so maybe Rs. 20 crores of billing will be done in February. March we may expect close to 40-45% billing and this is around a short cycle project 18 months if we complete by 16-17 months we may get incentive here also and the last project which we have not updated yet is close to Rs. 74 crores. We are L1 now, we e about to publish may be in next one or two days. Construction of PEB sheds, structures and buildings, OHE, signaling etc is the major scope under it., it is a mechanical work cum structure work plus OHE electrical work. This is again a fast track project. We may complete in 12-14 months.

Moderator: Thank you. The next question is from the line of Ankit Kanodia fromSmart Sync Services Pvt. Ltd. Please go ahead.

Ankit Kanodia: Most of my questions have been answered I just had one question left as in given our order book and execution pipeline, if we just have to take a call as in what would be expected two big risk which we see as a company on the execution point?

S. Kodandaramaiah: Yeah, I think the risks are being mapped I agree. There can be some risks, no projects can be without risks even normal ETC business also has some risks. The implementation, what has been done in the earlier projects of AMTZtand the ongoing projects of irrigation projects and then you know, the non-power sector…. The risk can be there I agree in many of these projects. It is important to fully y understand the business execution methodology, that is the most important thing. Execution methodology always should be properly mapped. If that is mapped then you know you can properly implement it, which is the technical aspect of implementation. Second is the commercial side you know, in all these risks are normal risk in terms of the LD and you know the delays that we have to properly counter. Then you know, in some of the projects possible risks can be right of the way and access to sites, for example, cross country pipelines we may have right of the way issues.. But I will tell you one thing see the job what we have taken at Ennore 60 kms we have almost completed the job. That shows that we can do it, yes the local issues will be there. Any project can have issues, and we have to manage the local issues in terms of accessibility, managing of the customer and then if it is an external influence we have to interact and analyzesuch factors and intervene effectively to overcome the same.. We don't anticipate first type of you know, interference or stoppage of work. For example, export jobs the success has been reasonably good, about 3 projects were completed now 12 projects are under implementation.. The stage of completion is 50-90% in all these proects/contracts.. Of course, the major project we are doing in Bangladesh where we had already done one successful project about one year back. Now Rs. 350 crores job is being going on in two projects we don't find any problem. Down the railway job which is a major job which we have taken up the point is single line track about 650 km is electrification. We are independently allowed to do the infrastructure jobs there and as on today, our people are well established and 20 places we are doing there at a time. This is a new type of job that we're doing that is why the risk analysis is important. So far we don't have any problem. But unless there can be instances where a project is totally delayed or some other thing has happened , in the implementation of the project .. But there are some existing projects like you will have to complete the ongoing jobs at Bahr, ongoing jobs at Nabhinagar, they are all BHEL projects, and we are coping with the implementation of these two projects.

Moderator: Thank you. The next question is from the line of Ankit Gupta fromBamboo Capital Partners Pvt. Ltd. Please go ahead.

Ankit Gupta: I just wanted to get a breakup of our orders from especially you know outside the state of Telangana and Andhra like how much percentage of order backlog is from outside these two states?

Jami Satish: Around Rs. 1850 crores from these two states the rest if you take out the backlog of Rs. 6700 crores, so it is around Rs. 4900 crores from others including international.

Ankit Gupta: And sir on the irrigation projects you there have been concerns in the past where the payments of lot of developers have been stuck in the irrigation projects from government of Andhra Pradesh and even now Telangana. So any like precautions that we're taking while bidding for these projects to not get into this debtors thing?

Jami Satish: The project is funded by the banks, they have funds. The bank funds are already allocated, and every month on an average Rs. 6-7 crores of billing we are doing, we are getting within 30 days. They have a back-to-back tie-up with banks. So the allocation part for this project is not an issue and it comes under CM's area where they have commitments in terms of delivery also.

Ankit Gupta: And so out of our order backlog or around Rs. 6,800 crores how much is order backlog from irrigation to this?

Jami Satish: That is only one project.

Ankit Gupta: Only one project we have, okay. So do we plan to enter into this segment in a big way or it will remain a small portion?

Jami Satish: No. Probably one or two projects we may pick and choose that too funded and supported by banks, otherwise we don't intend to expand this area at all. Because in irrigation as Mr. Ramaiah explained the availability of land is always a challenge and the experience being in Telangana today for other irrigation projects the payments are not coming on time as you told rightly it is correct. So unless until the back-to-back funding comfort and the second is the availability of the land these two things are established it is very risky to get into these business. So it has to be very pick and choosy business maybe 1 or 2 maximum subject to execution comforts are taken care.

Ankit Gupta: Okay my last question on the margin side you know, despite the contribution of civil and other works increasing the order book and increasing the order book and even revenues, our margins have more or less improved. So you know what exactly have we donein choosing the order that our margin despite being in new area for us have remained quite healthy or are expected to improve going forward?

Jami Satish: Sir this is mainly thanks to 3 projects one is the AMTZ Andhra Pradesh project, the second is IOCL petrochemical and the third being the railway project, and mostly to summarize, if we minimize the dependence on BHEL, 1-2% we can fast track in terms of overheads, supply discount and all. And if the project is committed for some deadlines, it is very easy to keep up our target and delivery. For these all planning is very easy. So this time to a lot extent, this AMTZ Visakhapatnam project and IOCL and the railway had a lot to maintain the margins. See even in electrical distribution work, we took the project with 9% EBITDA level, because that was our first project at Hoshangabad, , and we were little hesitant in choosing the project but our experience being we completed on time and with a margin of 12.5%. That was the only reason they had some deadlines to complete the projects and there was a back-to-back funding so that helped us to complete the project ahead what we targeted in terms of margin and collection. So if we pick and choose these type of projects definitely we will be able to maintain our margins and this pick and choose is for this 40%, the rest 60% anyway we have the opportunities in both domestic including O&M businesses. So we will continue to have this strategy.

Moderator: Thank you. We move to the next question which is from the line of Dhwanil Desai from Turtle Capital & Investments Pvt. Ltd. please go ahead.

Dhwanil Desai: One question, typically what we've seen is that seasonally Q4 is the best quarter for us in the past and I mean just wanted to check with you whether the same kind of seasonality remains for us or has it like more evenly spread right now the revenue recognition part?

Jami Satish: Yeah, during Q3 AMTZ Visakhapatnam project has contributed a lot . So the traction Q4 will be average of Q3 and Q4 more or less in line with these two quarters numbers and we have set a target of Rs. (+2,000) crores it will definitely exceed that number, and in terms of margin, yes it is in line with 9 months numbers.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would like to hand the conference over to Mr. Muchhala for closing comments.

Chirag Muchhala: Yeah thanks, I would like to thank the management for giving us the opportunity to host the call and to all the participants for their presence. Sir would you like to make any closing comments?

Jami Satish: Thank you all the investors and analysts. If you all have still some doubts or clarifications you can always reach to us directly, as we interact closely with all our investors. We have been projecting our guidance and the strategy, and we are consistent in delivery so we would like to maintain the same strategy and we are committed our delivery to be comfortable. Thank you very much.

Moderator: Thank you. On behalf of Nirmal Bang Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.