



“Pitti Laminations Limited Q2FY13 Earnings Conference Call”

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LIMITED
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LIMITED**

Moderator

Ladies and gentlemen, good day, and welcome to the Q2FY13 Earnings Conference Call of Pitti Laminations Limited. As a reminder for the duration of the conference, all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. At this time, I would now like to hand the conference to Mr. N.R. Ganti, Director of Pitti Laminations Limited, thank you and over to you Sir.

N R Ganti:

Yes, hello, my name is Ganti and I am assuming that there are some ladies as well in this analysts participation. So, good afternoon ladies and gentlemen, and Happy Diwali & Season Greetings to all of you. I am also joined by my colleague Mr. Vijay Kumar, he is the CFO of our company. So what I would like to do is, while I give you a broad picture of what has happened and what is likely to happen followed by focus on some specific numbers. I would request my colleague Vijay to take you through all those numbers. This is about the second quarter of this current financial year. So as you would have seen, our domestic sales for the quarter-on-quarter compared to Q1 of this year was down by about 17% and exports have gone up by about 55%. This is mainly due to GE which exports to major customers in the US. Total sales for the quarter-on-quarter has increased by about roughly 9.5%, but if you compare this to the H1 of last year, we have a 17% increase in domestic sales in the current H1, that is Rs 80.86 crores was reported in the last year H1, 2011-12, and current half year ending September 2012-13 is about 94 crores. Exports has taken a severe beating. Export revenue has come down from 129.83 crores to 77.15 crores, which is roughly 40 odd percent. This is mainly on account of the global uncertainty, some of the specific projects which we entered into are all either deferred or has been postponed to the next financial year. For them, the financial year starts from January. So, we are hoping that we will make up these for these deficiencies as we get into third and fourth quarters. So total sales for the last year, half year was 210 crores, which has now reduced to 171.79 crores which is about 18% lower than last year. While profits and the other items are more or less in line with

the sales, the specifics, i.e. the financial things will be explained to you by Mr. Vijay. But apart from the macro level issues that we are currently facing both in domestic and international markets, mainly the power projects, specifically when we come to the domestic market, the power projects are not really happening as was anticipated by all our customers. As you know, most of our customers, I mean, all our customers represent the who's who in the motor manufacturing industry, so they were also completely unaware about the sudden slowdown in the economy and so many projects have been kept on hold or deferred. So, all of them are quite confident that maybe in the next two quarters, things should be sorted out and there will be a lot of clarity emerging, so they have not cancelled the orders, but they are all asking us to go slow on our supplies to them. So, that is one part, secondly we also have a specific issue in the state, which is our unprecedented power problems in Andhra Pradesh. What was a power surplus state, suddenly in the last 9 months has deteriorated from bad to worse, and in fact in the last few months, it has been even worse than what it was in the last few quarters. So currently we are operating with barely 40 to 50% of our capacity, but then we are trying to mitigate this problem by using gen set power. It is definitely more expensive, maybe 4 to 5 times more than the normal power cost. In some cases, we can't even use generators because some of the specific machines need normal electric power, hence we are trying to take private lines. We have initiated steps to have our power input from the state government supplemented by the private power as well. Again, these initiatives will take some time, it cannot be done overnight, so as we go forward, maybe the next few quarters, we should have solved this problem. Hopefully the state government power supply itself may improve, even otherwise, we have made independent provisions to supplement that supply. So broadly, due to the slowdown in the Indian economy and because of many projects getting deferred, we do see that our numbers will be muted for the current year, but nevertheless, our order book position is interestingly still intact. But, as I said, these orders need to be delivered over extended periods, so probably next year, we should look at more optimistic results. The current year, definitely seems to be muted. There are a host of other problems as I had mentioned, nothing wrong with the manufacturing facilities or our customers.

It is just that everybody is affected by this slowdown. So it is going to have an impact on us for the next two quarters, but going forward, we are quite confident that especially from GE, our powers stator frames orders are likely to be more than what they were in the last two to three quarters, so we will be doing quite well on that front, but the general off take will be a little less than what they have indicated. Again because of their own slowing down of their supplies, but indications are that for all our major customers, within the next two quarters things should be back to normal. So we are keeping our fingers crossed and we are trying to address our problems, current electricity issues. So, ladies and gentlemen, that was just a brief background about our operations. We will take all your questions and I will ask Vijay to explain these numbers to you all. After that, the floor will be open to all of you to ask any questions.

Moderator: We will now begin the question and answer session. Our first question is from the line of Ankhush Mahajan from KR Choksey. Please go ahead.

Ankhush Mahajan: Good afternoon, there are a couple of questions. As you see that we have set up a target of 2600 metric tonnes of volume this year, can you tell us the company's volume in this first half and why are these numbers down and how do you see the scenario panning out in the overseas market ? Also most of our debt, if you check out the debt level sheet, is stuck in the inventory, the inventories have also gone up.

N R Ganti: Debt is going up ...

Ankhush Mahajan: Sir, in the first half, the debt has gone up and so as the inventory.

N R Ganti: Inventory actually comes down. Compared to the last year first half, Ankush, once you are done, you just let us know, whether you were able to hear what I had said earlier.

Ankhush Mahajan: My first question is, regarding that we have a target of 2600 metric tonnes of volume. This year ,as you have mentioned that there is a domestic slowdown, how could you see this volume in FY14. Secondly, regarding the working

capital and debt, what are our strategies to reduce our debt from the balance sheet.

N R Ganti:

Okay this is Ganti, Ankush. Let me clarify, it is not 2600, it is 26,000 tonnes per annum. But, I do not know, may be if you are familiar with our industry, when we give an indicative tonnage, it comprises of a certain composition of a product. We take some representative sample of products. See for instance, some products are very heavy and it has a lesser operations, so getting that tonnage is relatively easier, in terms of capacity utilization. But the same tonnage, if it comprises of more complex products, then the tonnages may not be that good, but your top line may be there. So, we will probably end up with around 21 to 22,000 tonnes this year, as opposed to 26,000 which we had indicated. That is, as I said because of the general slowdown of the economy and more so, very rarely global and domestic economies have given us trouble in the past. Usually, even if the global scenario is weak, then at least our domestic markets were good for us. This is the first time that we are seeing since the last quarter, both the domestic and global environments seem to be working in sync. Secondly, you said inventory has gone up. My colleague has explained to you, it has actually not gone up, it has come down. Our debt has gone up, and basically we have explained this many times to most of you. Our working capital cycle is a little longer, and it comprises of inventory, your work in progress, finished goods, and receivables. So, based on our order position, if it is skewed more towards exports, and that means we tend to keep more inventory because of the lead times involved, because invariably all the exports are to be met from imported material only. These are all specific to our customers. They insist on a particular type of grade of steel to be bought from a particular manufacturer, so because of the huge lead time, we have to import them well in advance. That actually increases the inventory holding, and when mostly it is more export oriented sales, then again it takes material to reach the shores of US, because most of our exports to US is longer, and then the credit period starts from the day you receive and approve the quality. So, obviously you have a longer working capital cycle, sometimes the working capital just skews more higher because there are more exports, it is seasonal, and then all these are factored in our costing,

and these are all paid for by our customers. So we don't particularly worry about the size of the debt, what has actually happened in the last two to three quarters is thanks to our financial team working very closely with our banks, at least rates of interest have significantly come down. The finance cost, in comparison to what we have borrowed and what we have borrowed last year, actually though we have borrowed more, you would notice the financial costs are coming down. That has been already addressed.

Ankhush Mahajan: What is the strategy to reduce the debt now?

N R Ganti: There is no specific strategy to reduce debt, as long as we are quite okay with our inventory levels, in the sense that we are quite lean in that sense, but there are occasions when you actually make everything from a made to order, so all the customers, once we start building it, and they say okay, you defer it by a couple of weeks or 3 weeks, then of course you tend to hold more inventory, but then these are all covered in our finance charges to them. We are quite conscious of that and it is perennial, constant attention that we give to make sure that our inventory and receivables are all under whatever we have budgeted.

Ankhush Mahajan: Could you tell us what kind of a volume can we see in FY14?

N R Ganti: In FY14, I think probably by the end of December or beginning of January we will have more visibility. We are going to redraw our entire operating plan. It is a little premature to now give you a number, simply because the season is getting clearer now, so may be in a couple of months or more, we should be able to give you some clarity. As you know, we always tend to give to the market as to what we expect to do, from a tonnage perspective. We will do that, probably by January, February. Thus, we should be in a position to give you more clarity by that time.

Ankhush Mahajan: This is the last question. If you check out the EBITDA margins, the EBITDA margins for FY12 are in the range of 12%, but in the first quarter and second quarter it is almost in the range of 9 to 10%, so what was the reason for this ?

- N R Ganti:** It is obvious. EBITDA is a function of your capacity utilization. After a certain capacity, once your fixed costs are covered, then you tend to have higher working margins, so because of the muted quarters earlier, the capacity utilization has been barely 50 to 60%, so that definitely impacts your EBITDA margins. So, once they are set right, then things will be alright. There is nothing specifically bad in these two quarters except the volumes are not as much as they should have been..
- Moderator:** We will take our next question from the line of Paurav Lakhani from Prime Securities, please go ahead.
- Paurav Lakhani:** I actually have failed to understand when you explained that the inventory has gone down, the inventory in absolute terms has actually gone up, it was 114 crores in Q2 last year, and it is 137 crores this year, right ?
- N R Ganti:** Okay, I will let Vijay, our CFO, to explain this to you.
- G. G. Vijay Kumar:** Mr. Lakhani, this is Vijay Kumar. Actually, the inventory is coming down now. These are all procured because of many of our customers plans when they placed the order. Subsequently, some of the projects are deferred, then we started working on our reduction in inventory, so in the profitability in the P&L, close to 7.76 crores inventory has come down, and by the next quarter everything will be alright.
- Paurav Lakhani:** Sorry Sir, if you could repeat it once again, there is some disturbance in my line, I am really sorry for that.
- G. G. Vijay Kumar:** Not an issue. You see, initially based on the initial forecast of the customers, we have imported a lot of materials. As we had mentioned earlier, that we have to import the material and we have to keep it because it takes a couple of months to get the inventory in India, and also it is of a specific grade, we have to keep it in our inventory. So after that, a lot of projects especially to the power sector, mining, industrial motors, railway projects, and transmission motors, all these sectors are not doing well, globally and in India. So, many companies, and our customers who are also MNCs, majority

of the customers have deferred or postponed their project. Because of this, the inventory has piled up a bit. Now the correction has started, because in the P&L we have reported almost 12.76 crores of inventory coming down, so we are correcting it, by the next couple of months inventory will come down.

Paurav Lakhani: Basically what is it that you are trying to say ?

G. G. Vijay Kumar: Inventory is coming down. We are working on that, because initially we had planned because of the good orders, now they are all postponing or deferring the orders, so because of that, we are also consuming the inventory slowly and we are not placing further inventory order. Whatever the inventory, we are using that material, and what we are doing is putting efforts to reduce the inventory level.

Paurav Lakhani: Got your point. So any material cost, if at all the prices of commodities have to go down, the benefit will not come to us, because we already have booked it at higher price, right.

N R Ganti: No Mr. Lakhani. Basically as you know, inventory is a function of projected sales and these inventory costs are invariably from most of the customers that are linked to the raw material cost. There is a price protection clause with all our major customers. Unless there is a very high fluctuation, otherwise any normal things are all covered under those price clauses.

G. G. Vijay Kumar: We have a PVC clause with every customer.

N R Ganti: So what happens is because they themselves have given an indicative off take, based on that, inventory has been procured, so therefore when they deferred those things, so whatever the cost, in case there is any loss, due to a deduction in inventory, those clauses are all covered in the subsequent sales to them. That is not a serious concern at this point, and definitely it is a lot of work, in terms of trying to adjust those materials to somebody else.

Paurav Lakhani: Got it, and Sir, now if you see the debt also, in absolute terms, it has gone up, but the interest cost has gone down dramatically. It is just 3.68 crores

compared to immediate last quarter of 7 crores. So if you could just explain like have you booked any FOREX gains in your interest cost.

N R Ganti: You are right. Actually, there is a swing of about 3 crores.

G. G. Vijay Kumar: The forex loss or gain should be included in the financial cost.

Paurav Lakhani: Can you just quantify that exact amount to me?

G. Vijay Kumar: I am coming to the same point. Last quarter we booked FOREX loss of around 270.68 lakhs. Whereas this quarter 101.47 lakhs is booked as a gain. That itself is 371 lakhs. That is the reason, last quarter there was Finance cost is 700 lakhs, this quarter it is 367 lakhs.

Paurav Lakhani: Got it.

N R Ganti: Even otherwise, the financial costs have come down, which has been explained to you earlier. While the borrowing has gone up, the rates of interest have come down. Because of the good credit rating that we have, and because we have a huge export turnover, most of it is all linked to Libor plus related debt. So the rates have come down. Our finance team has managed to negotiate better rates.

G. Vijay Kumar: Actually from a financial cost perspective, we saved more than 80 lakhs compared to last year, in the first half.

Paurav Lakhani: Sorry, come again.

G. Vijay Kumar: Because of some negotiations, compared to last year, first half to this year first half, 90 lakhs of trading is there in the finance cost, because the rates are better.

Paurav Lakhani: Sir, one more question on the finance cost only. Major part of your debt is bill discounting, right.

G. Vijay Kumar: CC limits & foreign bill discounting. Yes.

- Paurav Lakhani:** So, the short term loans out of 137 crores, a large portion of it would be bill discounting.
- G. Vijay Kumar:** CC limits and bill discounting.
- Paurav Lakhani:** CC limits also.
- G. Vijay Kumar:** Yes, domestic billing, we are giving 90 days credit. That is why CC limits are also there.
- Paurav Lakhani:** So, if you could just give me the average cost of the debt, what is your cost, on CC what is your cost and when it comes to bill discounting, what is your cost? So, that would give us a sense of projecting the interest cost going forward.
- G. Vijay Kumar:** For CC limits we are paying around 12.5 to 13% with different banks. From 12.5 to 13% as a maximum, and for foreign bill discounting as per the RBI norms, that is the minimum. As per RBI norms, if it is 90 days, Libor plus 3% is what we need to pay.
- Paurav Lakhani:** Libor plus 3%.
- G. Vijay Kumar:** Yes, per annum.
- Paurav Lakhani:** Okay, and if it is more than 90 days, then.
- G. Vijay Kumar:** Up to 180 days, 3.5%. Beyond 180 days, there is a penalty, but we have never crossed that. Mostly we will limit it to 90 days only.
- Paurav Lakhani:** Okay, Sir, one last question. In the analyst meet, the analysts were guided, you had given a guidance on PAT, of around 44 crores, so obviously that stands corrected. So can you just re-guide us on this thing, sorry 30 crores if you could just re-guide us on what we could expect for FY13, PAT.
- N R Ganti:** I just explained to your colleague that it is a little early to do that, things are not yet clear because some of our customers are saying that probably their off take may improve next quarter, so we have to wait and see, because it is a

function of what is going to be, at the end of the day, our top line, because PAT significantly is not going to change if the top line is more or less intact, but if the top line is going to take a hit, like I was explaining to Ankush also, your EBITDA margins are likely to suffer, they get lower because of the capacity utilization. Beyond a certain capacity utilization, the EBITDA margins jump.

Paurav Lakhani: Yes, because operating expenses come into play.

N R Ganti: What I am trying to tell you Mr. Lakhani is that it is little premature. Once we are ready, sometime in January, I think we should be able to come back to you.

Paurav Lakhani: I believe you said that for FY14, right.

N R Ganti: FY14, somebody asked me what will be your tonnages and so on, yes, in that context, I said, but even in this point, definitely it will be muted. There are no two ways, but how much compared to what was our earlier expectations, is something we are working hard at it, and we have light at the end of the tunnel, some customers who are still bullish, for instance, at least windmill sector seems to be okay, but it has its own problems. We think that they will take more stator frames and they are all under negotiations.

Paurav Lakhani: Sir, but you would have certainly worked out something, because your target was 530 crores top line, but in the first half you just have done around 160 crores, so you are way off. To get to the target you need to do 370 crores in the second half, so which is double than what you did in H1.

N R Ganti: That is true. It is not going to happen, that much is not going to happen. But how much is the shortfall, that is something that I am trying to explain. This is something which we would be more clearer by the end of December, first week of January, we think we should be able to give you, how we are going to end the year.

- G. Vijay Kumar:** If not third quarter, fourth quarter will be very good. We are expecting some positive signals and we are also getting something, because all our customers are MNCs, they are also finalizing their annual plans, for them, it will be first quarter, but for us it will be the last quarter. We will get clarity from them only in December or January. Hopefully we can give clarity on the tonne rates and values by January or February.
- Moderator:** We are going to take our next question from the line of Ipshita Roy from Capital Equity Advisors, please go ahead.
- Ipshita Roy:** Could you please tell us how much of the export volume we have done in this first half.
- N R Ganti:** In terms of tonnages.
- Ipshita Roy:** In terms of tonnages.
- N R Ganti:** 1826 tonnes.
- Ipshita Roy:** Okay, 1826 tonnes.
- N R Ganti:** That is right, as against 1299 tonnes in first quarter.
- Ipshita Roy:** Okay, and for the first half.
- N R Ganti:** First half, we have 3125 tonnes as opposed to 5862 tonnes last year, I mean the last half year.
- Ipshita Roy:** Yes, because I think earlier we were given a guidance of doing around 9500 tonnes.
- N R Ganti:** That is right, you are right. That is where I was explaining to your colleagues earlier that the global scenario was significant, even we actually gave the guidance based on our customers indicative offtake, because all of them gave us roughly the annual requirements, breaking it down to quarterly confirmed orders. Based on that, we actually drew our plans that way, but everywhere

else in the Europe or US, the power sector and various other sectors, including transportation, heavy truck, everything is experiencing a slowdown.

Ipshita Roy:

Definitely, but then we are very close to have completed almost 8 months in this particular year, so do you see things improving over the previous six months and any kind of, I am not asking for any guidance, but in general, overall if you can give us an outlook, whether the situation is improving or is it stagnant.

N R Ganti:

At least our indicative thing from our customers seems to be slightly better than what these two quarters have been. At least on the export front, but domestic surprisingly is really going from bad to worse. You must have seen so many reports, so many projects whether it is hydro, whether it is wind power, or whether it is thermal, they are all for various reasons getting delayed, stalled, completely cancelled, postponed, lack of coal, of course the water, the rainwater is not sufficient for these people to have hydro power generation. So basically our big numbers come from all project related manufacturing, for the general off take from Siemens, we are doing okay with that, but specific project related manufacturing activities, which is big portion of our overall capacity utilization has been muted and I would assume that at least in the coming three to four months also, it would be like that, I don't see any dramatic change in that, but at least from an export perspective, we are slightly feeling better.

Ipshita Roy:

Okay, and another thing I just wanted to clarify, because I think we are facing a lot of power cut issues, in the whole of AP, and we are also, I think, thinking about getting some alternate sources of power, so any progress in that regard, or if you can just throw some more light.

N R Ganti:

Yes, we are leaving no stone unturned to get that power situation somewhat more under control, yes, what we are trying to do is, we are also trying to look at with power supply, for which we have to streamline right to the factory, so for that also we need a lot of approvals and forms, we have just initiated all that activity. We would also try to do as much as possible on generator.

- Ipshita Roy:** Right, on an average how much cost increases are we facing due to increase in the generators, I mean 10%, if you can just give us a number.
- N R Ganti:** Monthly, I believe, my colleague, Vijay, has been clarifying, it may be as much as 25 to 30 lakhs more as expenses toward electricity charges. It is significant, unless the products are giving you significant margins, probably it may not be worth manufacturing it through purely on generator generated power.
- G. Vijay Kumar:** At this moment we cannot work out the generator power also. We need to depend on electricity only. Okay, the government is also putting efforts, we have also submitted a memorandum which even the government can buy and give the private power to us. We have agreed to give a fixed price or additional amount also, incremental of the cost. The government is looking into that, and we are expecting that in a couple of months they will get a good solution and come back to us.
- N R Ganti:** This is a problem in the entire state. There are a lot of people who are trying to solve the problem.
- Moderator:** We are going to take our next question from the line of Pranay Jhaveri from J&J Holdings, please go ahead.
- Prashant Sarkar:** Hello, this is Prashant Sarkar here, basically my question is regarding the VSPL acquisition. Could you just throw some more light on that, because at the time of the analyst meet, it was said that that current sales of VSPL was about 80 crores, and with another CAPEX of 20 crores, the acquisition could potentially generate about 300 crores of revenue at OPM of 15%. I would just like to know what is the status on where are we right now vis-à-vis that ?
- G. Vijay Kumar:** Actually, we planned the acquisition in April, because due to delay from bankers, limit sanctions, and other issues, the acquisition was made on 23rd August. So that is the reason we declared only 37 or 38 days results also, and that too VSPL is a foundry unit, it needs a lot of power, it is a power intensive unit, whereas now the power shortage in Andhra Pradesh, is

impacting our production. In Andhra Pradesh, almost three days a week, there is a power holiday, and the rest of the four days also, everyday for 6 hours there is no thermal power. So compared to Pitti Lamination, foundry units need continuous power, so we are working on the power, otherwise everything is good. Since power is not there, we are not able to produce expected quantities. We have already given a representation, as I told in the previous con call also, we are ready to buy private sector power also. We are already planning a dedicated power line from the substation to plant, to buy the private power. For that, we have already approached the government agencies and some of the approvals we are getting, expecting this in 3 to 4 months that it will be established. At least, the power problems will come down. We can buy it, though private power is a little bit costlier, but at least power availability will be there. Then we can start receiving the tonnages.

Prashant Sarkar: What is the eventual payment time, and how much have you paid for VSPL.

G. Vijay Kumar: 62 crores.

Prashant Sarkar: 62 crores is the total purchase cost.

G. Vijay Kumar: Yes.

Prashant Sarkar: Out of that 51% is owned by Pitti Laminations.

N R Ganti: No, it has a debt and equity composition. There is an equity of 7 crores of capital, of which 51% is held by Pitti Laminations. Then there is some unsecured loans and promoters, and Pitti Laminations. The balance 30 odd crores is the debt taken by the company directly PCPL. The name of the company is not VSPL now. It is called PCPL. PCPL has its own banking arrangements. They have contracted long term debt and working capital debt.

Prashant Sarkar: So what is their total debt?

N R Ganti: Including working capital, I believe it is around 65 to 68 crores.

Prashant Sarkar: 65 to 68 crores.

- N R Ganti:** That is right.
- Prashant Sarkar:** And this plant has how much capacity?
- G. Vijay Kumar:** As on date, 1000 tonnes per month.
- Prashant Sarkar:** So about 12,000 tonnes.
- G. Vijay Kumar:** 12,000 tonnes per annum, correct.
- Prashant Sarkar:** What is the peak turnover expected from this?
- G. Vijay Kumar:** 700 to 800 tonnes if the power problem is resolved.
- Prashant Sarkar:** No, in terms of value.
- G. Vijay Kumar:** Value wise means, 8 to 9 crores turnover?
- Prashant Sarkar:** 8 to 9 crores. So it could be about 96 to 100 crores per year.
- G. Vijay Kumar:** Yes, more than that also.
- Prashant Sarkar:** Okay, and you have paid totally 62 crores enterprise value for this.
- N R Ganti:** That is not the enterprise value, basically, we took all the assets as it is, VSPL had two other divisions with them. They also had ingot manufacturing and trading. This was a separate division, unit located in a different location, we just bought the assets of that company. It has been valued only for that.
- Prashant Sarkar:** Okay, that is 51% owned by Pitti and the rest is owned by the promoters of Pitti ?
- N R Ganti:** Promoters and their associate companies.
- Prashant Sarkar:** Total debt on Pitti's books right now would be how much including this and other current liabilities of 38 crores, what would be the current maturities within one year.

- G. Vijay Kumar:** Within one year, the majority is working capital only. Other than that, term loan of around 7 to 8 crores would be maturity in the current financial.
- Prashant Sarkar:** You have about nearly 20 crores of long term borrowings. You have 136 or 137 crores of short term borrowings, and you have other current liabilities of around 38 crores. So out of that, I wanted to know what is the current maturity of the one year bill, one year debt.
- G. Vijay Kumar:** Working capital loan is already recurring, which continuously will be there.
- Prashant Sarkar:** No, I understand, but out of this other current liabilities because of this change in the reporting pattern, out of this 37.67 crores what would be your debt out of this.
- G. Vijay Kumar:** That is all separate creditors and all these things will be there.
- Prashant Sarkar:** Creditors are different.
- G. Vijay Kumar:** The 20 crores that we are showing as a long term debt is only long term debt, out of that 7 to 8 crores will come from sales payment, current year turnover.
- Prashant Sarkar:** No, what I am asking is, that I understood that long term is about 20 crores, short term is 137, then you have something called other current liabilities of nearly 38 crores. Out of that, what is the debt component ?
- N R Ganti:** All current liabilities by definition is a debt.
- Prashant Sarkar:** No, it is not like that. See, the debt payable within one year is considered a debt, the other things may be from different liabilities.
- N R Ganti:** Any current liability is a liability which has to be extinguished less than...
- G. Vijay Kumar:** I understood like vehicle loans and all.
- Prashant Sarkar:** Great.
- G. Vijay Kumar:** Vehicle loans, very, very less, because we don't have too many loans.

- Prashant Sarkar:** Okay. So your total debt mainly is this 137 plus this 22 right.
- N R Ganti:** That is right.
- Prashant Sarkar:** So, we look at a very muted year FY13, so 2013-14 you are quite optimistic on this.
- N R Ganti:** Basically, our optimism is in direct relationship with what we talk to our customers. As you know that we don't make anything and sell off the shelf thing, it is not publicly consumable items. Our optimism or otherwise is entirely a function of how our customers see their markets. We are OEM suppliers, we are dependent on their reading of the situation. As of now, at least some of our customers are definitely indicating that things cannot be this bad for ever, so they are hoping that there will be a turnaround in the next one or two quarters, because basically if the economy needs to do well, then all the sectors, at least power equipment people represent, they all have to turn around. I mean, otherwise there will be a stagflation. We don't expect that, going by the various analysts views, they are expecting at least some growth, 7 to 8%. Definitely, things should turn around, it should look better next year.
- Prashant Sarkar:** One more thing, see as on the analyst meet, you had given a projection of about, I think, 30,000 tonnes for this year, 26,000 annually. This was based on the order book that you had at that point in time. Now the orders you are saying are not cancelled, but they are just deferred from quarter-on-quarter, or may be 6 months. So you have already ordered the material, you have already incurred the cost, you are keeping the inventory and paying interest on that, so are you all going to be compensated for that.
- N R Ganti:** Not for the entire thing, you don't import the entire year's requirement.
- Prashant Sarkar:** No, I understand, but whatever you have imported, and whatever the delivery date schedule was, and what has been extended, you are not taking the deliveries, so are you all going to be compensated for that ?

- N R Ganti:** Yes, we have the raw material where price variation clauses are built in. Therefore, whenever we are going to book them, all that cost is added to them, right.
- Prashant Sarkar:** Even holding the inventory, that is what I am asking.
- N R Ganti:** That is inventory cost, no inventory cost is computed as basically the cost of actual material paid, and then how long it is going to carry.
- Prashant Sarkar:** Correct, so that you will be compensated for.
- N R Ganti:** Yes, we are not worried about all that, on that count, we have seen the profitability has not been impacted except of course for the operational efficiency because of the lower capacity utilization, other than that our other costs are quite nominal.
- Prashant Sarkar:** Correct, and this power tariff you were saying, but Pitti, in the parent company there is hardly any, you don't use much power, you have total power bill of about 1.67 crores or something more for the whole year. It is a matter of a few lakhs, even if you have to buy from outside, there you will
- N R Ganti:** That is why we are not unduly concerned about Pitti Laminations. Even though it might impact may be about 15 to 20 lakhs a month additionally. Though gen power is expensive because of the diesel cost, we are not producing less because of lack of power, just producing less because of lack of visibility in orders.
- Prashant Sarkar:** Correct, and mainly you will be affected in VSPL rather than in Pitti for the power.
- N R Ganti:** PCPL is definitely a power intensive unit.
- Moderator:** There are no further questions. Shall we conclude the call?
- N R Ganti:** You can thank them on our behalf.



*Pitti Laminations Limited
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Moderator: Thank you. Sir, do you want to give some closing remarks?

N R Ganti: We just want to formally thank them, beyond that I don't see anything else that I need to talk about since we have covered everything.

Moderator: On behalf of Pitti Laminations Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your line. Thank you.