# “Kalpataru Power Transmission Ltd and JMC Projects Ltd. Q3FY13 Results Conference Call”

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**MANAGEMENT:**
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Mr. Manish Mohnot – *Executive Director*
Mr. Kamal Jain – *Director, Finance*
Mr. Manoj Tulsian – *CFO, JMC Projects*

**IDFC SECURITIES:**
Ms Bhoomika Nair – *Analyst*

**Moderator** Ladies and gentleman, good day and welcome to the Kalpataru Power Transmission Limited Q3 FY13 Earnings Conference Call hosted by IDFC Securities Limited. As a reminder for the duration of this conference, all participant lines will be 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 * followed by 0 on your touch tone phone. At this time I would like to hand over the conference to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you ma'am.

**Bhoomika Nair** Thanks Shyma. Good morning everyone. Welcome to Kalpataru Power Transmission and JMC Projects Q3 FY13 Earnings Call. The management today is represented by Mr. Ranjit Singh – Managing Director; Mr. Manish Mohnot – Executive Director; Mr. Kamal Jain – Director, Finance and Mr. Manoj Tulsian – CFO, JMC Projects. Now I would like to hand over the call to the management for their initial remarks post which we will open our floor for Q&A. Over to you sir.

**Kamal Jain** I am Kamal Jain, Director Finance and good morning to everybody. We have declared our Q3 FY13 results of both KPTL and JMC and I believe all of you have received the copy of results for its release and presentations of the same. Before proceeding for Q&A session I would like to take you through the key highlights of the results and recent developments. In KPTL, we have achieved 11% sales growth in the quarter.

On the margin front, as per our estimation we have achieved 10% level of operating margin. Going forward with a good margin project in both domestic as well as oversees international orders, we would be able to keep the margin trajectory upwards. There is a decline in PAT mainly due to FOREX related MTM loss booked by us of Rs.4 crores which is included in interest cost during the quarter. From the execution perspective we are now very confident to achieve our desired phase growth of 15% plus in this year as well as in the next year.

In JMC the execution was short of our expectation in this quarter but we are still confident of achieving top line growth of over 30% in this year, despite our all efforts margins have not recovered in this quarter as well. With the continuous cost control initiative taken by us, new management pool and right mix of contracts the margin levels are expected to improve from here onwards.

Shree Shubham Logistics continued its growth momentum by achieving over 20% growth in the top line and with a good operating margin levels. As per our plans we have increased our operational capacity of owned ALPs by 1,06,000 MT's in this quarter and in addition to these, we expect to add another 2 facilities of 45,000 metric tonnes by this year end.

Our KPTL stand alone order book has increased to Rs.6500 crores of which over 70% is without any commodity and price risk. The order breakup between domestic and oversees is almost 50 – 50%. We have emerged among the top players in securing domestic orders in recent biddings. In international market we have entered into 2 new countries in the quarter that is Uganda and Armenia with good value of orders. JMC order book has been maintained at Rs.5200 crores by including recently secured orders of Rs.660 crores in the quarter mainly under building segments. Now JMC has emerged among the top civil players in southern market which is doing very well as compared to other regions of the country.

All of our road BOOT projects are progressing well. The first project that is Rohtak-Bawal has achieved over 70% completion. The project is expected to achieve COD by first quarter of FY14. The Nagpur-Wainganga project has been over 20% physical completed. Agra-Aligarh project has also started construction in last quarter and expecting COD by Q3 FY14. Reva MP project has achieved financial closure and resource mobilization is under full swing. Our Raipur plant has been completed and commercial operations are expected to start very soon. With this update I would like to open the floor for the question answer session and good day to all of you.

**Moderator** Thank you sir. Participants we will now begin with the question and answer session. We have the first question from the line of Renu Baid from B&K Securities. Please go ahead.

**Renu Baid** Sir Good to see that execution has improved on track probably in line with the guidance that we are looking for Kalpataru but somehow margins for the consol entity including JMC has been weak. And within Kalpataru if you look infrastructure segment has been reporting a poor set of numbers. If you could just elaborate in terms of what is the margin guidance for stand alone as well as for JMC and how can we achieve that. As in what help to drive improvement in PBT margins for the year?

**Kamal Jain** As far as Kalpataru is concerned the PBT level is expected to be improved little bit and JMC I don't think there will be any improvement in this quarter but going forward after 2 – 3 quarters definitely the margin improvement is expected.

**Renu Baid** Sir JMC what would be driving improvement in margin because essentially we were trying to improve margins in the second half as well but that has not been able to deliver. So in your view what will be factor that will drive improvement in margins beyond 4.5 – 5% levels?

**Kamal Jain** Major driver would be the recent order book which has been with the good margin and certain order which we booked earlier were with the good margins. So I think after 2 quarters there will be definitely an improvement in the margin.

**Manish Mohnot** Just want to add, the specific question we are changing the composition of our order book mix. A lot of basic items like sand aggregates on which entirely the risk was ours at one point of time. None of us ever thought that sand and aggregates could cause this kind of losses which we are looking at today or the scarcity which we are facing today. We are now taking new orders where this risk is also passed to the developer. So if you look at the last 2 quarter orders, majority of the risk relate to or all the risks related to material availability in price is now passed on to developers. So we believe that given this some of the order books would start contributing next year and you might be able to see some improvement. But is it going to be significant enough the answer is no. Because our internal target is not like it is going to 200 -300 basis point kind of improvement. There should be definitely some improvement coming through.

**Renu Baid** Okay at least Kalpataru should be seeing at least 6% kind of PBT margins or slight improvement there?

**Manish Mohnot** Kalpataru Power I am sure we should be able to achieve that. The MTM also, we expect the reversals of all the MTM losses should start from this quarter onwards we expect, just expectation otherwise Kalpataru this quarter also without that 4 crores loss we are on track to what we had projected.

**Renu Baid** If you can elaborate in terms of what was the revenue mix for Kalpataru in terms of segment wise domestic international?

**Kamal Jain** Oversees it was 40% and 60% was domestic where our order book is 50 – 50. So now onwards, revenue mix will start improving.

**Renu Baid** Sure and sir what will be outlook in terms of competitive intensity in terms of new orders in the domestic market and ramp up in the infra segment which has been pretty sluggish for the year till date?

**Ranjit Singh** See broadly if you look at our strategy, an uptrend in this business has been two fold. transmission line has been our core business. If you look at the strength that we have one is a global reach that we have. Second is a strong execution capability, not only in India but also internationally. We have outperformed our competitors in a way year after year. So these are 2 basic strengths that we have. And also we have a strong pre-qualification and great amount of experience especially in ultra high voltage projects and complex projects where the margins are much higher. One major thing which is happening in India is that there is shift to higher voltages. That is 760 KV, 800, 500 KV, HVDC etc. So in that the competitor intensity in these areas are much lesser because numbers of players are much lesser. So we expect going forward because if mix change we have a much better margin in the next couple of years. That's one part. Second is one of our key focus areas is the geographical expansion. We have been focused on geographically expanding ourselves and as you would have seen last quarter also we added 2 new counties to our portfolio. So today internationally we will be in the top 2 players in our focus segment. So that's another thing which is there. As far as strategy is concerned the 3rd strategy, the key strategies that we have is in terms of diversifying our risk and our portfolio because 95 or 90% of our business really was coming from transmission line, we thought we are going to add some other business clients to our basic competency in EPC and infrastructure. So that's why we added railways as well as pipeline in infra business. Those are long term investments which we are making for future and we hope that will continue to grow as we go along. So that's broadly is our strategy as well.

**Renu Baid** Sure strategies as we broadly understand what you have been mentioning but first you mentioned in transmission line, geographic mix is helping you. So essentially when you say improvement in margins do you think it will be because of geographic mix more focused on oversees jobs that will help you improve the overall profitability?

**Ranjit Singh** Partly that and partly because of ultra high voltage. In domestic also, there is a shift to UHV, ultra high voltage where the competition intensity is much lower.

**Renu Baid** So 765 KV segment essentially?

**Ranjit Singh** Yes that's right.

**Renu Baid** But sir 765, how has the competition intensity changed in the last 2 – 3 years. We have seen equal number of competition from civil construction and from the organized space which are like top 5–6 guys competing severely. Has that changed meaningfully in the last couple of quarters that you are indicating that?

**Ranjit Singh** Competition is going to continue that's for sure. But it may not be as intense. Number 1, the cake is getting bigger. When we did the analysis, what we found in the 12th five year plan, ultra high voltage segment will be something like 30 -32% compared to what it was about 5- 7% earlier. So obviously the cake size becomes bigger after ultra high voltage pie is concerned. So that pie becomes bigger and there are only 5 – 6 players who are pre-qualified in the segment. So competitive intensity wise, it is expect that be reduced in the short to medium term. As time goes by, obviously that will attract larger number of players.

And people migrate from high voltage segment to ultra high voltage. So in the longer end definitely competitive intensity will increase again but next 2 years we expect the competitive intensity to become lower than what it has been in the past.

**Renu Baid** Sure sir. I wanted some indications from your side in terms of your outlook for infrastructure segment because we have seen not much of profitability coming in from the existing pipeline as well as railway where we were short of orders. Now the order flow will start picking up in that segment. You think we should be able to grow at 20 – 25% in that segment as well?

**Manish Mohnot** Renu the 3rd quarter is slightly different for the infrastructure segment. We have got couple of orders for the pipeline division, L1 one and more large orders few weeks ago which we expect that we should get in the next week or so. So with this we believe that as far as pipeline and railway, at least we will have an order book which is similar to the previous year. Will they grow at 20 – 25%, might not be realistic but definitely 10 – 15% next year.

**Moderator** We have the next question from the line of Supriya Subramanian from Kotak Securities. Please go ahead.

**Supriya Subramanian** Couple of questions from my end. One is regarding the revenue growth. So we have seen a little bit of a slow down in the momentum versus the 1H we had really a very strong growth momentum and to about 12%. So would you still achieve the 15 – 20% revenue growth guidance for the full year given that 4th quarter of last year has a higher base. Because 4th quarter last year also had seen a very strong YoY growth. So are we still confident of achieving the growth number for full year that is for the stand alone business?

**Kamal Jain** Of course there has been little lower growth in this quarter but by year end we expect to achieve around 15% growth.

**Supriya Subramanian** And also just wanted to get your view in terms of the outlook for the order in flows and what do we expect to end the year with, what kind of a backlog and order in flow do we expect to end the year with?

**Manish Mohnot** I think the order in flow for the quarter if you look at it across KPTL and JMC was closer to Rs 1600 crores. We are L1 in a lot many orders. I think 3 – 4 large orders in transmission and at least 3 more large orders in JMC. If you, guidance from the order book was year end Kalpataru should be in the range of Rs 6500 – 7000 crores more closer to the 7000 number and as far as JMC we should be in the range of Rs 5500 – 6000 crores.

**Supriya Subramanian** And in JMC you had indicated that you are also exploring international geographies and you were close to wining one large order, what is the status ?

**Manish Mohnot** Its on track, should be declared any time now. It is in the final stages of signing. Within the next few weeks I believe it should be with us and you will hear a declaration on that.

**Supriya Subramanian** And just one last question in terms of balance sheet, debt has gone up sequentially from sort of FY12 and levels to about Rs 830 crores. So typically 4th quarter, is a heavier quarter in execution. So we should see some improvement coming through in the 4th quarter balance sheet. So do you expect debt levels to go down from here till March end?

**Manish Mohnot** For sure. I think that's the history of our business. You will see a significant improvement in debt coming in the next couple of months.

**Moderator** we have the next question from the line of Sanjeev Panda from Sharekhan. Please go ahead.

**Sanjeev Panda** Sir starting with the debt as we ended over the last question, what kind of debt size we can see in the year end because we know in the Q4 usually is a declining trend that we have seen over history. What is the level we are looking at?

**Manish Mohnot** You should see minimum reduction of 250 – 300 crores from this level in the next few months. We would be ending the year at closer to 500 – 550 levels.

**Sanjeev Panda** And sir another thing is this interest cost that has gone up what are the MTM that we include or is there anything else also or it is purely it is the effective rate that has gone up?

**Kamal Jain** Interest related we have included around Rs 4.4 crores MTM loss. Overall interest rate has not gone up during this quarter.

**Sanjeev Panda** And sir Shubham Logistics, there is a margin pressure if I am not wrong, is there anything we have charged this quarter or it's a trend that has set up, how is it, if you can throw some light on that?

**Manish Mohnot** I don't think we have charged anything exceptionally this quarter. It is just a trend where the margins completely depend on the nature of commodity which you are storing at the timing and all of that. We are still nearing to the year end margin which we believe we will expect. But there isn't anything exceptional that's being charged. It's just the timing up of particular commodity or revenue of stuff like that. Plus we have got some new ALP which has come on board and normally when you have new ALP they don't reach that level of 80 – 100% quickly. It takes some time. So given that also there is some pressure on margins, on that front also.

**Sanjeev Panda** So is it typically the third quarter experience this kind of pressure on logistic business.

**Manish Mohnot** It has nothing to do with quarterly kind of basis. It depends on lot of other factors. So there is not typical of 3rd quarter end. Just that you started few ALP and it takes normally few quarters for those ALP to stabilize. So we expect it will start stabilizing. We should reach back to those levels which we had earlier.

**Sanjeev Panda** The last question is, it's more of like strategic point of view which would like you to put some light. In our recent interactions we found that power grid if I am not wrong indicated that they are looking at procuring steel from JSPL a recent deal and probably this is for the first time they have announced this kind of procurement where instead of ordering completely to the EPC contractor they have gone ahead and procured steel, is it something a trend that is shaping PGCIL is basically looking at by doing their own EPC stuff which could be a threat for us or may be a challenge for us because PGCIL has been completely ordering entire thing to EPC players earlier?

**Manish Mohnot** Lets divide this question into 2. One yes, PGCIL has taken the steps and they have taken it more for their BOT projects which they have won. You are aware that Power Grid had won a large BOT project for which they have taken a call as to what they need to do. They need to approach it slightly different than normal EPC contracting and that's what the practice is. At the same time if you look at the order book of some of the large guys from a perspective of plant capacity we already have good order book in terms of deliverables for the next few years. So it's not that there is a threat of order book or on the plant. But yes, it is a strategy of PGCIL, primarily for BOT projects. Could it be larger risk for other EPC contracting we will have to wait and watch.

**Ranjit Singh** Adding to what Manish said, in past also PGCIL have been procuring aluminum conductors, etc., on their own. So it may not necessarily be a bad thing. It depends on the way you look at it. Certain amount of risk we have taken off because your steel price just gets passed on.

**Moderator** We have the next question from the line of Chinmay Gandre from KR Choksey. Please go ahead.

**Chinmay Gandre** Regarding your debt, it has gone up to Rs 833 crores, is it primarily because of debtors?

**Manish Mohnot** It's a combination of both debtors and working capital. Typically quarter 2, quarter 3 you will debt levels going up because of both the reasons and history of the transmission business by its nature and you will see it coming down by quarter 4. It is a combination of both.

**Chinmay Gandre** What will be the debtors as of Q3 in the standalone?

**Manish Mohnot** Q3 debtors' standalone is closer to Rs 1100 crores.

**Kamal Jain** **Rs** 1600 crores including the retention money of Rs 680 crores.

**Chinmay Gandre** And sir what would be the consolidated debt as on Q3?

**Kamal Jain** Consolidated debt will be around Rs 1900 crores

**Chinmay Gandre** And how do you see this going to the Q4, this would also come down by 250 – 300 crores?

**Kamal Jain** It should come down by 150 – 200 crores.

**Chinmay Gandre** And sir FOREX loss that you have mentioned was 4.4 crores, right and what would be the average cost of debt for you now?

**Kamal Jain** Average cost of debt for Kalpataru will be around 9.75%.

**Moderator** We have the next question from the line of Bharat Sheth from Quest Investments. Please go ahead.

**Bharat Sheth** Particularly on JMC side margins, you said that we will start improving, still earlier we were targeting between 5 – 6% kind of range. So for current year and next year what are the range that we are looking? So far 9 months we have achieved 4.72.

**Kamal Jain** Current year we are expecting around 5% only. And next year there will an improvement definitely over the 5%.

**Bharat Sheth** What range can you spill out sir?

**Kamal Jain** Range at this stage we will not be able to say what is going to be the range. But definitely it will be 5% plus.

**Bharat Sheth** Sir just checking, out of this Rs 5200 crores order book how much is the order book that we have which is a low margin or negative margin and when those are likely to get over?

**Kamal Jain** See the order book what we have is not that it is taken les than 6% EBITDA. It is more than 6% but in current situation where the various cost have gone up and in various projects we are not getting fully compensated on price escalation therefore there has been lower margin but I think the margin improvement definitely will happen from this quarter onwards.

**Manoj Tulsian** See what is happening is it's not a question of negative margin per se. The question is delays which is happening very regularly in execution on most of the projects, The delays today are anything between 5 – 7 months in may be 70 – 80% of the projects which is the burden of fixed cost on this escalation is hitting us. That is a challenge which we can control internally, as you understand this line of business. So it remains to be seen. In terms of margin improvement definitely as we have earlier also discussed that we are also looking at lot of cost control initiatives internally and there is some change in the management focus also and there is new team also which is working and driving it. So to put any number for the coming year, will be difficult but we will definitely try to work out quarter-to-quarter basis and see how we can improve the margins from here onwards. But yes to answer your question next 3 – 4 quarters definitely seems to be a challenge in terms of significantly improving the margins.

**Bharat Sheth** That's fair. And sir Manishji mentioned that in 2 – 3 projects we are L1 in JMC, so can you give what is the size of that project?

**Manish Mohnot** We normally do not declare our L1 positions. But at some point of time you will have a press release on that quickly, just as a matter of habit we have stopped declaring the L1 positions. But you will come to know during this quarter itself, during few weeks itself.

**Bharat Sheth** Can you throw some light on the things moving on road side order book, new NHAI, no new orders are coming. So how do you see there?

**Kamal Jain** From our perspective we have a very decent order on roads today in terms of deliverables for the next 18 – 24 months, with this 4 BOT out of which 2 of them should get over in the next 6 months and the balance 12 months after that. So today we believe our hands are full as far as EPC is concerned now given that there is no orders everyone is in a wait and watch situation. The only good part is that our order book besides deliverables is also very positive today. So growth of 20 – 25% for next 2 years on top-line should not be a problem irrespective of whether orders come from NHAI or not.

**Bharat Sheth** Now on this BOT side, we had to contribute around 400 crores equity from JMC, so can you elaborate how much we have so much contributed and how much is balance and when we likely to infuse?

**Manish Mohnot** We have till December infused around 210 crores and may be another 20 – 30 crores we might have to infuse before March. And then the balance of the capital will come in the next 2 years which will be like in the coming year will be another 100 crores or so and then around 60 – 70 crores in the next year.

**Bharat Sheth** And sir our Rohtak-Bawal, where we have 51% stake and which is likely to get a COD, so what is our view on this traffic and how much toll collection are we expecting from these 2 project which is likely to commission next year?

**Manish Mohnot** Rohtak-Bawal we are right now very much on our basic assumptions which we made, the annual toll collection would be close to around Rs 110 – 120 crores to start with and the second project which we are looking to start tolling would be Nagpur-Wainganga which will be around 55 – 60 odd crores but that revenue will only start in the next year. So this year primarily you will see revenues flowing from Rohtak-Bawal.

**Bharat Sheth** And Agra-Aligarh which is likely to commission next year?

**Kamal Jain** Agra-Aligarh also, right now we are targeting Q3 of this year but there were a few challenges on the ROW issues which is taking some time much more than what we have been anticipating in the last 6 months. If it goes well then Agra-Aligarh also will be able to finish by January or so.

**Moderator** We have the next follow up question from the line of Renu Baid of B&K securities. Please go ahead.

**Renu Baid** Just wanted one clarification if you look at the tax rate in the first 9 months of standalone business has been approximately 31%. Where do you think for the annual now from hereon do we see the tax provisioning or the effective tax rate increasing to almost 29 – 30% levels. Or should it revert back to 28 – 29% levels.

**Kamal Jain** It is expected to remain around 31%.

**Renu Baid** 31% overall?

**Kamal Jain** Yes.

**Renu Baid** So the proportion of sales coming in from the EOU will now start coming down?

**Kamal Jain** that is not available now.

**Moderator** We have the next question from the line of Shraddha Shah from Nirmal Bang Securities. Please go ahead.

**Shraddha Shah** Most of my questions have been answered, just one or 2 questions on JMC, I just wanted to understand what is the receivables position?

**Manish Mohnot** See on receivables we are at around 53 – 54 days now. There is some improvement on receivables because there has been a continuous improvement on the working capital cycle.

**Shraddha Shah** And how about the debt position in JMC?

**Manish Mohnot** Debt we are close to around Rs 400 plus odd crores to be very precise it's Rs 419 crores.

**Shraddha Shah** And sir how do we see this moving in the next 1 or 2 quarters?

**Kamal Jain** By March we will try to be within the range of maximum 450 and on a better side 400. So it will be somewhere between 400 to 450.

**Shraddha Shah** And sir can I get the break up of the order book just in terms of factories and building and infrastructure?

**Kamal Jain** Factories and buildings there can be 55% in the factories and buildings and 45% in infra and power project. It is there in the presentation also.

**Moderator** We have the next question from the line of Madan Gopal from Sundaram Mutual funds. Please go ahead.

**Madan Gopal** Just on the order flow front, you have got totally got something like Rs 2200 crores so far, right?

**Manish Mohnot** Yes.

**Madan Gopal** And last year you did Rs 3900, do you see possibility of showing growth on last year, or you will best be able to manage the order flow of last year?

**Manish Mohnot** We should be closer to the last year number, growth looks difficult.

**Madan Gopal** And then moving to next year when we talk to PGCIL they are talking about possibility of their expenditure being cut. So right now he is supporting close to 33% of your order book and current year you would have given more than that in terms of flow. In case this has to get cut by half or something, do we have enough plans to compensate it through international orders?

**Manish Mohnot** We have already started doing that and incase you look at the order book composition in the last one year or so, international from 30 – 35 has already reached 50 levels. And we expect that to grow further. So from a growth perspective we already have seen international doing a lot more traction than domestic on the order book side.

**Madan Gopal** Is it a new region you are taking it or is it the existing regions we are trying to get more orders by pricing it little lower?

**Manish Mohnot** It's a combination of both. There are 2 – 3 new countries which we have entered in the current year plus we have got orders from existing countries also. So it's a combination of both.

**Madan Gopal** When we say this happens, and shift more towards international order and new regions, you might face margin pressure because PGCIL probably because of slightly lower competition in the first half of this year you managed to get orders at better margins, I hope so. So there will be continuing pressure on margins going forward?

**Manish Mohnot** I think the margin is a direct linkage to 2 things. One is competitive intensity whether it is domestic or international and second is your advantage on a particular project. So if it is a country where there is only limited competition and limited players, obviously margins would not be under big stress. But if it any place in the world including India where there is lot of competition margins would always be under stress. So today on a current order book we believe that we should be able to easily achieve the 10% plus operating margins or whatever we have in hand today. Going forward as I said, it depends on what the market scenario is.

**Ranjit Singh** Another focus area we have identified is improving our competitive position. So we are focusing significantly on operational excellence. So that's going to be the theme for next 2 years in terms of cutting cost, improving our delivery, etc., so that's another initiative that we are launching for improving our margins.

**Madan Gopal** Can you give me numbers for Shubham Logistics, probably I would have missed it I joined later in the call. For the 9 months if possible.

**Manish Mohnot** See we have done total turnover of Rs 160 crores at the EBITDA of close to Rs 20 crores for the nine months' period. PAT is around Rs 4.5 crores.

**Moderator** We have the next question form the line of Ravichandran from Unify Capital. Please go ahead.

**Ravichandran M** I have only 1 question, can you just update on fund raising program by off loading our stake in Shubham or any of the BOT projects which you have in Kalpataru or JMC?

**Manish Mohnot** I don't think we have any off loading happening on any of our BOT projects. On Shubham there has been discussion with one of the large private equity guys for strategic sale. That process is in process and at appropriable time you will hear some declarations on that.

**Moderator** We have the next question form the line of Kishan Gupta from CD Equisearch. Please go ahead.

**Kishan Gupta** My question is why has both employee and other expenditure gone up sharply this quarter?

**Kamal Jain** Employee cost has gone up sharply mainly because in this quarter at various places the construction work has improved a lot. And secondly the increases in the salary has been given in this quarter.

**Kishan Gupta** But if I see in quarter-on-quarter comparison employee cost is over approximately 25% from the second quarter. So the hike is to the extent of 20 – 25% you are saying?

**Kamal Jain** No the hike is for the 2 quarters, 1st quarter and 2nd quarter.

**Manish Mohnot** Just to clarify, you will divide this into two. One is the increments which have come in the 3rd quarter for the entire year. The increment this time we declared slightly late as a process. Second lot of our projects in eastern part of the country which is north east part of it, we had deployed our own gang and own employees to finish the projects. So to that extent the cost have come into the salary cost and not gone into sub-contracting. This is just a one time kind of cost which has happened on a few projects. You will see that correcting again going forward.

**Kishan Gupta** As you said the company is handful as far as road projects are concerned but how do we plan to make up for any shortfall in road projects if at all in future. Have you done some contingency planning for that?

**Ranjit Singh** If you look at our order book growth in the last one year, at JMC without getting a single road project in the last 1 year on the EPC side we have still grown our order book by closer to 15 – 20%. So obviously there is a contingency which is visible in terms of getting into orders related to buildings and factories and industrial plants and education institutions and hospitals and so on. Can we have a 100% share contingency plan, obviously the answer is no but given the current order book I don't think we are worried about the next 2 years. Its something we are continuously monitoring.

**Manish Mohnot** In any case we are looking at international space also, on the road projects. If you would have heard the entire conversation we would be very shortly declaring L1 position in one of the international road projects and we are looking at few more projects going forward. So possibly that will come back part of worry which you have.

**Kishan Gupta** To put it differently is it a plan to scale down the dependence on the road project to put it differently?

**Ranjit Singh** I don't think that's the strategy or the plan. Why because the market conditions based on which we are arriving at our strategy.

**Moderator** As there are no further questions from the participants I would now like to hand the floor back to Ms. Bhoomika Nair for closing comments. Over to you ma'am.

**Bhoomika Nair** Thank you everyone for participating in the call and especially the management for taking time out. Thank you very much sir.

**Manish Mohnot** Thank you.

**Moderator** Ladies and gentleman, on behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.