Reliance Infrastructure Limited

Conference Call

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Moderators: **Mr. Rahul Arora - Nirmal Bang Equities**
Mr. Lalit Jalan - Reliance Infrastructure Limited

Moderator: Ladies and gentlemen good day and welcome to the Q4 FY'12 earnings conference call Reliance Infrastructure Limited hosted by Nirmal Bang Equities. As a remainder all participants' 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 the conference please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Rahul Arora of Nirmal Bang Equities. Thank you and over to you Sir.

Rahul Arora: Thank you. Good afternoon friends. On behalf of Reliance Infrastructure and Nirmal Bang Equities, I would like to welcome you to participate in this earnings conference call of Reliance Infrastructure attended by Mr. Lalit Jalan, and his senior colleague from the management. Mr. Jalan over to you.

Lalit Jalan: Thank you Rahul. Very good afternoon to all of you. What I would do is take 20 minutes to just read out the highlights to you, the way we see it at Reliance Infra and then open the floor to as many questions as you might have. We have had a very encouraging quarter Q4 FY'12 and a very encouraging year. If I look at the key financial parameters the total income is at Rs 7135 Crores which is an all-time high. That is a growth of 90% versus Q4 of last year. Our net profit is stable at Rs 411 Crores and there will be questions on it which I will take it up in the Q&A.

If I look at yearly numbers our operating income at Rs 24272 crores is again an all-time high, which is a growth of 59%. Our net profit is Rs 1587 crores, which is a growth of 2%, which is also an all-time high. EBITDA of the company is at Rs 3544 crores , which is a growth of 42%. If I look at the EBIT this is Rs 2552 crores versus Rs 1495 crores, which is a very encouraging growth of almost 60%. The EPC revenues at Rs 11000 Crores is an increase of 3.7 times, so that is a 270% growth over last year. This has been the star performer for the company during this year. The company continues to be with very sound financial footings, we have a very well funded balance sheet. Debt equity ratio is at 0.74 to 1, which I think, I can say without doubt would be the most conservatively financed company in the power/infra sector. Our networth at Rs 24135 Crores gives us a book value of Rs.918 a share and the board has recommended a dividend of Rs.7.3 per share.

Coming to the key highlights of the various businesses, the distribution business first, our detailed plan to recover the regulatory assets along with carrying cost and SBI PLR has been submitted to MERC and we are expecting approval shortly. The cross subsidy surcharge was levied last year. The concept was approved and we have earned Rs 50 Crores in FY'12. We feel that the cross subsidy surcharge for FY'11 was much lower than what we wanted and we are expecting that in the FY'12 order, we will make those amendments. He has given significantly higher cross subsidy surcharge to MSEB on similar numbers. So we have made representation to MERC. The matter is also at the appellate. We expect correction in the cross subsidy surcharge. Once the cross subsidy surcharge becomes correct, we will see a complete stop to migration and consumers who are dissatisfied with the service have only gone on account of lower prices, they would start migrating back to our supplies.

The tariff revision process for the current year is underway and we expect the approval for the current year in the next couple of months. Coming to Delhi, we had briefed you that after five to six years, there are going to be a change in regulator. The new regulator had given us a tariff increase of 22% September last year and which is fully implemented. The FPA process, which was introduced for the first time since privatization has been announced for Q4 last year, which is at 6% and 7% for the two discoms and those, will be collected over the next three months. The financial package of IDBI, the syndication process is on, the entire equity is in. The set of IDBI at 2000 Crores is in. The tariff revision process at DERC is fully complete. The DERC is going through all the responses that have come from the public hearing and we expect by the middle of June the new tariff for current year to be out. We expect there will be three elements to this tariff orders. There will be an element of tariff increase. There will be the power purchase cost adjustment and there will be recognition of regulatory assets and the recovery path defined for it including recovery for the current year.

Coming to our transmission business, Mumbai Transmission Project, the four-EHV stations got commissioned in the current year. These are the 220/33 kV stations and these were all built on the GIS technology which saved us 90% of land space compared to the traditional EHV station and with the stations running at 99.8% reliability. The availability of these additional EHV station in Mumbai, will be able to get an additional 300 MW of power from outside which would take care of growth in Mumbai for two years. The additional transmission likes which is the HVDC project has been cleared in principle by MRT and the detailed project plan is being prepared. The WRSS project there is no change. The five lines are operational. Revenue for the five lines is coming. The balance four lines, which got delayed, went to severe ROW problems around Pune, Sholapur and some forest in Gujarat. This lines would become operational in 2012. Our PKTCL line which is a JV with Power Grid is also under full construction and we expect one of the lines to be operational by the end of this year. The capital employed in this business at the end of the year was Rs 9,389 Crores and the consolidated EBIT for the energy business is at Rs 1651 Crores which is a growth of 34%.

Coming to the EPC business, which clearly is the star performer for the company for the year. The revenue is at Rs 11000 Crores, which is an increase of 270% for the year. The order book position is at Rs 17280 Crores. The EBIT at Rs 917 Crores which is again a growth of 270%, the EBIT margin at 8% it is being maintained over the years and the current EPC team is working on 13 project including six power projects, six road project and one transmission project.

Coming to our infrastructure projects, roads, we have still 11 road project, we have not got a single road project over the last two years and we will come to that later on during the Q&A. Five road projects are revenue operational. We expect another three will become revenue operation in the next one month and by the end of the year there will be 10 projects, which will be revenue operational. So there will be only one project by the end of FY'13 which will not be giving revenues from the projects that we have.

Coming to the metro business, our Delhi Metro has completed one full year of very safe and efficient operation. It has become an iconic structure in Delhi and the reviews we have got from consumers through e-mails, being fans on Facebook are very, very encouraging. This is the first PPP project in the rail passenger business and we are very proud that we have done our myth in building this very critical infrastructure for Delhi and for India. The commuters are around 20000 per day. The retails at our two stations are now catching momentum and we have been able to close deals for 60000 square feet at these two stations.

Coming to the Mumbai Metro 92% of the civil work is completed for those who stay in Mumbai you can see the Western Express Highway Bridge almost complete. The work on the Andheri Bridge is also progressing rapidly and we expect that the project will be operational by the end of this financial year.

Coming to our new business, which is cement, for which we have not spoken too much in the past, our first 5 million tonne plant in Madhya Pradesh at Maihar, all the tools, land, mining, everything is in place. All the major orders have been placed and construction is in full swing. We expect the project to become operational by the third quarter of next financial year so about a year and a half from today. Our grinding and blending unit at Butibori will be soon integrate with our thermal plant at Butibori is nearing completion and we expect it to be commissioned over the next two months.

The buybacks, which we had announced is being closed. We ended up buying 44.3 lakh shares totaling to Rs 234 Crores. The total revenue from the infrastructure projects is at Rs 366 Crores, which is a growth of 215% but clearly that is on a very low base and going forward over the next two years we would be seeing the infrastructure projects coming and contributing meaningfully to the company. The capital employed in the infra business by the end of the year is Rs 4363 Crores.

If I sum up the distribution business which is our stable cash cow business we run the best distribution companies in the country. Half of the private sector distribution is being done by Reliance Infra and they are running the two marquee cities of Mumbai and Delhi. We fell that all the big regulatory/licensing challenges are behind us and we can expect that these businesses will give us regular growth and very stable cash flows which could be used for our high growth businesses.

EPC reached a level of Rs 11000 Crores. We have current year order book of Rs 17300 Crores. We are looking at big projects, which will increase the order book. We expect we should be able to do the current year with similar revenues.

On the Infra side, if I look at we have 11 road projects, we have three metro projects, we have five transmission projects and we have the sealink project. However, out of these projects there are four projects, which are still not started construction owing to various approvals not in place and these are two ultra mega transmission projects, which are at CERC to provide clearance on extension of time and cost. The sealink project, which is under discussion with MSRDC to find a solution and the metro II project where we still, have not got the critical depot land at the two ends without which construction cannot start. So no expertise is being spent of these projects. However, if I look at the balance businesses there are two metros, three transmission lines and 11 road projects all but one project will be revenue operational by the end of this year and our equity needs for the balance of these projects are now in the range of another Rs 1700 Crores which will be spent over the next two years.

As a developer of key infra projects we are very mindful that these are long concession projects 20 to 30 year concession and there would be challenges in terms of bottomline in the first couple of years, now that the revenues have picked up, but the entire impact of interest and depreciation project will be taken care off.

The competitive intensity, which we thought would reduce over time, it still is not showing signs of reducing and although we have been actively taking part in all the opportunities, which are coming up whether these are metro projects or road projects or transmission projects or distribution projects we have not been able to win a single project in the last two years and we would rather be safe than sorry, we are okay, we have enough projects to work on and we will not bid and win projects which does not meet our stringent financial criterion. So with these I will hand over back to open the floor for questioning.

Moderator: Thank you. We have the first question from the line of Mr. Prakash Goel from ICICI Securities. Please go ahead.

Prakash Goel: Good afternoon Sir. Congratulations on a very good set of number. I have four questions. I will begin with the Mumbai Regulatory Business. How much is the regulated assets today and how would you going forward to account for the interest income on the regulatory assets?

Lalit Jalan: The regulatory assets up to FY'11 approved by the Regulator is Rs 2316 Crores and this is without interest. We have given a recovery plan over six years of Rs 4800 Crores so the rs 2316 crores is what we have accrued in our books as regulatory assets so the difference between Rs 2300 crores and Rs 4800 crores will accrue as income in our books as and when they come.

Prakash Goel: That accounting will be on a cash basis or on accrual basis?

Lalit Jalan: On the cash basis.

Prakash Goel: What about the regulatory assets created in FY'12?

Lalit Jalan: That we will get for approval. I mean that process is on. We have claimed I think for Rs 400 Crores for FY'12 and the matter is with regulator.

Prakash Goel: Any estimate of that number?

Lalit Jalan: We have claimed Rs 400 Crores so it depends on the honorable regulator who has to approve.

Prakash Goel: Second question is around the EPC breakup of the outstanding order book and how much of this Rs 17000 Crores is Krishnapatnam?

Lalit Jalan: We do not have Krishnapatnam in this.

Prakash Goel: Okay, the 9600 MW which is the projects involved in that?

Lalit Jalan: These will be Sasan, Samalkot, Butibori, Paricha, Ragunathur and Hisar

Prakash Goel: Sir, third question is around QOQ improvement in the infrastructure segment. There is a marginal improvement of revenue of about Rs 8-9 Crores is it on an inclusion of new project or any particular project has ramped up in terms of traffic number?

Lalit Jalan: This is increasing revenues from existing projects Q4 has been better than Q3 because revenue and everything is growing on a sequential basis.

Prakash Goel: The reason I am asking is like QOQ losses has also gone up along with the revenue, so I wondering is that an inclusion of a new project or what is happening exactly?

Lalit Jalan: The loss could be predominantly going to our metro business, which is showing the EBIT loss during the quarter

Prakash Goel: Last question is around the ICD and present share what is the outstanding ICD in the present share at the balance sheet level on a consolidated basis?

Lalit Jalan: Just wait a few weeks; you will have the annual report with you.

Prakash Goel: That is all from my side. All the best. Thanks a lot.

Moderator: Thank you. The next question is from the line of Mr. Shashikiran Rao from Standard Chartered. Please go ahead.

Shashikiran Rao: Thanks for taking my question. I have a couple of questions; one is on the metro project, you mentioned that you are making a loss. Can you just breakup the revenue of Rs 363 Crores between metro and roads?

Lalit Jalan: It is predominantly roads. Metro was the first year of operations. So metro has been a very marginal part of these Rs 363 Crores for year one but we expect metro revenues to cross Rs 100 Crores in this year and Rs 200 Crores in the year after so you will start finding metro to add some value from FY'15.

Shashikiran Rao: Sir, in this year, if I just broach on the subject, your metro was operational for about nine months?

Lalit Jalan: Whole year.

Shashikiran Rao: Whole year, I mean full financial year.

Lalit Jalan: That is right. We had couple of stations, which started during the middle of the year, so the train started COD, was in February last year, and four stations were on that time and two additional stations I think in July or August.

Shashikiran Rao: Rough calculation, I mean just if you say 20000 passengers per day is what you have achieved now you would be on a runrate of daily runrate of revenues of roughly around 1.6 million or 16 lakhs?

Lalit Jalan: Broadly and there is advertising revenue and telecom revenue, retail revenues, those things get added up.

Shashikiran Rao: Very crudely if I may put it what would be your passengers per day that you would need to ramp up where you would be doing the breakeven at the EBIT level?

Lalit Jalan: As I told you there are essentially three sources of revenues, the fair box, the advertising and the retail. The retail part of it is fairly big part, and we have 120,000 sqft prime retail spaces at the two stations. We have additional 300000 square feet ready at our Dwarka Depot and we have the potential to build another 750000 square feet of retail and commercial at our Dwarka Depot, which we are in the process of finalizing the plants, so this you can call it give or take 1.2 million square feet out of which 410,000 is available and 750,000 sqft in next two years we will also contribute a very, very substantial part of the Delhi Metro.

Shashikiran Rao: Just one more question on this. What is your total debt outstanding on this Metro projects?

Lalit Jalan: It is above Rs 2000 Crores.

Shashikiran Rao: What would be the cost of debt here?

Lalit Jalan: About 8.5.

Shashikiran Rao: Another question on your short-term loan and advances these are basically allowances that you maintain in your subsidiary, which is around Rs 10000 Crores.

Lalit Jalan: No.

Shashikiran Rao: What would they be?

Lalit Jalan: These are advances to vendors for our construction and energy.

Shashikiran Rao: Basically on the EPC business.

Lalit Jalan: Yes.

Shashikiran Rao: Fair enough. Currently from your EPC business the bulk of the revenues are from which project?

Lalit Jalan: We do not give a breakup. Out of 13 projects clearly the power projects will be much bigger than the other projects, but we do not give project-by-project order backlog and project-by-project profitability and project-by-project turnover.

Shashikiran Rao: But among the power project it should be 12%?

Lalit Jalan: I think well if you ask another five to seven questions we will be able to know the exact number.

Shashikiran Rao: Fair enough. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Mr. Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good afternoon Mr. Jalan. I have a couple of questions. The first question is on the consolidated balance sheet. There appears to be a steep escalation in the short-term borrowings and interest payable on the current liability side, assuming most of the borrowing cost for the project SPVs is long-term in nature. You said it will be short-term borrowings mainly for the distribution and on the current asset side the short-term loans and advances also have spiked up against so if you could qualitatively comment on the current assets and current liability components?

Lalit Jalan: It is essentially for our EPC businesses and that would be a big part of it.

Sumit Kishore: What about the distribution?

Lalit Jalan: Distribution is part of it is in the short-term borrowing because the IDBI debt that we have got part of it is to be converted to long-term debt over the next six to eight months so they will also be reflecting in the short-term borrowings.

Sumit Kishore: That is around Rs 20 billion.

Lalit Jalan: That is right.

Sumit Kishore: Sir, the second question is essentially on your transmission business. I wanted to understand what is the basis of bidding for the new UMTP you had won subsequently a few have been won by Sterlite and then Power Grid, so basically what is the progress so far on North Karanpura and Talcher what is the expected equity IRR around these projects. What are the big parameters, if you could briefly touch upon that and lately we are seeing the Power Grid has won a couple of projects, so are they being aggressive or is the private sector or is the private sector interest low in UMTPs now.

Lalit Jalan: That is a good question. We won these projects quite some time back. These were lot of the first UMTP's projects. At that time there were three which were bid out, one was won by Sterlite and two are won by us; however, there is a fiscal approval which we require from Government of India that is on Section 164 clearance without which we cannot start construction, so while we had completed the financial closure and everything and the detailed designing and everything is already in place owing to non-availability of section 164 which we got very, very late. There was no way we could have completed the project on time, so we have gone to CERC with two prayers; prayer number one is to give us extension of COD because of the delay of more than two years in getting section 164 clearance, which is a routine thing and which we are expected to get almost very quickly after you get the license and the second is owing to the delay of two to three years our costs go up dramatically and the tariff that we have bid here is flat. That does not have any upside with respect to inflation or anything. So we have asked for that correction of the cost, which is completely outside the control, so it is the first measure as far we see it.

Sumit Kishore: What does Section 164 clearance in corporates?

Lalit Jalan: It allows us to construct a transmission line. It is a statutory clearance required before you proceed with the transmission lines built out.

Sumit Kishore: So now the project cost, etc., would also be a same number and I am sure in the contractual agreements that you would have signed there would be some LDs for delay etc., so are you even expecting to you know to get out of these projects given that the parameters would have changed now?

Lalit Jalan: See what will happen is we will definitely, I mean, CERC understands that you cannot not give me section 164 and expect the project to be completed within a month of getting section 164, those are projects which had been bid out keeping 30-36 months in mind post section 164, so once you get the time extension automatically the LDs and all that go away with it. The second part is the cost and we have asked that owing to the post measure there is no way that we can complete the project in the tariffs that we had bid. So we are evident of CERC and we have seen that.

Sumit Kishore: Other observation is Power Grid has won a couple of these UMTP, is the private sector interest waning?

Lalit Jalan: No, it is not that private sector interest is waning. I mean there were many people who had bid in that project as you would see the Power Grid was more competitive or more aggressive or whatever you might say it so they won the project.

Sumit Kishore: So IRR would they be lower than the regulatory returns that Power Grid actually makes on their own projects?

Lalit Jalan: It is difficult for me to comment. I think you should ask this question to Power Grid when their concall comes because they know the costs. It is inappropriate for me to say whether Power Grid will make less when the regulation returns.

Sumit Kishore: Thank you for answering my question.

Moderator: Thank you. The next question is from the line of Ankush Mahajan from KR Choksey. Please go ahead.

Ankur Mahajan: Sir, my question is regarding tax rate that in FY'12 in consolidated financial the tax rate is 30.2%, so what would be the tax rates in the next financial year. Can you throw some light on it and what would be your debt equity that we are seeking in the next year for the consolidated financials?

Lalit Jalan: I think we should be next year at around the MAT rate.

Ankur Mahajan: MAT rate, so what was the reason for this year the tax rate is 30.2%?

Lalit Jalan: This is owing to the merger, the High Court approved merger which is there as a deferred tax liability, so if you could see notes 6 and 7 it covers it there.

Ankur Mahajan: Regarding debt equity Sir?

Lalit Jalan: Debt equity at 0.74 to 1, which we feel the lowest in the industry but we are very, very conservatively financed and out of this debt also almost about Rs 6000 Crores of debt would be for a regulated businesses, which are all cost plus, so the actual debt available for our Infra and EPC businesses are even lower.

Ankur Mahajan: So would you throw some light on the order inflow in this year? What are the different areas where we will get the order inflow?

Lalit Jalan: For FY'13?

Ankur Mahajan: Yes Sir.

Lalit Jalan: Ankur it is difficult to predict. On the road side also we are planning to bid out 8500 km of roads but as I said in my earlier part of my conversation that it totally depends on the bidding how sensible is the bidding as we see it, I cannot say that the bidding is not sensible because somebody is winning and they are very happy so as long as we meet our financial objectives of 20% return on equity, equity IRR we will participate in these projects, so road side clearly there will be opportunities, there will be opportunities in distribution and transmission sectors and there will be some opportunities even in the metro sector.

Ankur Mahajan: We are seeking revenue execution of same level as compared to last year in FY'13 also?

Lalit Jalan: On the EPC side?

Ankur Mahajan: Yes Sir. Thank you Sir. That is from my side.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Good afternoon Sir. Sir, two questions, one could you explain the reason for an auditor reference with respect to point number 6 & 7 so if you could throw some light what exactly it is referring to and secondly, could you also give me the number of cash and cash equivalent which is including liquid investments or current investments? So if you can give a comparison with previous year numbers?

Lalit Jalan: On your first question, the auditor has not qualified anything. It is because it is High Court approved merger it is to be mentioned and so it is we have mentioned in our notes and no qualification whatsoever.

Ashish Shah: Sir, the second number in cash and cash equivalent?

Lalit Jalan: We will just wait for the annual report. It should be out very shortly.

Ashish Shah: Sure. Thank you Sir.

Moderator: Thank you. The next question is a followup from the line of Shashikiran Rao from Standard Chartered. Please go ahead.

Shashikiran Rao: Thanks for taking my question. You mentioned that you have five lines in WRSS that is operational. Where have you classified the revenue in your numbers and how much is it?

Lalit Jalan: In the electricity segment.

Shashikiran Rao: So it is in sales?

Lalit Jalan: In the first line, which is the electricity business it will be part of that Rs 12858 crores

Shashikiran Rao: Sir, could you just break it out into how much that revenue is actually is?

Lalit Jalan: We do not give that kind of details because each line they will have revenue and since you have asked and since you have a query all nine lines will give us a topline of Rs 240 Crores a year.

Shashikiran Rao: That was helpful. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Shankar K from Edelweiss. Please go ahead.

Shankar K: Good afternoon Sir. Thank you for taking my question. Congratulations for a good set of numbers. Two things; one is you briefly touched upon in your initial remarks about EPC, now looking at that the order book is close to 1.7 times our trailing revenue can you briefly give some kind of a guidance how do you expect the growth to happen because we notice that and you also rightly commented the clearances are pretty difficult to come by especially in the power space and the road continuous to be a drag where despite promises things should be coming with a lag, so which are these areas that we are looking at considering that some of the clearance for our sister concern is also not adequately in time, so that both from our modeling perspective as well as to get an outlook that where all we are looking at and how the ramp up could happen. That would be one. Should I call out the second question also upfront? The second is we have been reading in today's newspaper that we are looking out to buy out some different assets especially on the road space, so wanted to know are there any earmarked contents that you are looking at or fully it will be as many projects as we can so long as you get your IRR 20% and obviously how are you going to fund those things? These are two?

Lalit Jalan: Let me start with the second one first, we have been approached by several bankers for distressed road assets and these road assets are across India and across various promoters and they are in various stages so it is also where promoters have also got stuck where they have completed two side of the road and has no money to build the balance to road which they have built, but they now want to get out and they want to get out of the business, because you would see that this is a highly fragmented business, but I would think may be and Sudhir maybe right how many promoters would be there total 40? So there are 80 participants in this game, which you know in any industry for 80 people to survive is not easy so many people have realized that this is not their cup of tea, so they have got two projects and they want to get out and then focus on some of their business so that level of consolidation has started. I saw one of the companies has bought out one asset and another company had bought another asset early last year, going forward you will see this consolidation happening. In terms of quantum we do not have any number which is there in our mind. The earlier projects were not the very, very large projects, so we are looking at them and if they meet our financial objectives then we will definitely want to add to our portfolio because it is much safer than going and bidding for a primary asset.

Shankar K: So basically you will be buying out that share included at a lower cost than what they have bidded for and directly from our existing cash and cash equivalent kind of a balance or you are not going to do a further leverage on that. That is it.

Lalit Jalan: That is the idea and then we can restructure the debt to reduce the debt or whatever.

Shankar K: So basically the objective will continue to be buying as many assets as possible so long as 20% IRR, not necessarily your quantum perspective? Or to put it the other way are you looking at some 100 km or your 100 km also?

Lalit Jalan: There is nothing like that. We are looking and once we are successful with banks and we have brought few and then we can look at what are the competing means of capital in the company because end of the day we are in multiple businesses and businesses compete for equity, so whichever vertical of ours will give us higher returns and more strategic returns is that the capital will flow.

Shankar K: The first question Sir?

Lalit Jalan: First question, we are looking mostly at internal projects, we are not focusing so much on external projects. So there are internal projects. I mean you are aware that Reliance Power has got Krishnapatnam is under discussion, there is Chitrangi, there are the hydro projects, so there are renewable projects so we are looking at them as they get ready for build out.

Shankar K: Thanks a lot Sir.

Moderator: The next question is from the line of Satyam Thakur from Morgan Stanley. Please go ahead.

Satyam Thakur: Good afternoon Sir. I have two questions. The first one is that if you look at the standalone fourth quarter results there is a negative tax. So has there been a tax reversal in the quarter and could you give us a breakup of the tax numbers in the quarter to understand this better?

Lalit Jalan: These are essentially due to the merger. We have got tax credit and that is reflected in note number 6 & 7.

Satyam Thakur: Second question on the EPC, the EPC segment EBIT margins have been falling from the levels of 17% in 2Q to 12% in 3Q and around 10.4% now, so what is the dynamics behind this and what can we expect in fiscal 13 as the EBIT margins?

Lalit Jalan: We have always guided around 8% kind of a mean margin and if you see for the year, if it is quarter-to-quarter depending on there are certain projects which are more profitable and some projects are not depending on the percentage of revenue that we are able to bill for those projects, so these margins quarter-to-quarter might change, but I think on an overall long-term basis we should be able to deliver around 7% to 9% EBIT margins.

Satyam Thakur: Thank you.

Moderator: Thank you. We will take the last question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Thanks for taking my question again. Sir my question is on the elimination of profit zone in the EPC side of the business. Now the elimination this quarter appears to be a little higher than or I should say much higher than the previous few quarters at least, so could you attribute that to any particular project and how should one look at it in future?

Lalit Jalan: It is a question of as I said percentage of revenue billed, the elimination happens permanently out of internal projects so it is a little and I do not think there is much to be read into that.

Ashish Shah: Okay that could not be very fixed kind of a number. I mean that could really vary from a quarter-to-quarter. There is no way to figure out on a particular number.

Lalit Jalan: That is right.

Ashish Shah: Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference back to Mr. Rahul Arora for closing comments. Please go ahead Sir.

Rahul Arora: Thanks for that. I would like to just thank Mr. Jalan and his team for taking time out for doing this call and for all people that participated on it. Thank you so much and have a good weekend.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen on behalf of Nirmal Bang Equities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.