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"Engineers India Limited Q3 FY20 Earnings Conference Call"

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A Navratna Company

IDFC LIMITED

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MANAGEMENT:	**MR. SUNIL BHATIA – DIRECTOR, FINANCE** **MR. SUVENDU PADI – COMPANY SECRETARY** **MR. R P BATRA – CHIEF GENERAL MANAGER, FINANCE & INVESTOR RELATIONS** **MR. VINAY KALIA – CHIEF GENERAL MANAGER, BUSINESS DEVELOPMENT & INVESTOR RELATIONS**
MODERATOR:	**MS. BHOOMIKA NAIR -- IDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Engineers India Limited Q3 FY20 earnings conference call hosted by IDFC Securities Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities Limited. Thank you, and over to you, Ms. Nair.

Bhoomika Nair: Good evening everyone. On behalf of IDFC Securities, I would like to welcome you to the Q3 FY20 earnings call of Engineers India. The management today is being represented by Mr. Sunil Bhatia – Director, Finance; Mr. Suvendu Padi – Company Secretary; Mr. R. P. Batra – Chief General Manager, Finance & Investor Relations; and Mr. Vinay Kalia – Chief General Manager, Business Development & Investor Relations. I will now hand over the call to Mr. Sunil Bhatia for his initial remarks post which we will open up the floor for Q&A. Over to you, sir.

Sunil Bhatia: Good evening to all. The company was able to sustain its operation in the 3rd quarter also with improvements to the extent possible. With respect to turnover, the turnover on consolidated basis has increased by 54% on year-to-year basis. In case of consultancy, the turnover has increased by 7%. In case we bifurcate the consultancy turnover into domestic and foreign, there is a slight marginal reduction with respect to consultancy domestic. It has come down to 278 crores from 295 crores marginal reduction of 6% but in case of foreign consultancy, it has increased by 82% from 48 crores to 87 crores mainly coming from Dangote Refinery which we are executing as well as from Mangolian Refinery. The business mix has just reversed with respect to December '18 quarter. In December '18 quarter, consultancy was 59% and turnkey was 41%. It has just reversed. Consultancy now is 41% and turnkey is 59%.

For the 9 months period, total turnover has increased by 28% as compared to December '18 quarter. It has increased to 2349 crores from 1831 crores. And the business mix is 50:50 up to 9 months December '19.

With respect to financial performance, the operating profit has decreased by 11% as compared to December '18 quarter. So, the operating margin has also decreased from 15% to 9% mainly on account of higher provisions which we have carried out in this quarter plus there were certain write backs which we had done in December '18 quarter and above all, change in business mix has also related in reduction in the operating margin. There is an increase in other income. It has increased by 27% from 52 crores to 66 crores. And profit before tax has increased by 3% from 142 crores to 145 crores. Profit after tax has increased by 20% from 91 to 109 crores. And earning per share is 1.72 per share as compared to 1.43 during December '18.

Performance for the 9 months period: Operating profit has improved by 23%. It has increased from 255 crores to 314 crores. Operating margin is slightly lower. As compared to 14%, it is 13%. Other income has increased by 15% from 165 crores to 190 crores. Profit before tax increased by 20% from 421 crores to 503 crores, and profit after tax increased by 9% from 275 crores to 301 crores. EPS improved from 4.35 per share to 4.76 per share. The notes which we have given, I think those notes are the same notes which we had disclosed in the previous quarter. On consolidated basis, not much change as compared to standalone because we are consolidating with respect to our 100% subsidiary CEIL as well as our JV company Ramagundam Fertilizers which is yet to commence operation. Maintaining our practice, we have declared an interim dividend and you can see that the interim dividend has improved as compared to last year. Last year, we had declared interim dividend of Rs. 3.25 per share and this year, our board has recommended interim dividend of Rs. 3.60 per share.

With this, I hand over to you for any queries.

Moderator: We will now begin the question & answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir, just wanted to understand how much were the provisions we did? Because when I look at your EBIT margins in both consultancy and in LSTK, both are below your normalized margins. If you can give some clarity on what were the provisions that we did in consultancy and LSTK.

R P Batra: Basically, we are creating the provision for the contractual obligation as well as the provision for the doubtful debts. There is some increase in provision on these accounts. As such, there is basically a reduction in the margin in comparison to the last quarter. However, margin reduction has been on account of the change in mix also.

Renjith Sivaram: Sir, I am referring to the consultancy margin of 24% and LSTK margins of 3%. How much was the contractual obligation provision we had provided this quarter?

R P Batra: Right now, I don't have the exact figures, but the primary reason for the decrease in the margin is on account of this provisioning. That we have to do as per the accounting principles.

R P Batra: Certain provisions are required to be made on the reporting date on your contractual provisions based on your outstandings. So, certain corrections will take place in the current quarter. It is basically on quarter-to-quarter basis, certain changes are carried out. The provisions which we had made in 3rd quarter, we are hopeful that certain corrections will be there in the 4th quarter.

Renjith Sivaram: For the full year, can we assume our normalized margins of 35% for consultancy and 5% to 6% for LSTK to continue?

R P Batra: No, 35% we have never projected. Our range is 25% to 30%. We will try to be in that range basically. And for the turnkey segment, we are expecting around 4% margins.

Renjith Sivaram: And in terms of execution?

R P Batra: Execution is going smoothly. You just see that there is an increase in the turnover over the corresponding period previous year. There is substantial increase in the turnkey turnover. In the next quarter also, we are trying to maintain this.

Renjith Sivaram: Is that HPCL Barmer started to show in the revenues?

R P Batra: Yes, that has started showing in the revenue. Some of the projects are completing like BS-VI projects are in the advanced stage of execution. So, their revenue will decline over a period of time, and the extra revenue will be coming from the Rajasthan Refinery and HPCL Vizag.

Renjith Sivaram: Lastly, on the order intake scenario. Is Numaligarh getting postponed to next year, and in that case, what will be our order intake for this year and next year?

Vinay Kalia: Regarding order intake, we had shared some prospective projects for the end of this year and next year, primarily NRL's Numaligarh Refinery and Indian Oil's Cauvery Basin as well as the expansion of Panipat Refinery and BPCL's Mumbai project. Two of these projects are already committed to EIL; , one is the Panipat Refinery and second one is for BPCL Rasayani Mumbai. Their current phase is going on smoothly. For the expected projects in the coming year and end of this year, as you know, there has been organizational changes at BPCL level because of which there is a possibility that NRL will be taken out of BPCL group and it will probably end up with some other PSU within India. Because of these organizational changes, there are certain optimization of asset allocations, costs, and projects that are being looked at by NRL, since other PSUs are also having assets in the eastern and northeastern regions. There are going to be rationalizing those assets. So, there could be some changes in the expected timelines and execution of some of these projects. Besides, Indian Oil is looking at refinery expansion at Barauni, Gujarat, Panipat as well as in the Paradip along with CPCL Cauvery Basin. Since there are 5-6 projects in the anvil, they will be phasing out all these projects in a sequential way as they need plan out their capex. So, based on how the phasing of these projects is being done by Indian Oil, we will be able to give you a better picture on the expected projects when they shape up. All the projects will not be taken up by Indian Oil at the same time. We will have to see when one by one these projects are being taken up. There could be a possibility that the timeline for these projects will change in the near future because of these changes in the business prospects available with these clients. Indian Oil would not take all the projects at the same time while NRL would have to relook at their assets considering that they might have to join some other PSU, which is also having similar assets in that region.

Renjith Sivaram: So, sir, this year, we are expecting order intake despite Numaligarh slipping around 1600 to 1800 crores. Is that target because we were expecting one pet chem project of 300 crores in between?

Vinay Kalia: There are 2-3 projects which are nearing conclusion. We are not able to give exact timelines because they are still under discussion stage and there is a petrochemical project we are discussing, a fertilizer project and NRL expansion. We are hopeful that even if we are successful in one of these three in this year, we should be able to touch 1800 crores.

Renjith Sivaram: This fertilizer is from which client, sir?

Vinay Kalia: We are looking at projects from HMEL, GAIL, NRL, and Indian Oil.

Renjith Sivaram: No, I am talking about the fertilizer.

Vinay Kalia: We are looking at a fertilizer project with GAIL.

Renjith Sivaram: So, you are confident that one of these can come through and still you can achieve around 1800 crores of order intake this year?

Vinay Kalia: Yes, because we have already touched 1400 crores.

Renjith Sivaram: And for next year, what should be the number which we should be looking at for order intake?

Vinay Kalia: In the last 10-15 days, there have been these changes which I have shared with you. Since NRL is being moved out of BPCL, they are relooking at their project expansions. Indian Oil is also relooking at the projects which they have to take up next year and the projects which they should take up in subsequent years. This clarity has still not come from our clients. So, we are still awaiting some more clarity from our clients on the timelines for these upcoming projects. But yes, these projects are there, which we have shared with you.

Renjith Sivaram: I think around 2000 plus crores is still a probability next year?

Vinay Kalia: It would depend upon the large-scale expansion projects. We are looking at project like HMEL expansion, Cauvery Basin, Numaligarh, Panipat Refinery expansion – majorly these 4 projects in next year.

Moderator: The next question from the line of Ajay Bodke from Prabhudas Lilladher Private Limited. Please go ahead.

Ajay Bodke: Sir, this is Ajay Bodke from Prabhudas Lilladher PMS. Sir, in reply to the previous question about margins, you mentioned that you are expecting margins of around 4% per turnkey and for consultancy between 25% and 30%. Was this estimate for the 4th quarter or was it for the full year FY 2019-20?

R P Batra: These are long-term margins basically. Quarter to quarter, there may be a variation, but on overall period, this will be the margin.

Ajay Bodke: Are you seeing any improvement in the 4th quarter in the margins vis-a-vis the 3rd quarter which has seen significant drop in margins?

Sunil Bhatia: Absolutely. That's why we are seeing that on an annual basis, the consolidated margins will be an improved one as compared to 3rd quarter. So, unless and until the margins in 4th quarter improve, on annual basis, the improvement will not take place.

Moderator: The next question from the line of Siddharth Purohit from SMC Global. Please go ahead.

Siddharth Purohit: Just one clarification. The revenue contribution when I look at quarter on quarter, I agree it will vary depending upon the project execution but any sort of guidance you can give what will be the revenue contribution form turnkey and consulting for FY21 basically? Because certainly it will depend on the execution and milestone that you achieve but any revenue mix that one should look at? Because it is changing quite substantially on a quarter-on-quarter basis.

R P Batra: On overall basis, basically we are expecting the revenue growth between 5% to 7%. You are talking about business mix?

Siddharth Purohit: Revenue mix basically. I mean, let's say if I look at this quarter, as you said, like….

R P Batra: In the current year basically, there is a change order of Dangote. If you exclude that revenue, then the growth will be around 5% in the consultancy.

Siddharth Purohit: That the consolidated growth for the company but….

R P Batra: No, for the consultancy basically. In this 9-month period, there is a change order of around 96 crores. Excluding that, there will be growth of around 5% in the revenue in the consultancy segment.

Siddharth Purohit: On the turnkey basically, this volatility in terms of revenue, the lumpiness will continue for FY21 also you are saying?

R P Batra: Yes.

Siddharth Purohit: Will it be possible to kind of…. based on the milestone that you have set for yourself, what will be the revenue mix by FY21 end? Any indication that you can give on that? That's what I was trying to understand.

R P Batra: Basically, there will be an overall growth of around 7% in the revenue in comparison to the 2019-20.

Siddharth Purohit: One more clarification. In earlier quarters, if I remember, we had talked about 5% to 6% EBIT margin on the consulting side and now we are saying 4%. That 4% would be normalized, if I missed it out? That's the normalized margin that will….

R P Batra: Yes, right. You are talking about the turnkey segment. Right now, we are executing the job on cost plus basis. Basically, our margin is dependent on the plant and machinery course. Basically, margins are fixed sort of a thing. So, overall basis, we are expecting the margins will be in the range of around 4%.

Moderator: The next question from the line of Arafat Saiyed from Reliance Securities. Please go ahead.

Arafat Saiyed: Sir, my question is on Barmer Refinery. I just wanted to know how much the project has been completed and can we assume the peak revenue is coming to be in FY22?

Sunil Bhatia: Barmer Refinery, the procurement is almost over, the major contracts are in the process of being awarded and some have been awarded. The construction activity is picking up at site and the project will improve the execution in 2020-21 and I think in 2021-22, the next financial year, the progress will reach at the peak level.

Arafat Saiyed: And maybe can we assume that by FY23, this project will complete?

Sunil Bhatia: Yes, it has been targeted to be completed by 2022-23.

Moderator: The next question from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir, just a small clarification. This LSTK margins, we have always spoken between 5% to 6%. Now, I don't know why it is currently moved down to 4%? Just a clarification. Is that only for this year, this 4%?

Sunil Bhatia: No, the margins are on the basis of the current project being executed by the company. The previous projects are basically on the verge of completion. In those projects, margins were more in comparison to whatever jobs we are executing. As such, there is a certain correction regarding the margin.

Renjith Sivaram: Because bulk of the LSTK order book is pertaining to HPCL Barmer, right?

Sunil Bhatia: Yes.

Renjith Sivaram: So, in that job, you are expecting only 4% margins, close to?

Sunil Bhatia: Yeah, on overall basis, we are expecting 4% margin, but quarter to quarter, it may vary.

Renjith Sivaram: Again, this quarter, we have got a consultancy order intake of 327 crores. Is there any large job in that?

Vinay Kalia: No, there is not a very large order as such. They all are mid-size orders that we have secured. There is one pipeline order also of 185 crores for NRL. There is LPG cavern for Mangaluru which is about 88 crores. All others are mid-size orders and small-size orders.

Renjith Sivaram: This NRL pipeline will be subject to that refinery expansion, right?

Vinay Kalia: Yeah, now there are certain concerns linked to that because NRL is being hived off. They will be joining the other PSUs probably and they also have assets in that region. So, they will be also trying to rationalize their assets and the expansion plans and discussions with the new PSU. We are not very clear on what all projects are coming up now in NRL but currently they are going ahead with their expansion plans. But we are looking at the pipeline, and the refinery expansion that they are planning.

Renjith Sivaram: And sir, if I want to dwell a bit deep into this HPCL Barmer, of the total project size of close to 50,000 crore plus, how much is currently tendered and how much is pending to be tendered?

Vinay Kalia: That data currently I would not have at this moment. The current progress is close to 15% to 18%. So, major EPC packages are under tendering stage based on the current progress. About 5-6 packages are already through and other packages are being awarded gradually. The moment these packages are awarded, you can see a major fillip in manufacturing activity somewhere about 6 months after the award of EPC packages. That is the broad trend, and construction activities will typically peak about at least 1-1/2 years after the award of EPC packages.

Renjith Sivaram: Any timeline by which we are targeting to complete this tendering process of Barmer?

Vinay Kalia: I do not have the data as of now but I think another 6 months most of the packages should be through other than some small utility packages.

Renjith Sivaram: Mongolia, what is the status?

Vinay Kalia: Mongolia, currently we are doing pre-project activities. Tender for pre-project activities is already out. We are the PMC for that refinery. In pre-project, it is the site enabling activities which shall be taken up through an EPC contractor. Meanwhile, we are working out the front-end engineering design for the main refinery tender.

Renjith Sivaram: When can we see that getting reflected into our revenues? Will it be FY21 second half or will it again go to FY22?

Vinay Kalia: Already we are getting realized in our revenues.

Renjith Sivaram: So, that project is on?

Vinay Kalia: Yes, that project is on.

Vinay Kalia: That is not substantial right now but going forward, there will be improvement in that.

Renjith Sivaram: Any more orders from Dangote expected or it is all done and dusted?

Vinay Kalia: Not as of now. We have already received a major change order but in near future probably 2 to 3 years down the line, they are also envisioning a petrochemical expansion at that location.

Renjith Sivaram: Sir, we hear about refinery expansion coming in Qatar, Abu Dhabi, and Dubai. Are we also in the lookout for capturing some orders in that market? You are seeing any activity?

Vinay Kalia: There is no refinery coming up in Dubai. There is one major refinery coming up in Abu Dhabi. In Qatar, it is LNG liquefaction facilities which are coming. We are not into liquefaction of LNG. So, we are not working in Qatar. In UAE, we are looking at their new refinery expansion project called NRP.

Renjith Sivaram: How big will be that?

Vinay Kalia: That's a 20 million ton refinery expansion as of now what they have planned.

Renjith Sivaram: We will be bidding for some part of this order?

Management: Yes, we will be bidding for a part of this project. It is based on their tendering philosophy, let's see. Currently, it is in pre-feed stage. They are developing the configuration in the pre-feed stage for this refinery.

Renjith Sivaram: Any other overseas geographies where you are seeing some action?

Vinay Kalia: Currently they are under expression of interest stage and bidding stage. Once we get some more reality on the execution front of these projects, we will definitely share with you. But there are 1 or 2 more projects which we are targeting.

Moderator: The next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: I had a few questions. If you can highlight in the 9 months out of the almost 1200 crores kind of turnkey revenue that we have done, which 1 or 2 major projects contributed to it?

Vinay Kalia: VRMP and Rajasthan.

Jonas Bhutta: As far as I understand, sir, the VRMP project was facing delays and there was a particular project on which you were not going to get certain part of the margins, almost 600-700 crore bit. Is that the reason why you are guiding down the margins for turnkey segment at least in the interim period because that particular part of the project is under execution?

Vinay Kalia: That is not fully correct what you are saying. The project cost for VRMP has increased from 1834 to 3030 crores. Out of that, we have already got change order for 658 crores. Balance is still under discussion with the client and we are hopeful that that should get settled shortly.

Jonas Bhutta: That means that you are recognizing normal margin as in whatever the cost plus margin that you would bid for at the time of getting the order are being recognized there?

Vinay Kalia: Yes.

Jonas Bhutta: So, basically, in the Barmer order, the cost plus margin itself as per the contract terms was lowered that what it was earlier. Is that a fair assumption?

Vinay Kalia: Jonas, we had shared in the past also that both of these projects are utility and offsite packages in Rajasthan and Vizag. The earlier cost plus contracts that we were doing for MRPL were majorly the process plants which were petro FCC, polypropylene, and SRU packages which were more complex, and which were having premium margins. You very well know that utilities and offsites are very simple packages. It was the client's wish to convert them into a cost plus contract. We were earlier looking at a PMC model for utility and offsite because the engineering component is less in U&O. So, obviously, we can't charge premium margins for a utility package as compared to a process plant. That's one of the reasons plus the other reason is that some change orders are being settled out for Vizag as well.

Jonas Bhutta: My second question is on the provision bit. We understand that you are starting a lot of new projects in the current year and that necessitates a net provision creation on your books. How about FY21? Do you think that it will be a year where you will still continue to create provisions or we expect a net write-back happening in FY21?

Sunil Bhatia: No, there will be no net write-back. We will be creating the provisions because all are new projects. In case some of the projects will be completed, to that extent, the provision will be reversed in case there is no liability.

Jonas Bhutta: But on a company-wide basis, it will still lead to a creation and not a write-back.

Sunil Bhatia: Yes.

Sunil Bhatia: Till the time the major turnkey projects get completed, net provisioning will have to be carried out.

Jonas Bhutta: Are bulk of the projects expected as in the VRMP project which is currently under work or the CPCL BS-VI upgrade? All are achieving mechanical commissioning in which year, sir? Because I think you can only write-back after 12 months or mechanical commissioning. Is that correct?

Sunil Bhatia: CPCL BS-VI will be completed in 2020-21 and VRMP most likely in 2021-22. After mechanical completion, 18 months is the warranty period. After that, in case there is no liability, we can write-back.

Jonas Bhutta: So, net creation only after FY23 onwards. That is a fair assumption.

Sunil Bhatia: May be.

Sunil Bhatia: Some write-back will take place on closure of the contract and some write-back after completion of the warranty period.

Jonas Bhutta: On the order inflow prospect list, there was also Bina-2 that was somewhere maybe end of FY21 or early '22, but now with what's happening on BPCL's divestment, is that project also put on hold for the time being?

Vinay Kalia: We had already shared that the project has been postponed to 2021-22. Still no clarity on what time it will be taken up.

Jonas Bhutta: CPCL Nagapattinam, I am sorry, I was cut off earlier in the call. Have you shared the status update on that as well?

Vinay Kalia: We have shared 2 important statuses. One on NRL that there has been a shift in the ownership of NRL. BPCL is probably moving out. If it is going to other PSU, they also have assets in that region. So, they will be trying to optimize their assets vis-a-vis the new owner that they will be reporting to. Second aspect is that Indian Oil has too many projects on the hand for which they have to allocate funds. One is CPCL, then Barauni, Gujarat, and Panipat expansion that we are doing. And they are also looking at Paradip expansion in the near future. They will be phasing out all these projects one by one. They cannot be putting all their funds in 1 or 2 years in all these projects. We are not very clear how they will be phasing these projects. One of the projects is with us which is Panipat for which pre-project and feed we are currently doing.

Cauvery Basin is another project that we are expecting in near future based on how and when Indian Oil will be able to allocate funds for it or CPCL would be able to arrange funds for it.

Jonas Bhutta: So, in the near term, HMEL Bhatinda is the only sort of large consultancy prospect?

Vinay Kalia: We have shared that there are few other projects also. We have a petrochemical project with GAIL also that we are looking at and we have BPCL Refinery which we are currently doing, which is about 300 crores besides HMEL, NRL, and Cauvery Basin.

Moderator: The next question from the line of Shriram from Prabhudas Lilladher. Please go ahead.

Shriram: Sir, a few bookkeeping questions. In terms of order book, what will be your order book be as on 3Q FY20 order backlog? And can we break this up in terms of consultancy and lump sum turnkey contracts?

R P Batra: The order book as on 9 months is, in consultancy 4603 crores, current turnkey 5561 crores. That's about 45% of consulting and 55% of turnkey. That's about 10,164 crores.

Shriram: Sir, lastly, in terms of order inflow, have we bagged any orders for the quarter Q3 and what will be that breakup be?

Vinay Kalia: We have bagged 2 major orders out of 300 crores. One is the pipeline project for NRL which is a crude and a product pipeline. That's about 185 crores and second is the cavern for HPCL, Mangaluru. These are LPG caverns. That's about 88 crores. These are the larger orders. The others are smaller.

Shriram: What will the order inflow be for the quarter put together?

Vinay Kalia: This quarter, the inflows are around 360 crores.

Moderator: The next question from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: One clarification. You made some comments about the Barmer Rajasthan project in terms of awarding of the packages and manufacturing. I just missed out on those comments.

Vinay Kalia: Actually the question was, what is the current progress of the EPC packages which are being awarded? We had shared, about 5-6 packages have been awarded. The other packages are expected to be awarded in the next 6 to 8 months. And once these packages are awarded, you can see an increase in the manufacturing activities at the vendor works about 6 months after the award of EPC packages.

Kashyap Jhaveri: This is the 9 MMTPA project, right?

Vinay Kalia: It is a 9 MMTPA refinery with an integrated petrochemical complex. The CAPEX is close to 60,000 crores.

Moderator: The next question from the line of Sagar Gandhi from Future Generali. Please go ahead.

Sagar Gandhi: Sir, can you guide us through your tax rate for the full year and what it will be for the Q4? Because if I look at your tax payments over the last 3 quarters – Q1, Q2, and Q3 – it has been significantly high.

R P Batra: Yes. In Q2 basically, we had created a deferred tax asset. That had to be written back. So, impact was taken in Q2. In Q3 basically, the tax rate is 25.2%.

Sagar Gandhi: If my calculations are correct, there will be no tax. In fact, there will be some write-backs in Q4 if the full year tax is to be 25 odd percent.

R P Batra: No, full year will not be 25%. Basically, we had created the deferred tax asset during the last financial years. Those were created at the rate of around 34%. Those had to be written back at the rate of 25%. There was a tax expense of around 82 crores during Q2 on account of the previous year.

Sagar Gandhi: So, to that extent, the tax rate will be higher?

R P Batra: Yes.

Moderator: The next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: Sir, my question is regarding the long-term turnkey revenues which we have done of around 550 crores. Will that run rate continue in Q4 since you have the visibility of Q4 now?

R P Batra: Basically, the turnkey turnover depends on the execution and receipt of the material at the site. In the current quarter, there was a substantial receipt of material at the site. So, as such, the revenue has increased to 550 crores. We cannot predict right now that what will be the revenue but it will be definitely around 400 to 500 crores.

Sanjeev Zarbade: So, this year, there is already a good jump in lump sum turnkey revenues over FY19 and in FY21 also because of the Barmer project, there will be substantial increase.

R P Batra: Yes, total revenue will be increased by around 5% to 7%.

Sanjeev Zarbade: In FY21 over FY20?

R P Batra: Yes.

Sanjeev Zarbade: In lump sum?

R P Batra: In turnkey.

Sanjeev Zarbade: So, together, you are saying that the revenue growth will be around 5% to 7% including our consulting and the lump sum turnkey.

R P Batra: The consultancy will be around 5% if we exclude the one-off item.

Sanjeev Zarbade: And then, sir, if you don't win a major project in FY21 in lump sum, then probably FY22 revenues will show a drop I think because most of the revenues of Barmer would have got booked in FY21.

R P Batra: No, that will be booked over a period of time up to the year FY23. There might be a decline but revenue will be recognized.

R P Batra: ….as we are sitting at an order book of over 5000 crores in turnkey as well.

Sanjeev Zarbade: Because next year also, we are looking at 1800 crores in order intake. So, that's why I was saying.

R P Batra: That's majorly on consulting side.

Sanjeev Zarbade: Finally, our guidance for margins, just wanted to confirm. On the consulting side is 25% and on lump sum side 4% going ahead?

R P Batra: Yes.

Moderator: The next question from the line of Kishan Shah from Isha Securities. Please go ahead.

Kishan Shah: I just had this question. Did we secure any new orders in the turnkey business in this quarter?

Vinay Kalia: No.

Kishan Shah: The only new orders were in the consultancy business, which were 360 crores?

Vinay Kalia: Yes.

Moderator: The next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: Just wanted to understand if the management can comment on now the recent changes in the tax policy for the dividend payouts. Is there a thinking that given that we are sitting on such a huge cash balance on a lumpy dividend in the near term other than the interim that we have obviously declared today?

Sunil Bhatia: You can see that the company is increasing the dividend payout in percentage terms as well as in absolute terms on a regular basis. It goes without saying that to the extent possible, the company will try to maximize the dividend in the coming future.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: On behalf of IDFC Securities, I would like to thank the management for giving us an opportunity to host the call and all the participants for being on the call.

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