"Engineers India Limited Q4 FY17 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Engineers India Limited Q4 FY17 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Jonas Bhutta. Thank you and over to you.

Jonas Bhutta: Thank you Zaid good afternoon everyone. I will like to welcome you on the Q4 FY17 Results Conference Call of Engineers India Limited hosted by PhillipCapital. I would also like to welcome the Management Team of Engineers India. We have on the call today from the management Mr. R. P. Batra – DGM (Finance & Accounts), Mr. Vinay Kalia – DGM (Marketing) and Mr. Rajneesh Mallik – DGM (Marketing).

Without any further delay, I would now like to request Mr. Kalia to give the opening remarks on the results post which we can open up the call for Q&A. Over to you sir.

Vinay Kalia: Thank you Jonas. We welcome you all to the Q4 FY17 Results of Engineers India. Myself Vinay Kalia and I have my IR colleagues with me Mr. Rajneesh Mallik and Mr. R. P. Batra are here to take your queries.

Just to brief you on the results and the performance:

In the Consultancy side, you would have seen that the turnover has started showing an improvement, primarily because of the improvement in order book that we have currently recorded in this year. The turnkey segment, most of the old jobs have got concluded and the new projects have just started so there is a correction in the turnover revenue for the current year as compared to the last year from 504 crores to 284 crores. The profit margins have shown an improvement. The PBT in the Consulting segment is around 35% as compared to 28% last year and the PAT margins have also shown an improvement to 22% compared to 18%. One of the major reasons is we have secured larger value assignments from Euro-VI and HPCL Vizag and some change orders from international assignments like Dangote which are helping us to improve our margins. There has been a drop in the EBITDA margin primarily due to the provisioning on the account of gratuity and the manpower cost because of the pay revision. We have seen a very good order book position as of now because of large Brownfield assignments and the Euro-VI assignment that we have secured in the current year. In the present year also we expect similar Greenfield assignment and some Brownfield assignments to come in, both in the petrochemical and refinery sector. The overseas sector will see some improvement although the recovery is not as we would have expected to happen but some change orders and some new assignments from the Middle East sector are expected.

We are here to take your call and we welcome you for this conference.

Moderator: Thank you sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.

Ranjit Shivram: Sir just wanted to understand the LSTK margins have been very high and you also informed that there were lot of orders which got concluded, so what was the portion of provision write-back in that LSTK?

Management: Basically the LSTK margins are on account of some write-back. We have written-back around 39 crores in the current quarter and for the whole year , the write-backs are around 91 crores.

Ranjit Shivram: Going forward like will there be any more write-back for that CPCL we were expecting a big write-back is that…

Management: That will be known only after the completion of the Project. Right now we cannot disclose the figures as we don't have the figures. Whenever the project is completed in case any liability does not come we usually write-back the amount.

Ranjit Shivram: CPCL when are we expecting that project to conclude?

Management: Most likely that project is going to be completed in this financial year, mechanical completion has already been achieved.

Ranjit Shivram: So there can be some write-back during that quarter in which it concludes?

Management: After mechanical completion around 18 months' period is there , after that normally we write-back. So that may come in current financial year or next financial year in case no further liability comes.

Ranjit Shivram: And was there any write-back under the consultancy or was that normal 31%?

Management: In the current quarter around 18 crores is the write-back.

Ranjit Shivram: And for the full-year?

Management: For the full year it's around 40 crores.

Ranjit Shivram: This gratuity amount, is that a continuous phenomena in which we will experience going forward or is this a onetime impact?

Management: No, it's a onetime impact , gratuity has been increased from 10 lakh to 20 lakh which is additional impact and we have provided.

Ranjit Shivram: What will be the likely employee cost growth for next year given the Pay Commission recommendations?

Management: The wage revisions for the employees due we have provided some provision in the current financial for three months . For the next year we have to provide for the full year in case the recommendation of the committee formed by the government is approved , we have to provide provision according to that committee recommendation.

Ranjit Shivram: So this quarter how much we have provided for that?

Management: This year around 20 crores.

Ranjit Shivram: And for next year probably we have to provide a round …?

Management: We cannot predict, basically there are some components which will be prospective and some will be retrospective. Only after the recommendation comes we can comment on that.

Ranjit Shivram: This HPCL Barmer, how positive are we and when can we expect any order, will that fructify next year or will it be further ahead?

Management: This is a project which has in principle approval from HPCL and they are going ahead with the project but I think we can expect only in Q3 or Q4 of this year, the main consultancy assignment. Pre-project activities would happen, feasibility has been done, some pre-project activities may start. But the main project execution will get to Q3 or Q4.

Ranjit Shivram: So this order we can expect around 3Q, 4Q and we are pretty much confident regarding the same?

Management: Yes I mean we are confident based on the current feelers that we have got from the client and this project is on.

Moderator: Next question is from the line of Chinmay Gandre from Future Generali. Please go ahead.

Chinmay Gandre: Sir with respect to the employee cost, for full year next year at least we would have a wage cost of around 750 crores odd, would that be a right assumption?

Management: That's a typical figure. We will not be able to comment the recommendations are through. But yes the wage revision in the past has been in the range of 25%.

Chinmay Gandre: You mentioned 20 crores additional provision but it should be around 30 crores, right because I mean you used to do 150 crores quarterly kind of employee cost, now on an adjusted basis after deducting the gratuity it is 190 crores, so incrementally is around 40 crores?

Management: Wage revision has two components, some will be revised retrospectively, some will be prospectively; regarding prospectively component we don't know when the implementation will take place whenever the implementation will take place that will be provided.

Chinmay Gandre: So we are provided retrospective related provisions?

Management: Yes you are right. Something on which we know that will come retrospectively; we have kept some provision as an ad-hoc provision. It will again be adjusted later.

Chinmay Gandre: What could be our revenue guidance for next year in sense we have a very good backlog now, so any tentative guidance in terms of what kind of net sales we would be able to do?

Management: Directionally it will remain stable within this range only because the new orders that we have secured in the first year , their contribution will not be to that extent. We would have seen that the majority of chunk of the orders came in the second half, third and fourth quarter. So you will see a gradual improvement in the turnover figures from now. Next year we can expect some better performance.

Chinmay Gandre: It in the sense FY19?

Management: Yes FY19.

Moderator: The next question is from Charanjit Singh from Batliwala & Karani Securities. Please go ahead.

Charanjit Singh: On the margin front now after factoring in the current wage provision hike which we are expecting going forward also and to maybe how the tendering would have happened, so what could be the margin profile which we would see going forward in FY18?

Management: In FY18 for the consultancy we are expecting a segment margin of around 25%, for the turnkey segment it will be range between 5% to 7%.

Charanjit Singh: For the new orders have we started building in the higher wage cost in the new tender is how we are factoring?

Management: Yes.

Charanjit Singh: In the beginning remarks you had also talked about the pipeline includes some of the pet-chem projects and refinery projects, so if you can just give us a perspective on what could be the quantum of order inflow in FY18 and what are the key projects in the pipeline which we should keep track of?

Management: Most of the projects are on one-to-one negotiated settlement. I may not be able to give you details as of now but yes…. you already know about Rajasthan refinery and the talks about west coast refinery. West Coast is a megaproject so it will take some more time in execution. But we have expansion plans of the existing refineries which are due like Bina and Bhatinda, so these are also due which you can expect in the coming year.

Charanjit Singh: What about the pet-chem project, are we expecting anything in FY18?

Management: Additionally, we have also shared with our investors that most refineries you are seeing are getting integrated to petrochemical complexes. We have one propylene derivative project for Kochi that has already started. The integration of refineries into a petrochemical complex will gradually pick-up. So Bina, Bhatinda, Gujarat Refinery, further expansion of Panipat, Rajasthan itself the model is integrated refinery with the petrochemical. The West Coast is also integrated refinery with the future petrochemical. Dangote refinery was also planned in a similar manner. Most refineries are going in for integration

Charanjit Singh: If we look at a very strong pipeline which is been built up in the refinery and the pet-chem space, so our focus on the infrastructure segment will not be that much? We were earlier expecting some Namami Gange orders and smart cities also we are targeting.

Management: These are independent business lines segments and they have independent business divisions handling these projects so we cannot say the focus gets diluted. Based on the cyclical nature of the business of each industry we may have more inputs coming in from certain industry in a particular period of time. The order inflows, the percentage mix will vary from time to time. But yes our focus still remain in smart city, in water waste project, in Namami Gange kind of projects. We are also looking at projects on the airports and ports and some projects on the defence side as well. So the focus will remain but we may not expect these infrastructure projects to give you so much of volume growth as we are seeing in the refineries simply because the sheer size of the refinery projects is very large.

Moderator: Next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.

Nitin Arora: Just pressing on the employee, can you give us what's the utilization rate at this point for the employee side? And number two given we have got so much of work in hand, so next year how are we looking to, are we going to outsource some of the work which is largely a low margin work if you can throw some light on it?

Management: Yes the utilization rate has improved quite a bit compared to what it was about a year back. It's around 85% to 88% range that we are utilizing in manpower and we have been outsourcing these low-tech works a little bit and that we will continue to do in future also especially with respect to 3D modeling, some draftsman from which we have been sourcing these services. That will be carried out further also.

Nitin Arora: In this scenario given that we are already reaching 85%-88% utilization, I think hiring would be very fast now for the next year. So assuming a 700 crores is a recurring employee costs, I am not taking account anything which you talked about in terms of provisions next year. How much incremental addition should we build in from the recurring 700 crores employee cost if you can throw some light on that?

Management: We are also aware of the increase in the wage cost and the kind of competition that is growing up within India and overseas. In the current scenario even in the international market the competition has been tough given on the rates that we are quoting from the domestic market. So considering this fact they are looking at a strategic mix of our own permanent employees with some subcontracting and hiring of employees from outside especially for the backend engineering services like drafting, detailed engineering, modeling assignments. So these are the areas where the volume of engineering work is quite high but there are good agencies from whom we can have people and somehow we can outsource for the backend activities. So we may not have a substantial growth in the direct manpower, we will have a contracting model as well. So directionally you can expect 5% to 7% growth in the manpower but beyond that we will look at more of outsourcing.

Nitin Arora: In your assumption when we give the assumptions of our margins of 25%, just one clarification needed that does not built-in any write-backs in terms of next year's business plan when you give a guidance it does not include any write-back?

Management: No. That is not correct.

Management: Some write-backs are always there . We are providing the provisions for guarantee liability and those are written-back when the project is completed. We're executing so many consultancy projects, some projects get completed during the year, so those write-backs will definitely be there. Some write-backs will definitely be there. That is being considered while giving the 25% segment margins.

Moderator: The next question is from Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir overseas order inflow have slowed in last two years and do you expect any improvement over there and also our revenue from overseas has been coming down?

Management: Yes that is correct because of the fall in the crude prices most of the oil-producing OPEC nations, the Middle East countries have cut down their CAPEX in the down-stream projects. So there has been a correction and this year we are seeing some recoveries, some large value tenders have started flowing in but still the recoveries are to a very small extent. So we may not see an improvement in the overseas revenue in the current year also.

Dhananjay Mishra: What is what is our proportion of order book in overseas out of 4000 crores we have?

Management: Currently it is around I think 35%.

Dhananjay Mishra: Out of 4000 crores we have 35% of overseas?

Management: Yes 30% is the overseas, the order book.

Management: For consultancy.

Management: If you see the overall because in overseas we have only consulting, so in the consultancy portion it's around 30%. If you see the overall it is around 15%.

Dhananjay Mishra: 1200 Crores we have from overseas order book?

Management: Yes around 1180 crores.

Dhananjay Mishra: This 350 crores revenue we have done in PMC, can we assume similar run-rate for next 3-4 quarters because this quarter the growth is about 21.5?

Vinay Kalia: You do not take the quarterly performance, you should always go on the annual performance basis. As my colleague was also explaining some write-backs can happen, some guarantee, warranty provisioning can happen, some gratuity cost can happen. So, these are quarterly impact.

Participant: Sir, but this write back is routine things, we have been doing for last two years - three years.

Vinay Kalia: I will tell you a simple example, we have got five Euro-VI projects together from Indian Oil on one go. So, when these projects get completed and all the write-backs of these six projects may happen in a single quarter itself. So, although we are having write-backs on a number of projects in some of the quarters they can be lumpy and in write back the amount of write back would also depend upon the order value that we secure. So, it is a very large order when you close this and the write back amount will also be slightly large.

Dhananjay Mishra: Moreover execution will also vary, you cannot say that fourth quarter will be repeated in the first quarter.

Dhananjay Mishra: Okay, because full year basis we have done 15% growth against our guidance of 5% to 8% we had given may in the initial beginning of the year, so can we do 15% kind of growth because the order book is very good and we…

Management: No, because we have already shared the revenue contribution of the new orders in the first year are not very high. So, they are not more than 10%. And large value orders were secured in Q3 and Q4. So, in the coming year we do not see a major improvement but next to this year we can see an improvement.

Dhananjay Mishra: And what about LSTK business?

Management: Same for both, both will have only a small incremental growth.

Dhananjay Mishra: Okay. So, next year we can take 15% whatever we will do in 2018 may be five - six…

Management: Yes. In LSTK we can consider in consultancy we will see how order inflows in the current year also mature, order inflows in the current year are also good, the next year improvement will definitely be there**.**

Dhananjay Mishra: So, these two major orders we have received that HPCL and this CPCL order that Vizag and this Manali order refinery order that will be execution will start in may be H2. So, I mean major contribution will start in 2019?

Management: The execution has started but if it is a four year project the revenue contribution in the first year is less. In the second year and third year the revenue contribution of that order is very high.

Dhananjay Mishra: That is what I am talking about. In 2019 these projects will contribute significantly, right?

Management: Correct.

Moderator: Thank you. The next question is from the line of Kaushik Dhanuka from Dhan Group. Please go ahead.

Kaushik Dhanuka: You have a significant amount of on balance sheet, could you throw some light as to what are the plans of the management to use the cash?

Management: Right now around Rs. 2,500 is available in the books that process of buy back is on, around Rs. 650 crores will go the buyback and then we have proposed a dividend of Rs. 50 paisa so something will go out .. Then we are having an investment in Ramagundam so something will go out there. So, that is the plan right now.

Kaushik Dhanuka: So, sir this investment in to fertilizer units, what kind of investments do you foresee, will it be something major?

Management: The total investment is around Rs. 350 crores, so out of that more than Rs. 100 crores we have already contributed for that particular project.

Kaushik Dhanuka: So, you think it will be restricted to Rs. 350 crores?

Management: Right now that is the estimate.

Kaushik Dhanuka: Okay. And you will have how much share sir in the project?

Management: 26% right now.

Kaushik Dhanuka: 26%. And there was some talk about acquisition of similar consultancy PSU company, can you throw some light as to any such plans acquisition, merger with some such companies?

Management: See, we were open to acquisition of technology and consulting firms, if it can help us like in fertilizer the investment was to get an entry into fertilizer as we were selectively appointed as EPC and consultant for this project. So, technology and consulting areas which help us improve our competency we were looking at we were open to it. Currently we have not committed any such plan to any other project.

Kaushik Dhanuka: **CNBC**e interview with Mr. Gupta had talked about government willing offload their stake and may be Engineers India will look closely at one of those companies.

Management: Yes, those options are available. But commitment we have not yet done, we are just evaluating.

Kaushik Dhanuka: Okay. And sir, like this consultancy for fertilizer units how big can opportunity that can be given the government thrust to make India self-reliant in fertilizer?

Management: Yes, the project cost is in the range of Rs. 5,000 crores for most of these fertilizer projects. We were successful in bidding four such projects in international markets itself. One we are doing for Ramagundam in India. So, five we have already secured. And in the upcoming fertilizer projects that are being targeted, you can pay about Rs. 100 crores can be the consultancy order.

Moderator: Thank you. The next question is from the line of Dikshit Doshi from Whitestone Financial Advisors. Please go ahead.

Dikshit Doshi: Can you just give the order book number and the break-up in terms of LSTK in consultancy?

Management: The order inflows are Rs. 5,700 crores for the current year and the total order book is Rs. 7,762 crores out of which 52% is consulting and 48% is turnkey.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from IDBI Capital. Please go ahead.

Rohit Natarajan: Sir, if you could just help me on this provision write back part, we have close to the closing balance if I am not mistaken in the beginning of FY 2017 close to Rs. 300 odd crores and from the commentary that we have received so far the number that we have done the write back could be close to Rs. 130 crores. Is it fair to say that Rs. 170 crores will be the next years provision write back opening balance?

Management: No, it would be written back over a period of time, our projects are long gestation project duration is around four year after that warranty guarantee period of 12 months to 18 months is there. So, after four and half year we usually write back our provision. So, whenever the projects are completed in case no liability comes that is being written back. So, whatever you were saying that is cumulative provision for all the projects. So, when the projects will be completed the provision will be written back in case no liability comes in.

Rohit Natarajan: Okay. And sir, my second question is related to this ceiling of gratuity which has enhanced form 10 lakhs to 20 lakhs. So, you insist that this is some sort of one-off but in the commentary, in the notes that stated that it is from January to March this is the amount that has been treated for. So, what is this one-off component here and will there not be another component in the orders to come by?

Management: No, total impact of a gratuity is around Rs. 96 crores out of that Rs. 5 crores on account of the revision in the salary and the Rs. 90 crores on account of the raising of ceiling from Rs. 10 lakhs to Rs. 20 lakhs. So, that is a one-time cost we have crated right now the provision up to Rs. 20 lakhs is for all employees. So, next year there will be a very minimal liability or nominal liability.

Rohit Natarajan: Okay, that is it sir. And finally, any improvement that what we have been hearing so far, the detailed budget report will be submitted by the month by this calendar year end for Maharashtra West Coast Refinery project and that is only after that the order inflow could be possible, is it right or wrong how do you see it?

Management: Yes, that is correct. These projects will take some time because these are very large investment projects so they will go to the board and ministry as well for approval.

Moderator: Thank you. The next question is from Gaurav Nigam from Catamaran. Please go ahead.

Gaurav Nigam: I have two question, first one is on this status of BS-VI for this on Indian refineries and second one any other global refinery order are we planning to get or like are we bidding for any such project?

Management: You are talking about any BS-VI projects?

Gaurav Nigam: Yes, BS-VI projects for Indian refineries, BS-VI upgraded projects and second question is on the any other global refinery projects that we are undertaking or bidding for?

Management: Currently we are looking for the expansion of **(Inaudible) 30:18.6** Dangote Refinery which we are targeting. We are looking for other opportunities in Middle East region but currently they are not into the main award phase. So, they are in planning and evaluation stage. While your question on BS-VI is concerned, yes in internationally I would like to say that the recovery is still slow this year we are not expecting a major recovery in the international segment. Regarding the BS-VI projects, majority of BS-VI projects have already been awarded, so we have got projects from Indian Oil for their five - six refineries and we have got from Cochin, we have got from MRPL as well. So, a total CAPEX in the range of around Rs. 30,000 crores is expected and majority of projects are targeting a completion of 2020.

Moderator: Thank you. The next question is from the line of Ruchir Khare from Kotak Securities. Please go ahead.

Ruchir Khare: Hi, sir thanks for taking my question. I just have one question most of the questions have been answered is on the margin profile. So, with Vizag now coming in our order book and series of such large ticket size orders like for Barmer in future. So, can we see our margins going again back to the previous high levels of like (+35%) levels?

Management: No, I would not say , 35% levels reasonably achievable in the coming year. On the next year also you can say a 10% to 15% growth in the margins. But yes, the levels of 35% to 40% are still not achievable.

Ruchir Khare: Okay. And sir, in this in Q4 in LSTK like we have a provision right back of Rs. 39 crores in the LSTK segment. So, adjusting for this we have actually made a loss in this segment, is there much to read into this or just a quarterly aberration?

Management: Yes, basically we are executing some other project also, so those are not very big project for the big project the revenue will come later on. So, there is some loss in for the project basically. So, quarterly sort of adjustment.

Ruchir Khare: Aberration.

Moderator: Thank you. Next question is a follow-up from the line of Chinmay Gandre from Future Generali. Please go ahead.

Chinmay Gandre: Sir, we had an order backlog of roughly Rs. 5,100 crores at the end of Q3 FY 2017. So, for that backlog would we able to pass on the increase in the employee cost the employee cost increase would be passed on only for the recently won or orders which we won in future.

Management: No, actually whenever we are bidding for projects even when we were bidding for projects last year or the coming year and we know that the project will go on for the three years to four years, we do keep a provisioning for the upcoming pay revision because it is already known the pay revision will happen after 10 years. So provisioning pay revision is already considered on the projects when they are under bidding stage.

Chinmay Gandre: So, effectively, your 25% kind of margins factor in that?

Management: Yes.

Chinmay Gandre: Okay. And sir, with respect to your employee cost what could be the rough proportion of allocation towards the consultancy and towards turnkey project broadly?

Management: Actually manpower provisioning on segment wise is not done. I mean it is task force team which are assigned to the project whether a consulting or EPC. Those are the man power cost which gets allocated to that project. But in typical EPC project, 90% to 95% of the cost is plant and machinery which is actually the equipment and the site works cost, the manpower cost is not more than 5% to 10%.

Chinmay Gandre: Okay. Actually I wanted to understand basically so your annual cost is roughly say Rs. 650 crores adjusted the gratuity amount for FY 2017, so broadly what proportion it would be split between the turnkey business and consultancy?

Management: You cannot split it. Because we are having a turnkey turnover of Rs. 1000 say. In that there may be Rs. 50 crores coming from the basically manpower, around 5%.

Management: It is the same manpower can work in both the projects. Based on the orders that are coming in the manpower gets allocated to those projects.

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

Jonas Bhutta: Would there be a guidance on what kind of inflows we can do for fiscal 18 given that you are expecting Barmer which is Greenfield refinery. How big could that opportunity be and if you can share any further project details on the in pipelines, both the consultancy and turnkey?

Management: Directionally, we have shared that some refinery it will be on Greenfield like projects. I will not say for one year but next two-three years. And refinery in Bina and Bhatinda are going for expansion. And then Indian Oil if the West Coast gets delayed, we will be looking at some other refineries like Gujarat Refinery for example. And there are strategic storage projects. The next phase of expansion of strategic storages are due. 5 million we have already executed. The second phase for 10 million which is also due. So besides this in fertilizer you are already aware about four fertilizers projects are planned for expansion. Talcher, Barauni, Sindri, and Gorakhpur. Then in Infrastructure, entry level activities form Namami Gange we are doing there. It has already got delayed. The main project execution is expected by probably 3rd quarter of this year and not before that. So these are some large value assignment which we can expect in the domestic segment. The overseas segment revenues will be sluggish, the recovery is happening on a very slow pace.

Jonas Bhutta: Also the order for the Vizag Refinery is split between Consultancy and Turnkey, what is the breakup between the two in terms of what portion gets allocated to Consultancy?

Management: 518 crores roughly allocated for the Consultancy and Rs. 2150 crores for LSTK segment.

Jonas Bhutta: In part of our presentation we have said that we have won certain infrastructure projects like UIDAI building so all of these are turnkey projects because it includes some construction so I am just assuming is it turnkey or is it consultancy?

Management: No, they are consultancy assignments. If it is construction it should be construed as construction supervision.

Jonas Bhutta: So excluding the Namami Gange order that we have declared historically, what is the value of the remainder three projects which is Amroth, Interceptor Sewer that DJB and UIDAI are building?

Management: I don't have the details as of now with me. We can share the details. These would not be a very large value orders. They will be in the range of Rs. 30 crores to Rs. 40 crores.

Moderator: Thank you. The next question is a follow-up from the line of Charanjit Singh from Batliwala & Karani Securities. Please go ahead.

Charanjit Singh: For the BS-IV to BS-VI projects the execution timeframe is very strict. So how is the tendering progress in that for the other equipment and all. So of our total order backlog what is the proportion of BS-IV to BS-VI right now.

Management: BS-IV to BS-VI would be around one is the turnkey assignment which is by CPCL it is around Rs. 1200 crores out of the total turnkey. And if I take the consultancy assignment the balance are all in the consultancy mode. The contribution for Indian Oil projects plus the other projects put together would be in the range of Rs. 800 crores.

Charanjit Singh: Sir how do you see the execution is panning for these projects?

Management: All are fast-tracked because the deadlines are very strict as you said.

Charanjit Singh: And in terms of the tendering for the equipment, how is that panning out for BS-IV to BS-VI?

Management: The engineering phase is around 8 months to 9 months and the tendering cycle takes place and most of these projects came in Q3-Q4 so you can expect till Q2 the engineering activities and after Q2 the procurement activities will pick up but since they are on fast-track a lot of advance procurement activities for some long-need items would have already started in Q1.

Charanjit Singh: So overall if we look at the removing this from BS-IV to BS-VI what is the execution timeframe for the backlog looking at both the turnkey and the consultancy?

Management: It is around three and half years for the large value assignments, for the small value and mid size value assignments, the it is around 4 months to two years.

Moderator: Thank you. The next question is a follow-up from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.

Ranjit Shivram: Just wanted to check how much was the provisions for the projects which the provisions which we have made for 4Q and for the full year in addition to the provision write-back?

Management: That is our policy basically that is being disclosed in the financial statement. For LSTK we are creating a provision of 1% of the turnover. For the consultancy projects based on the whatever is the writen in the contract our cumulative liability on that basis, we are creating a provision.

Ranjit Shivram: How much was that amount?

Management: Right now, I don't have an exact figure right now. I will be able to tell you later on.

Ranjit Shivram: And for doubtful debts, is there any provision created or liquidated damage?

Management: It is around Rs. 13 crores for the full year.

Ranjit Shivram: And for 4Q?

Management: That figure right now I don't have.

Ranjit Shivram: Apart from this there is no major provisioning. right?

Management: Yes.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Management: We sincerely thank all the participants for joining in this call . We hope all the answers have been given satisfactorily. If there is anything that is to be clarified , you can always come back to us. We will be there to clarify all those queries.

Jonas Bhutta: Thank you sir.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes today' conference call. Thank you for joining us and you may now disconnect your lines.