



“KEC International Limited Q2 FY16 Results Conference Call”

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MANAGEMENT: **MR. VIMAL KEJRIWAL – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER, KEC INTERNATIONAL LIMITED**
**MR. RAJEEV AGRAWAL – CHIEF FINANCIAL OFFICER, KEC
INTERNATIONAL LIMITED**

Moderator:

Good Day, Ladies and Gentlemen, and Welcome to the KEC International Limited Q2 FY16 Results Conference Call. We have with us today from the management, Mr. Vimal Kejriwal -- Managing Director and CEO; and Mr. Rajeev Aggrawal -- CFO. 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vimal Kejriwal. Thank you and over to you sir.

Vimal Kejriwal:

Thank you. Good morning to all of you and thanks a lot for your continued interest in KEC. I pleased to inform you that we have delivered a third consecutive quarter of good margins. The results reflect our commitment on improving profitability in our various businesses.

Some of the salient features of our results are: EBITDA has been up by 28% at 7.7%, absolute figure of Rs.154.8 crores. If you look at SAE, our SAE business is not running profitable, we had a positive margin both in this quarter and for the half year. PBT has increased eight-fold to Rs.69 crores and PAT for the quarter stands at Rs.44 crores against Rs.20 crores in corresponding quarter, an increase of more than 100%, similarly for the half year the PAT is at Rs.75 crores against last year's Rs.32 crores, again an increase of more than 100%. New orders in the H1 were Rs.4,600 crores roughly, that is an increase of 53% year-on-year. In addition to that we just announced almost Rs.150 crores of orders in the current month, taking the quarter order inflow to almost Rs.5,146 crores and if you add the Q4 order book, order intake for this year and I think from January onwards we have got an order of more than Rs.9,000 crores. We have also secured our first PPP order from Rajasthan State, it is for a 400 kV DC transmission line. Approximate cost is around Rs.260 crores. Our Solar business has seen significant momentum with order intake of Rs.111 crores, in addition to that we have some L1 positions also. Our total order book as on 30th September is close to Rs.10,000 crores at Rs.9,872 crores and we have an L1 position of Rs.3,000 crores plus. As far as the Telecom Tower sale is concerned, we have realized Rs.80 crores from the sale. Gross debt has decreased by close to Rs.200 crores to Rs.2,400 crores and our interest cost QoQ has declined by 25% and is now at 3.4% of our turnover. On the challenges the net revenue did showed a decline of close to 7% at Rs.2,021 crores. Now basically two reasons -- one was the soft commodity prices which had an impact -- one is on contracts where we had a price variation clause, mainly the Indian contracts and also in businesses like Cable and all that where Copper has come down by 20%. So that has had an impact on the top line. Similarly, there was an impact on the depreciation in currency. Brazilian Real has come down from 2.8 to close to 4.1, it is almost 50% decline in the currency. So in translation I think reduces from Rs.40 crores to Rs.50 crores of our top line. However, I would like to add that with the raw material decline the working capital costs are improving as well as the profitability improve especially in projects where there are firm price orders that is international, which is why you can see the dichotomy of having a lower top line but a better bottom line. If you look at six months results, I think our top line is flat, virtually a similar number. Net working capital remains at constant levels -- one of the reasons for that is although

there is a general improvement, but we have shifted some of our working capital items like exceptions, etc., into bank limits and bank borrowings because that is now proving to be cheaper.

Before I end and I open up to questions, I would just like to highlight one thing is that, PGCIL has completed the world's longest 800 kV HVDC line and have capitalized almost Rs.12,000 crores and we do expect that post commissioning and post capitalization of this line, there would be a significant improvement in the power grid, let say tenders, orders and project execution. Already if you look at the website we are seeing from 1st October with the new chairman coming in they have already improved the tender inflow.

I think with this I will be happy to take questions from you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We have the first question from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question is on the reduction of revenue guidance in the impact of that operating margin because there will be some deleveraging of the operating leverage benefit on the margins. So how do you see that going to happen in 2HFY16?

Vimal Kejriwal: Manish, what we had said earlier was that we were expecting the revenues to grow up between 10% to 15%. What we have now said is that with the continuous decline in commodity prices, we expect that the revenue growth should be closer to 10% rather than closer to 15%. So that is one thing. Link to that we have also said that the profit margins which we were earlier talking about 7.5% to 8%, now we have already delivered on an average 7.6% for H1. So we do expect that the profit margins would now be closer to 8% rather than closer to 7.5%. I think if you balance the two, I am not looking at any significant change in the absolute number of margins, etc., which we would have otherwise achieved.

Manish Ostwal: Could you throw some light on some delay on L1 position in H1, so how do you see in 2H that panning out?

Vimal Kejriwal: We do not expect that this delay should continue, normally does not happen, there was also a delay on power grid side which if you look at from I think August or September... I do not know which of this month, they already started converting right now virtually of PGCIL L1 has come down to I think one or two orders. There has been some delay on the Middle East side. But that is more to do with the internal accruals rather than any other issue. So we do expect that hopefully within November most of the L1 should get converted into an order book. I do not think we have any significant worry on that account saying that this will not get converted.

Moderator: Thank you. The next question is from the line of Lokesh Pareek from Anand Rathi Share and Stock Brokers. Please go ahead.

- Lokesh Pareek:** My question is related to our fixed price contract and the variable price contract. So what could be the percentage of fixed price contract out of our total order book which are giving us advantage on improved EBITDA margins and what is the remaining part?
- Vimal Kejriwal:** Lokesh, if I look at broadly our order book is split 50-50 between International and South Asia and normally none of the international contracts have any price variation, the South Asia contracts have price variation. So what will happen is that on 50% of the contracts in South Asia we will have variations so there could be some impact on the top line, but on the international contracts there will not be any variations. So the positive impact of the commodity would get reflected in the 50% of the revenue of the T&D.
- Lokesh Pareek:** Could you please throw some light on the recent BoT PPP order that we have won from Rajasthan?
- Vimal Kejriwal:** It is a small order, it is an order which we have got from Rajasthan, (RRVPNL) as we call them, it is a 172 Kms line, 400 kV double circuit and we expect to do it in 21 months. This is an order based on viability gap funding and that is where we expect that we should be able to fund it at 70:30 ratio and our equity minus viability gap funding this year should not be more than Rs.50 crores.
- Moderator:** Thank you. The next question is from the line of Arafat Saiyed from Quant Capital. Please go ahead.
- Arafat Saiyed:** Actually, my first question pertains to your sales guidance. You said that now you are revising guidance to 10% for FY16. So that means for the second half FY16 you need to grow at (+20%). So, are you looking that is happening in the second half of FY16?
- Vimal Kejriwal:** I think generally what we have seen in the past is if you look at our history between H1 and H2, H2 is always almost 60% of our revenues.
- Arafat Saiyed:** I agree, I am comparing with second half of FY15 versus second half of FY16?
- Vimal Kejriwal:** A lot of orders have been announced recently, and the third things is that we have got a lot of Substation orders in Q4 and Q1, and generally what happens is the revenue of the Substation orders take around 6 months or 9 months to flow in as compared to T&D which flows into three months. So I think we are fairly confident of what we are saying. I would like to correct that we have not actually downgraded our guidance. What we were earlier maintaining is between 10% to 15%. We are still saying it would be closer to 10% rather than being closer to 15%.
- Arafat Saiyed:** On EBITDA margins, you guided that the margin is improving to 8% in FY16 and you are very much on that part. So, are you looking at the same margin of 8-8.5% in FY16-17?

- Vimal Kejriwal:** FY16-17 whether it will be 8 or 8.5 or 9, I cannot say right now, but it would definitely be 8-plus.
- Moderator:** Thank you. The next question is from the line of Pranav Gokhale from Religare Invesco. Please go ahead.
- Pranav Gokhale:** Sir, just wanted to understand your strategy as regards bidding for PPP projects. Now, we have bid one. Earlier, your thought process was you will not go and bid for that. So has it changed in any way with the splits or...?
- Vimal Kejriwal:** Pranav, we have very clearly said that we will not bid for any large industrial projects. What we have said is that we would like to bid for intrastate projects, may be very small projects as you have seen that is Rs.260 crores project with equity commitment of not exceeding Rs.50 crores. Why we have done this is let me put, there are two or three reasons -- One is somewhere we just want to get the qualification of our developer which we do not have today, which puts us in a relatively disadvantage when let us say a foreign player wants to come and bid in and he wants me to do an EPC, but I am not able to even qualify as that work. So that is one reason. Second reason is with large more projects coming in, we really want to be very clear that how we can add value to the developer by ensuring that we are able to quote it in such a manner that we give value to him. Today, as an EPC contractor, I want to do power supplies, I want to execute as closer as faster as possible supply everything, which were not be the way more projects may be one because that will add significantly to the interest cost. We also want to use it as a learning process so that we can be better qualified to do EPC for larger contracts. I think the third is I do not think we want to retain large assets in our books. I do not think we will go beyond one or two and I do not think we want to keep it for long term. I think we are very clear that once the project is commissioned and all we will look at ways of how do we monetize it. We are really a contracting company, we do not want to become asset holding company and that should be very clear to everyone.
- Moderator:** Thank you. The next question is from the line of Abhijit Mukherjee from Lucky Investment Managers. Please go ahead.
- Abhijit Mukherjee:** Sir, you have been repeatedly saying that you are not facing any problems in the Middle East, but we have read many-many unconfirmed reports saying they have frozen spending. There are absolutely no signs because it just economically does not make sense for them to not cut spending considering how crude has crashed. Just your comment on that?
- Vimal Kejriwal:** Our exposure to Middle East is around 14% to 15%....
- Abhijit Mukherjee:** It is a very highly profitable business considering the interest costs are low, competition is low and bottom line it is very profitable for you, right?

Vimal Kejriwal:

Let me just finish what I am trying to say is that we have an exposure of less than 15% that is #1; #2, if you read what Saudi and other countries have been saying that they want to continue to spend on power, education and health, they said we are going to cut down on other discretionary expenditure but we will not cut down on these expenditures; #3 point is that if you look at the tender pipeline today in spite of all the issues today, two weeks back Saudi has awarded two large power plants... forget transmission line, they have now ordered two large contracts to build new power plants even today. Abu Dhabi is coming out with newer tenders. Oman is coming out still with new tenders. I think what you have to understand is that most of these countries and most of the kings or the ruler or the Sheiks in these countries also thrive a lot on spending money on the public. It is a question that with oil prices coming down to half on what items they will continue to spend, what items they will not spend, what are discretionary for them. To us when we talk to them, power is not discretionary, they need to spend on power. Even today if you are going to Jeddah, Jeddah has power cut. So I do not think we are today worried about what is happening in Middle East. They are issuing new tenders, they are ordering, they are paying, they are executing. In fact we had a board meeting yesterday, the same question was there and the same replies were given. Today, we are not worried about our business, the business is happening and the way the tender pipeline is we expect it to continue to happen. After one year I am not talking, but today the tenders are there. If you look at Saudi in the next two months between October and November, we are putting tenders of Rs.12,000 crores in Saudi itself.

Moderator:

Thank you. The next question is from the line of Bhoomika Nair from IDFC. Please go ahead.

Bhoomika Nair:

If I look at your performance in this current quarter, it has been obviously very strong. The subsidiary performance seems to be extremely strong. So if you can give some color on how Saudi has performed in this current quarter?

Vimal Kejriwal:

Saudi has performed very well in this quarter and in the half year also. I think the basic reason is that I would say commodity related mainly because Saudi contracts are all fixed price contracts, and secondly what has happened is that we have put a lot of thrust on execution in Saudi. So, we are also seeing a result of that happening. So I think you are very right that the JVs have performed well. Even if you look at SAE we had a significant negative in the corresponding half year and we have had a positive EBITDA in this quarter and half year. So when you had both SAE and Saudi, very clearly the subsidiaries are doing very well.

Bhoomika Nair:

Could we have some numbers on how big is Saudi in terms of revenue, EBITDA either as a percentage or in absolute terms?

Vimal Kejriwal:

I do not have the exact number right now, but Middle East per se is around 13% or 14% of our overall revenues and way this happening Saudi will probably be 70 to 75%, I am giving a very rough number, but it should be around 10 to 12% of our overall numbers in terms of the top line, bottom line is more than that.

- Bhoomika Nair:** Yes, bottom line, actually on EBITDA level is what I was actually looking at?
- Vimal Kejriwal:** I do not have the exact number, but bottom line is more than that.
- Bhoomika Nair:** Right now, SAE is as you said EBITDA-positive, but on the PAT level how it will be – is it profitable or is it still loss....?
- Vimal Kejriwal:** It is currently not profitable, but we do expect that the second half should be better because we just started dispatching in Brazil... we have got almost I think 10,000 tonnes of finished goods lying in Brazil. So, once the clearance comes full blast and those material start going out then Brazil numbers will come in, Mexico is already from next month onwards working full fledge.
- Bhoomika Nair:** Orders in Mexico have started coming by?
- Vimal Kejriwal:** Orders in Mexico are there right now. I do hope that we should be PBT-positive in SAE for the full year.
- Bhoomika Nair:** Obviously, the lower commodity prices are benefiting us for the international orders. Now, going forward, when we are bidding for new projects and commodity prices are also low, so how are you factoring that in trend in terms of going forward and how is competition behaving in international markets given this, are you seeing compression in margins or are you seeing margins actually growing, obviously FY16 or probably some bit of FY17 you will see the benefit of lower commodity prices on fixed price orders, but how does that...?
- Vimal Kejriwal:** While I like low commodity prices for my existing orders, commodity prices always a problem when you are bidding for new projects, but you always expect that the commodity prices will go up, which is the big issue for us because when today aluminum is let us say \$1450 or \$1475, I do not think we expected to be at that level. So what is happening is that we are clearly adding some contingencies on metals especially in fixed price orders in Middle East or Africa, and that is where somewhere probably we are seeing some of our competitors taking much aggressive positioning on commodities. We are taking very clear our conservative position saying that commodity prices are probably at the bottom and they may not go down or at least I need to be conservative so I need to provide some cost let us say inflation or escalation on them. That is where we are on the commodity. As far as competition you said, yes, competition is always there and we are seeing a little bit of new Indian players coming into Africa. Middle East remains where we are.
- Bhoomika Nair:** So, in that sense, is competition being slightly more aggressive than us in international markets?
- Vimal Kejriwal:** I think so because we are seeing aggressive pricing coming in from some players.

- Bhoomika Nair:** In India, how is the competitive intensity because as you mention there are a lot of tenders coming out of PGCIL, SEBs, etc., So, if you could just give some color on how competitive intensity is in the domestic market as well?
- Vimal Kejriwal:** We are generally seeing around 6 to 7 players in the Indian industry. If you look at the more difficult piece which is the Northeast and Jammu & Kashmir and all that, there it is around 3 to 4 rather being 5 to 6 or 6 to 7 in the general tenders. I do not think it is increasing. Remember, we were seeing 11 to 12 competitors. So in a way it has come down. The other thing is that most of the fringe players have gone away especially all the Hyderabad players have sort of disappeared. So it is basically the top 3 or 4 and may be 1 or 2 slightly lower than them.
- Moderator:** Thank you. The next question is from the line of Ankur Sharma from Motilal Oswal. Please go ahead.
- Ankur Sharma:** Apart from Power Grid, are you also seeing any traction on the SEB side? Which are these specific deals where you are expecting orders to flow in over the next few quarters?
- Vimal Kejriwal:** There is a significant uptick from the SEB side especially we work with very limited amongst of them, we work more with say Tamil Nadu, Karnataka, Rajasthan, West Bengal. So clearly in the south, now with the national grid being connected with by Power Grid we are clearly seeing that the southern states and the local utilities are coming under tremendous pressure to beef up their own networks. Earlier they could get away by saying that there is no power available and power not being transmitted. Now with the grids being in place all the pressure is now shifting to the state level utilities and specially as you are aware that the southern grids were not that developed internally and they have not been spending so much money on CAPEX. Very clearly, we are seeing that the south is spending a lot of money especially in particular Karnataka and Tamil Nadu. The other place where we are seeing is West Bengal. I do not know whether it is mention but most of them are non-BJP states, so West Bengal, Tamil Nadu, and Karnataka. I think we are probably doing three to four. In West Bengal probably we are doing six projects for the state. Even Karnataka and even Tamil Nadu we are doing 3 or 4 and we have bid for a lot more projects.
- Ankur Sharma:** Sir, in terms of the payment cycles from these SEBs, is it comparable to Power Grid because there is always this whole concern about delayed payments especially when you are working with SEBs. So, what has been your experience there?
- Vimal Kejriwal:** I think today power grid is not paying in the manner in which they used to pay earlier. That is one point. The second point is that I will not say there is undue delay, these are delays which are factored in at the time of making a bid. The third part is that if you look at West Bengal, that is the only utility in the country which is giving you 10% interest free advance, no other utility including power gives interest free advance. So each one of them has got its own area of crisis, but I think we are comfortable with the payment terms and they are very clearly factored into

our bidding process. I am not saying anything significant delayed beyond what we have factored in.

Moderator: Thank you. The next question is from the line of Sandeep Baid from Quest Investment. Please go ahead.

Sandeep Baid: Is it possible to quantify the impact of lower commodity prices on your top line?

Vimal Kejriwal: Top line I think it is close to Rs.80 crores, about 4%.

Sandeep Baid: Brazil... you mentioned the currency impact was about Rs.40-50 crores?

Vimal Kejriwal: Brazil would be another probably Rs.50 crores plus.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Canara Robeco. Please go ahead.

Yogesh Patil: What is the total exposure of SEB?

Vimal Kejriwal: It is around 12%.

Yogesh Patil: Normally, we do hedge commodities and currencies, right. Right now, we are still maintaining our policy or we have some open hedges or...?

Vimal Kejriwal: What happens normally is that, if you look at commodities, steel which do not have any great market for hedging, so steel is generally open except to the extent of what we are hedging with our suppliers for short term three months, six months, but we do not hedge steel on the forward markets, but if you look at other metals such as aluminum, copper, zinc and all that, more or less we stay hedged.

Yogesh Patil: On the currency side?

Vimal Kejriwal: Currency side we are always fully hedged except for Brazil and all that which are translation. Obviously, we cannot hedge them, because we are just translating them into consolidation, but otherwise I will say all the open currencies which are expected to come within one year or so....so short to medium term we are fully hedged.

Yogesh Patil: Do you see any labor issues in any of the geographies where you have exposure?

Vimal Kejriwal: I do not think there is any significant labor issue. Fortunately we are not facing in Saudi Arabia where they are very strict on the number of visas which they issue. For us we have been operating since 1998 and so almost 17 years we have adequate number of visas, that is a good thing for

me because I am finding competition getting constrained by what they have in terms of visas. Other countries I do not think we are seeing any significant issue on account of labor.

Moderator: Thank you. The next question is from the line of Arijit Malakar from Ashika Stock Broking. Please go ahead.

Arijit Malakar: I have a few queries regarding your sales. Sir, you say that your sales growth for the first quarter FY16 would be around 9-10% but during the quarter it declined by 7%. So, what are the probable reasons for the decline?

Vimal Kejriwal: I think you missed out our opening remarks. What we have basically said is that there are two reasons why there has been impact on the top line -- one was on the commodity side, because many of our orders are pass-through in terms of commodity and also on the cables. And secondly was on the Brazilian Real because the translation we lost around Rs.50 crores of expected revenue. So which are the two reasons why we were slightly lower on the sales.

Arijit Malakar: What will be your revenue guidance for the FY16 & '17?

Vimal Kejriwal: I think generally we have been growing at 10 to 15% and it is a good thing that for the next year also, we will continue to grow at those levels.

Arijit Malakar: During this quarter your interest cost as a percentage of sales have declined substantially and it is now 3.4%. So is it only that you are lending more in the foreign currency?

Vimal Kejriwal: I think for the various reasons why the interest cost have declined: Foreign currency is one of them. Secondly is that if you have been tracking us we sold a land last year for Rs.200 crores, we have also sold our telecom assets for Rs.80 crores. So clearly Rs.280 crores of cash has come into the system. And thirdly somewhere we are becoming a little bit better in our working capital than what we were before although it does not get reflected in the numbers, but it is improving somewhere. So very clearly if you add all of the three that is the reason why the numbers have come down.

Moderator: Thank you. The next question is from the line of Vinod Malviya from Florintree Advisors. Please go ahead.

Vinod Malviya: Just a follow up on this interest cost. For the full year we have been guiding 3% interest cost for the sales. Even domestically we have seen a huge cut in the interest cost coming down. So, will we be able to bring it down further like below 3% or you still maintain 3% would be the full year target for the interest cost?

Rajeev Aggrawal: This is Rajeev Aggrawal. I do not think that we would be in a position to bring it down substantially below 3%. If you look at our target itself, target is not an easy target of bringing down the cost from 3.6% to 3% and we are currently for the first half year at 3.6% interest cost.

So we have to still bring it down to 3% level which is quite an aggressive target, but we are very confident about it that we will be able to bring down the interest cost to 3%.

Vinod Malviya: Two factors like one was the working capital, the commodity prices coming down, so working capital itself is coming down and second was the sharp cut down in the base rate in India itself. So these were the two factors which have suddenly come into the market which I think we have not factored in earlier when we had given the 3% guidance?

Rajeev Aggrawal: We had clearly considered the overall reduction of interest rate in India but that has been the discussion going on for the last one year or two that interest rate will go down. So clearly we had factored that into consideration and also whatever borrowing on the working capital side we could shift to the commercial paper and whatever borrowing we could shift to the foreign currency. That we have already completed. So that going forward mainly the reduction would come from the better working capital management and also from the interest rate cut which have been announced by the commercial banks.

Vinod Malviya: On the standalone numbers, so sequentially from Q1 to Q2, the margin have come down. So, is it largely because some legacy order losses or...?

Vimal Kejriwal: I do not think it is fair to look at standalone numbers because our other consolidated numbers are also for the same business. So we always look at the consolidated numbers and consolidated numbers our margins have gone up. If you want to analyze case you should at consolidated numbers only.

Vinod Malviya: Do we have any legacy order losses still pending or it has completely done?

Vimal Kejriwal: Legacy orders what we had said was that earlier we were less than Rs.50 crores. I think whatever has happened in Q2 and Q1 we are now left with probably around Rs.20 crores of legacy orders which should get closed in the near future.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Can you give some sense on this L1, how the breakup is there of Rs.3,000 crores? Second, we were talking a lot on Railways, we have got some order in Q1, but then we have not received. So, outlook for Railways and Water if you can share?

Vimal Kejriwal: Large portion of the L1 is from the international market, probably more than 80% of that right now is from the international market. That is one. And you are right about the Railways. Railways, we had some L1 orders where for whatever reasons Railways decided to go for a rebid because they found that the numbers were much higher than what they wanted to award the projects. It was higher than the budgets, so they came back to us and obviously, we were not in

a position to reduce the numbers and all that. So they are getting rebid which are not part of L1, otherwise order book would have been much higher.

Bharat Sheth:

But how do you get the sense going ahead in Railways, the opportunity in coming next 1 or 2-years

Vimal Kejriwal:

The way Suresh Prabhu has been talking and the way we are LIC has given Rs. 2000 crores and they will 1.5 lakh crores if all that is materializing, I think we are very bullish. But the only caveat which I will add is that as of today there are hardly any tenders being floated. We do expect hopefully that they are doing some lot of homework and I think some last week we read that Planning Commission has approved some 76 or whatever number of lines. So once we start seeing all those approvals getting translated into orders we will have a better visibility. But if you ask me honest opinion, I think we are very-very positive and very bullish that Railways business could grow significantly. And if you remember what we have also been saying why we are bullish is that with the order sizes going up to Rs.250 to Rs.300 or Rs.400 crores the competition is becoming much more sensible and good enough for us to compete. That is the reason. Hopefully also with Suresh Prabhu and the monitoring which he is putting in, we do expect that once the project is awarded, the project will also get executed very fast rather than getting executed over 36 months and 42 months as is the current practice.

Bharat Sheth:

Where do you expect kind of L1 position tender pipeline order book to be in what region – could it be 10-20% higher than the last year March?

Vimal Kejriwal:

Normal practice is that order book should be around 1.1x of your current year numbers. If we do 10% we will probably at 9500, so order book should be around 10,500 by that logic. Probably to me it could be between 10,000 to 11,000.

Moderator:

Thank you. The next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta:

The first one is I heard you said that there is significant traction both on the PGCIL and the SEB side. So just wanted to understand the work profile of these orders. Any particular sub-segments that are seeing significant amount of growth than what it used to be earlier? Second is a follow up to a comment that you made earlier in terms of PGCIL's payment cycle not being the same as what it used to be earlier. Could you quantify that and give us a sense of where SEBs lie vis-à-vis that in numbers? Third one is on the international one. Are you seeing any rebid now that the commodity prices have crashed?

Vimal Kejriwal:

Third one is we are not seeing any rebids on the commodity cycle crash. I have not seen a single project being rebid in any international geography. As far as PGCIL is concerned, probably what I wanted to say was that the way today the payments were being made, they are not as great as what they were earlier, there is no change in the payment cycle. What they are now doing is that they are prioritizing what projects they want to complete and what can help them in better

capitalization or quicker capitalization. So they are clearly focusing on execution of those projects. For the non-critical projects which they do not think they will capitalize in this quarter or second quarter or the next quarter they have been growing a little bit slow saying that they be very careful and only do what you can build or what we can sort of erect and just do not do a supply sort of thing. In fact, it is actually impacting a lot more substation vendors rather than transmission but there is some impact on this because they are being very selective and choosy. So that is on the Power Grid.

Utsav Mehta:

If you could just put some numbers on it in terms of what their payment cycle is now and where SEBs would lie vis-à-vis that in terms of days if possible?

Vimal Kejriwal:

I do not think I have right now numbers on that. I will say it is not significant but it does have an impact and especially there is impact for more I would say for the marginal players and that is one of the reasons the competition is less is because the marginal players are not able to... if they have two orders and Power Grid asks them to slow down both the orders, does not make payment for both the orders, then they will get into jam. So that is what is happening. And also the other impact of this is that Power Grid has been very clear that they want to pay wherever they are seeing erect construction, erection is also happening rather than only supplies. And most of the smaller players what we have been seeing in the past few years was that most of them are interested in just supplying and not doing erection till the last minute. That is impacting. For large companies like us would do supply and erection together. It does not have a significant impact. And then you had a question on the subsections and sections and all that. What we are very clearly seeing that players like TANTRANSCO or KPTCL and all are going now for higher voltages and all that. Right now we are doing our 550 kV GI substation for TANTRANSCO, we are doing some large 400 kV projects for KPTCL which earlier used to be 66, 132 and all that. We are seeing them upgrading their systems both in terms of transmission and substation to a larger kV. Recently, West Bengal came out with a GI substation. What we are seeing is that, following Power Grid these SEBs are also now trying to upgrade themselves to 400 and 765. We already did one 765 for Rajasthan and we are expecting that some more 765 tenders will come out with some of these state utilities.

Moderator:

Thank you. The next question is from the line of Siddharth Mohta from Principal India. Please go ahead.

Siddharth Mohta:

f I have heard you correct, you said that for SAE, we will be PBT positive for the entire year FY16?

Vimal Kejriwal:

We expect to be, yes.

Siddharth Mohta:

Secondly, on the new business segment which include like Cable, Infrastructure and others, again, we can say that we will be PBT positive in FY16?

- Vimal Kejriwal:** It is a difficult answer for me. What we have been maintaining is that between SAE, Cables, and all the Infra business, all the three of them put together we hope that we will be PBT positive or let us say at zero PBT.
- Siddharth Mohta:** Any business opportunity that can come from Iran?
- Vimal Kejriwal:** Iran is an interesting country, a large country but what we have to understand is that Iran has got large power manufacturing, Iran has got large contractors and the third thing is that I am not sure what is the financial position right now of Iran, because when we had discussions with them what we understood is that they are looking for financing also. I think that such a long embargo has really weakened their financial position. May be a year or two after the embargo goes away and they are able to sell their oil at a market price and get dollars and all that, may be their internal situation may improve, but it is an interesting market very clearly.
- Moderator:** Thank you. The next question is from the line of Arun Kumar from Cholamandalam Securities. Please go ahead.
- Arun Kumar:** What is the market share of tenders that are acquired by KEC from Power Grid? And has there been improvement compared to last year?
- Vimal Kejriwal:** Normally, our market share remains around 15% to 16%. We normally get one out of six or so. This year I think we have been slightly better. We are probably at (+20%). We have been getting one out of five rather than one out of six.
- Arun Kumar:** Any traction like going forward for upcoming...?
- Vimal Kejriwal:** If you look at the Power Grid website in October they have announced a huge number of tenders... almost Rs.2000 crores of tenders have been announced by them. These are now under bidding. Hopefully, by December or so, these should be opened and probably awarded in Q4.
- Moderator:** Thank you. The next question is from the line of Aaditya Mongia from Kotak Securities. Please go ahead.
- Aaditya Mongia:** Sir, two related questions on margins: Firstly, would you kind of suggest that the margins in this quarter had a material impact from let us say commodity prices going down?
- Vimal Kejriwal:** I will not say material but there was some positive impact. I will not attribute it only to commodity. I think we had better execution, we had better margins overall and #2 was that the SAE losses had come down. So the full impact was visible in the T&D section including SAE. So part of it is commodity, part of it is better performance.
- Aaditya Mongia:** A related question was that, let us say now for the quarter we are seeing increasingly domestic having a higher share in terms of order inflows. Obviously, L1 pipeline is slightly overseas focus

but at least I would want to believe that considering the ordering pipeline of domestic orders incrementally domestic share should increase in the mix of backlog from where it is right now. A) Would you kind of agree with that kind of thing? And B) whether it would have any margin impact because my sense is at least that in international orders compared to intensity is slightly lower?

Vimal Kejriwal:

You are right. This probably will be the first year where our India business... when we say India, we say South Asia which includes SAARC also, it could probably be slightly higher than international, we have not had that for many years, but it would again be marginally higher. I will not say that it will become 60%, it may go to 51-52% or so. Secondly, on the margin piece of it, I do not think this will have an impact on the margin. We are very confident of what we are doing on the margins. And if you recollect we have also talked about having done a huge transformation exercise on our project execution especially in India. I think that is having a very positive impact on the project execution in India. Let me put this way, we are very positive about our margins in India. What actually happens, Aditya, is that the projects more profitable because of the interest element. At EBITDA level you will generally find that probably both international and India would be at the same levels or may be there could be a marginal difference project wise. But when you come to PBT we always find that we are able to borrow in international project and LIBOR lies at 2% or 3% whereas you borrow at 8-9% or 10% against the Indian projects. So when you go down beyond EBITDA then you find that International is better.

Moderator:

Thank you. The next question is from the line of Amber Singhanian from Asian Market Securities. Please go ahead.

Amber Singhanian:

The fall in the raw material to sales we have seen 600 basis points and 200 basis points YoY and QoQ whereas EBITDA margin has improved more than that. So, would it be fair to assume that apart from SAE and commodity prices, other things have not improved significantly or if you can just throw some light on that how things have moved in? Also, in context to the same, if I look at standalone numbers, I understand it is not the right way but most of the variable contracts are there in the standalone, there we have seen the margin being lower at 3.3%. So if you can just throw some light on that overall?

Vimal Kejriwal:

As for the second question is concerned, you should also keep in mind that all my loss-making businesses or let us say less profit-making including Cable and Infra are all 100% in the standalone, which is what basically impacts the standalone margins. When you look at your consol margins it is basically Saudi and SAE, there is nothing else. Very clearly, Saudi, obviously, everyone understand this is much more comfortable and there is nothing negative there. So that is what is happening. To your first question, again, let me put it this way. I do not have the breakup of the composition of the top line, but if you look at you have basically two elements -- one is your supplies and second is the construction. As I said I do not have the numbers, maybe Nitin can give it to you later on, in this quarter we specially saw that a lot of work had happened on the construction piece, where raw material is not playing as significant a

role as it should have been playing in other places. If you look at the numbers then what you should do is add the construction piece and all and the raw material and then evaluate. I will give you a classic example: There are cases let us say in Saudi Arabia, where I may give a filing contract only for doing let us say an excavation or I may give a filing contract along with cement and steel at which price cement and steel also going to subcontractor or going into material cost. So it would be very difficult for you to analyze each number, line by line pick up and say that material cost has gone up or down. It can also depend upon the way we give out contracts.

Amber Singhania: As you mentioned about the standalone margins which includes the other segments, so does that mean that other segments are still making margins much lower than 1 or 2% or still in the losses as such?

Vimal Kejriwal: That is why we indicated very clear that we are not making that much money in the other businesses. You know we have been talking about T&D doing between 9% to 10%. On an overall basis, we are at 7.7%, we have not made that much money.

Amber Singhania: Individually, if you can just throw some light on Power Systems, Cable and Railways, how these segments are doing as such... Power substation which we have clubbed with T&D now. So how the margins would be moving in these three segments?

Vimal Kejriwal: To me the margins in power systems are in line with our T&D, in fact, today they are slightly better than T&D, but I will say that I they are in line with T&D. So the same amount we are making on substations also. I think our order book today is around Rs.1500 crores in substations. Cables, I think we are still not doing a great job on the PBT piece, but EBITDA I think we are now in line with 5-6% of our revenue is in EBITDA.

Amber Singhania: How much is the transmission and how much is the substation company did the PPP project which we have won?

Vimal Kejriwal: There is no substation in that, it is a pure transmission line.

Amber Singhania: What is the tenor of this and how much is the VGF?

Vimal Kejriwal: VGF I would not like to talk about, but it is 25-years, because there is one more tender coming up in the next few months.

Amber Singhania: But was it like highly competitive? Who was the L1 and how much was the....

Vimal Kejriwal: Obviously, we are L1, L2 was Tata projects.

Amber Singhania: The difference was significant?

Vimal Kejriwal: Nothing significant, it was fairly competitive.

Moderator: Thank you. The next question is from the line of Vivek Sharma from ICICI Securities. Please go ahead.

Vivek Sharma: My question is slightly longer-term question. Do you see like in 2-3-years time Power Grid already could be on a slower path and with power ministry focusing on adding renewable capacities there could be impact to us with regard to our current portfolio and our ability to service a segment which is new and which is slightly lesser like power grid ordering could be slower than what we are seeing right now?

Vimal Kejriwal: Vivek, one thing what is there at least as of today Power Grid maintains they will order Rs.22,500 crores per year. And the way they have been ordering, we very clearly see that piece happening. Second piece is if you have seen the recent TBCB results also, Power Grid has got Rs.6,100 crores job. So very clearly, what we are seeing is that for Power Grid it is a bread and butter that we have to build transmission lines. If they do not get transmission lines on nomination basis they are very clear that they will go and get that from PPA route. When we talk to Power and which we do very frequently the indications from them are very clear that they will continue to do the same amount at least if not more. But, this year they have said that they will probably do more than what they had planned earlier instead of Rs.22,500 crores they may do Rs.24,500 crores which they have not yet stated saying publicly but they have been saying that they will do probably more than that.

Vivek Sharma: So we are not worried about next 2-3-years. There is a plan, there is a visibility. I am talking about maybe 13th Five Year Plan.

Vimal Kejriwal: That is what I am saying, for Power Grid this is the bread and butter and they are very clear that they will not let it go. That is one piece. Second piece you should understand is that today Power Grid has issued tenders of Rs.10,000 crores in NER. Now you tell me if you bid a project in NER in PPP and all that, what will happen or I am doing six projects for Power Grid in J&K. There are clearly many projects which will still continue to come to Power Grid. And you talked about Renewables. There are three or four projects on lines 765 lines of 800 kV lines which Power Grid is building for connecting the renewables from Jaipur going down to Maharashtra and then going down further to Andhra Pradesh. So when I am talking about renewable, it is not small distributed projects and all that, what we are talking about huge solar power and other things which they have been talking. We are very clearly seeing Power Grid already actually building lines for green energy. As I said, I am already doing three to four projects for them which were not there before till the renewable piece came in. We and Power Grid both are looking at that piece very positively. Just on that we have also started doing Solar, we just have got the orders of Rs.110 crores in Solar and we are L1 in some more orders. So, as a side part that we also probably make some money out of renewables especially in Solar EPC.

Moderator: Thank you. The next question is from the line of Ankit Babel from Shubhkam Ventures. Please go ahead.

- Ankit Babel:** My first question is on the other operating income which is declining since last two quarters from Rs.59 crores in first half it has come down to Rs.42 crores. So what should be the run rate for the next couple of quarters?
- Rajeev Aggrawal:** It is generally the sale of scrap material and duty drawback that you get on the export order. There cannot be a consistency on that and in fact in this quarter steel prices have gone down so that has been reflected in the sale of scrap prices also, scrap prices have also gone down. The other thing is that in this quarter we have not sold the steel scrap hoping that the prices may move up, so probably next quarter you may see some spurt in the other operating income.
- Ankit Babel:** On interest cost also, this Rs.70 crores is the run rate for the last 3-quarters now approximately. So in the next couple of quarters also can we expect the same run rate or it will change?
- Rajeev Aggrawal:** I think this cost should further come down but not significantly I would say, there could be a marginal improvement in the absolute number, but my top line will grow in the second half, so interest as a percentage of total revenue will come down.
- Ankit Babel:** What were your margins in your T&D business in this quarter and the first half at EBITDA level?
- Vimal Kejriwal:** I do not think we will be able to give that number right now but on an overall basis I have been telling you that we do have 9-10% margin in the T&D business.
- Ankit Babel:** So that is maintained in the first half and second quarter?
- Vimal Kejriwal:** In the first half that is also maintained in our order book.
- Moderator:** Thank you. The next question is from the line of Khaneja Mantri from Dalal and Broacha. Please go ahead.
- Khaneja Mantri:** My question is regarding your expectation on the working capital cycle and the debt level two to three years down the line? What is your CAPEX plan for the next two years?
- Vimal Kejriwal:** CAPEX we have been generally been spending around Rs.100 crores on an average on Construction Equipment and a little bit balancing equipments in the factories. So I do not think we want to spend more than Rs.100 crores. We have got no major CAPEX plans otherwise. That is #1. On working capital, we would say 10% improvement because we are close to 220 or something, I do not know, we want to go down to 180, I really so in two years also gross working capital should come down by at least 10%, if not more honestly, we are trying to do it, our target is that. But already if you look at, this year's number, we have toggled a very aggressive interest cost at 3%. So that does assume that we will do a little bit more on the working capital than what we have been able to do.

- Khaneja Mantri:** What would be the debt level expectations?
- Rajeev Aggrawal:** I think by and large with a growth in the top line we should be able to manage within the current debt level. So I do not see a significant downside on the overall debt number and we will be able to manage with the current working capital probably we can support another 20-25% growth in the top line.
- Moderator:** Thank you. The next question is from the line of Prashant Tiwari from Religare Capital Markets. Please go ahead.
- Prashant Tiwari:** Can you please tell me for the whole year your outlook for the order inflow?
- Vimal Kejriwal:** If you look at the total year we should be doing order inflow of probably Rs.10,000-11,000 crores is what we are looking at.
- Prashant Tiwari:** So we have already done around Rs.5,200 crores of orders, right?
- Vimal Kejriwal:** Yes and L1 in Rs.3,000 crores.
- Prashant Tiwari:** So for next 3-6 months you will get another Rs.5,000 crores of orders. So can you please break this inflow into your business verticals if you can?
- Vimal Kejriwal:** I do not think we have the numbers right now but let me put this year. If you do it geographically it will be 50%... I am including the L1s into that, it would be 50% international and 50% India. That is a broad geographical breakup. If you look at business wise Cables virtually get all their orders equivalent to the revenue. So they have done revenue of Rs.500 crores, I would say that our order inflow would have been Rs.500 crores and another Rs.600 crores or so for the H2 and sell whatever they get. So it would be 1:1. Railways and Water, we do not expect too much of that coming in. I think the inflow has been roughly around Rs.270-280 crores for Railways and Rs.120-130 crores for Solar, the rest is all T&D.
- Prashant Tiwari:** That is what you are expecting in next...?
- Vimal Kejriwal:** We already have them in the order book.
- Prashant Tiwari:** Yes, that is what you have, but going forward, like you expect more...
- Vimal Kejriwal:** Going forward, I do not think we are looking at very aggressively for Solar because we want to execute these orders first and then look at more orders, may be another Rs.1500 crores we may do.
- Prashant Tiwari:** How about T&D and SAE?

- Vimal Kejriwal:** If you deduct these numbers from the Rs.10,000-11,000 crores expectation, rest is all T&D.
- Prashant Tiwari:** Would you be able to break your capital employed across the verticals?
- Vimal Kejriwal:** I do not have them right across, but you need to speak to Nitin later on, you can get them.
- Moderator:** Thank you. The next question is from the line of Deepak Narnolia from Antique Stock Broking. Please go ahead.
- Deepak Narnolia:** Your other income includes this profit on sale of land last year. So this year total other income is?
- Vimal Kejriwal:** Rs.3.5 crores.
- Deepak Narnolia:** Your gross working capital is Rs.6200 crores. So when you are saying that you can support growth of around 25% at this level of working capital. This means in absolute term, you would be maintaining this figure and this can support your sales of 25% growth?
- Rajeev Aggrawal:** Basically what I have been telling you is that this working capital can support another 20-25% growth in the top line and accordingly the number of days outstanding on the working capital from the current level of 220-days may probably come down to 200 or 180-days. So that is our target actually. A slightly longer period maybe a couple of years, three years' time we are targeting to reach to a working capital cycle of 180-days.
- Deepak Narnolia:** In your gross debt, how much is the working capital loan?
- Rajeev Aggrawal:** Our working capital loan currently is close to about Rs.1500 crores.
- Deepak Narnolia:** So out of this Rs.2400 crores, Rs.1500 crores is working capital loan?
- Rajeev Aggrawal:** Rs.1,500 crores. About Rs.800-900 crores is the term loans, it includes the acquisition debt for SAE also.
- Deepak Narnolia:** You have won first Solar order of Rs.110 crores. So, what is your long term plan in this segment like is it a new growth area you are looking for or what is the kind of competition and profit margin you are expecting from this segment because I understand that the project cycle of this business is of lower size, my understanding is that competition can be huge in this particular sector. You can throw some light on that.
- Vimal Kejriwal:** First of all, we have done a couple of projects earlier than this. Secondly, this is not one single order, this is three orders. Thirdly, we are looking at this and in fact the earlier participant also asked this question, the government is doing a lot of renewable, etc. So very clearly we have seen a huge focus happening on renewable. So, we are talking about 20,000 GW and 100,000

GW being added. It is a huge market. It has just come in and we do expect this to be a focus area for us. The next question you said is that competition and also short term execution cycle. The fact that the short term execution cycle 3-4-months keeps competition away. There are a very few companies which can mobilize teams and erection teams and structures, etc., in a short cycle of 3-4 months anywhere in the country and execute such orders. So we do not see too much of competition from the organized large sector in this area. If a developer wants to do it himself, we can always get lots of contractors, etc. But if someone wants to do a large good job, then maybe 5 players in the organized sector who are competing in the Solar EPC market.

Deepak Narnolia

What kind of profit margin you are expecting from this business?

Vimal Kejriwal:

The margin should be similar to what we do in T&D because a lot of things are similar to T&D because you have structure, you have erection, you have balance of plant, substation, cabling, etc. So the nature of the business is virtually similar.

Deepak Narnolia:

About your interest cost, if I see in the absolute term it has come down significantly to Rs.68 crores during this quarter. So, what is the kind of likely annual run rate?

Vimal Kejriwal:

I think what we have been seeing and what Rajiv said earlier is that we have been spending around Rs.70 crores and we do expect that even with the growing revenue in the next two quarters hopefully we should be able to cap the absolute figure at Rs.70 crores. So from 3.4% for the quarter as a percentage of sales, we would like to bring it down to on an aggregate 3% of the sales.

Deepak Narnolia:

That is a one year target in the next...?

Vimal Kejriwal:

That is the target for the current year.

Deepak Narnolia:

In the current year you are expecting it to be 3% of...?

Vimal Kejriwal:

We want to bring it down, but that is our target, yes.

Deepak Narnolia:

At 3% of your sales?

Vimal Kejriwal:

Yes.

Deepak Narnolia:

What is helping you in that?

Vimal Kejriwal:

Helping us in that are two things -- One is obviously the interest rates are going down, secondly, we have done a little bit changes in the mix of our borrowings, we have got a little bit more of foreign currency borrowings, third is that we have done a lot of market-related instruments like CPs, etc., so that is helping, and fourth obviously is our emphasis on collecting a lot of old receivables, etc., so there will be a net working capital improvement, and fifth would be the

money which we got from the sale of our assets of our land and telecom that has come in. All those five things are helping us to making us more confident about the targets.

Deepak Narnolia: So how much is foreign currency loan right now because that will create additional risk of currency also?

Rajeev Aggrawal: Currently, our total loan book of Rs.2400 crores comprises almost 50% foreign currency loan and 50% Indian rupee denominated.

Deepak Narnolia: Out of total Rs.2400 crores?

Rajeev Aggrawal: Yes, so it is almost equally split between the foreign currency loan and rupee borrowings.

Deepak Narnolia: But then it will increase your currency risk additionally?

Rajeev Aggrawal: It will not because what we have done is we have consciously increased our foreign currency borrowings considering that we have a lot of exports of Tower to various countries in Middle East and other countries. So we have a natural hedge against our foreign currency borrowing and we have borrowed only to the extent which can be supported by our export receivables.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: First is the Cable segment, what is our current capacity utilization in the facility?

Vimal Kejriwal: On the Cable segment we are probably around 90%.

Ravi Swaminathan: What would be the peak revenue that we will be able to generate in this particular segment?

Vimal Kejriwal: The problem in Cable is that we have various products and each one of them can generate different revenues, VHV can probably be 3 or 4x of normal Cable. It will be very difficult to answer this question. May be 2000 with small marginal additions here and there. But I think it is very difficult, I will not be able to give you a number. We expect 1100 this year, maybe we will do another 100, 150 next year and it also depends upon where the copper prices are.

Ravi Swaminathan: But the manufacturing of these products are fungible, in the sense that the larger...

Vimal Kejriwal: Not exactly fungible, but some of them are fungible, like if you want to do an HP or an AHP, probably you can be fungible, in LT there are various types can be fungible but I cannot do an AHP on a LT cable machine and optical fibers are separate line altogether. So some products are fungible, some are not. So our endeavor is to obviously try and get orders for the more high values. So our most obvious attempt is to get more AHP orders and exports and also more specialty orders on Instrumentation Cables and Rubber Cables and right now the new area is

Solar Cables. So all these things are there. I think if we are able to put it together maybe the revenues may go up with the same capacity.

Ravi Swaminathan: I was looking through the balance sheet. Your advance from customer have actually been consistently falling from past 3-4-years. Is there a change in the way your customers are giving advances or is it the strategy that we are adopting of not taking that much advances from customers...?

Vimal Kejriwal: What is happening is that there has been a change in the customer profile and as you notice that 12-13% of our business is coming from SEBs, most of the SEBs do not give advances, #1; #2 is if you look at our Railways business and all that, Railways are still charging from 15-16% as interest on advance. Wherever are finding that taking advances are not economically viable, you have to add your advance guarantee cost and the interest cost which some other customers are charging, it does not make sense. In some cases, we have taken a conscious decision of not taking advances. In others, it is more because of the nature of the customer has changed from let us say Power Grid to SEB; and thirdly, we are also seeing Power Grid now they are coming and saying, when we are charging you interest and all that, why do we want to take an advance. So that is the reason.

Ravi Swaminathan: During this quarter, the other income at a consol level was Rs.3.7 crores whereas from sale of the telecom assets itself there was some Rs.5.3 crores gain. Where is the negative number coming?

Vimal Kejriwal: What happens is when we close projects in many other countries and we get up of those countries, you do sell off the minor assets which are lying there, then you do some OPEX and project OPEX keep on moving, so all those furniture write-offs and other things I do not like to carry a desktop with me back. So all those small things keep on happening. This balance of Rs.4 crores or so is on account of losses on miscellaneous phase.

Moderator: Thank you. We will be taking another question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Is there any FOREX gain or loss during this quarter?

Vimal Kejriwal: There is definitely a FOREX gain or loss in this quarter and most of it is on account of translation. Normally, for the operating transactions we are hedge, but when you convert the balance sheets on 30th September whatever currency gets reflected into this. So there is a loss.

Amber Singhania: If you can quantify this vis-à-vis last year second quarter, how much is this year?

Rajeev Aggrawal: There is Rs.30 crores translation loss.

Vimal Kejriwal: Why do you not call Nitin to get the exact number for the last year?

- Amber Singhanian:** Sure. This Rs.30 crores is reflecting in which head in this quarter?
- Vimal Kejriwal:** It should be in the other expenditure head.
- Moderator:** Thank you. I now hand the conference over to the management for their closing comments.
- Vimal Kejriwal:** I think I will just say that thanks for all your interest and we hope that we are living up to your expectations. Thank you so much.
- Moderator:** Thank you very much, members of the management. Ladies and Gentlemen, on behalf of KEC International Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.