"VA TECH WABAG Limited Q1FY13 Results Conference Call"

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Moderator Ladies and gentlemen, good afternoon and welcome to the VA TECH WABAG Limited Q1FY13 Results Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should require any kind of assistance during this conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Rajiv Mittal from VA Tech Wabag Limited. Thank you and over to you, sir.

Rajiv Mittal: Thank you for accepting our invitation and being with us for this Concall. It is my pleasure in welcoming you all for this discussion on our unaudited quarterly results for Q1FY13.

Along with me we have Mr. Varadarajan, our Executive Director, Finance and our Investor Relations Advisors, Strategic Growth Advisors.

Since last quarter we have taken an initiative to bring our business heads to interact with you, this quarter we have with us Mr. Amit Sengupta our Executive Director, Corporate Strategy and Marketing. Amit looks after global corporate strategy and business development.

We would like to first update you on various events that happened during the quarter. Let us start with the order intake. Despite weak investment sentiment and prevailing global uncertainties, we were able to pick up fresh orders of over Rs. 600 crores. With this addition, our Firm Order book now stands at Rs. 4110 crores. Of the total Firm Order book two-thirds relates to India business and the rest to our overseas subsidiaries.

In addition to the firm order book, we also have framework contracts of Rs. 861 crores on receipt of advances or letter of credit or notice to proceed or achieving the financial closure we will take these order to the firm order book.

Some of the key projects bagged during the current fiscal year, (1) Rs. 270 crores order from Reliance Industries for the construction of Effluent Treatment Plant with recycle facility for the proposed PTA and PET Dahej Manufacturing division in Gujarat and also Tertiary Treatment Plant for their Hazira complex. (2,) Turnkey order for Rs. 68 crores from Bajaj Infrastructure Development Company for their complete water system for Lalitpur super thermal power project in U.P. (3,) on the international side orders from Romania were designed and constructed of wastewater treatment plant of €7.5 million. 4) Major revamp of waste water treatment plant in Tunisia, North Africa of €6.5 million.

We also have O&M contracts from Turkey and Romania worth €7.5 million and standalone O&M contracts worth Rs. 46 crores in India.

A brief update on our Nemili desalination project in Chennai. We have achieved 92% completion of the project. We expect to complete this project in this quarter and operation and maintenance will commence from the next quarter.

Orders in new geography, the strategy to build multidomestic units in developing countries started giving us result. We focused on geographies like Saudi Arabia, Turkey, Tunisia, Algeria, Philippines and Sri Lanka after experiencing the challenge in the Libyan market. We secured orders in these countries with our local team leading the project. These markets have large potential for water projects and we expect to make further inroads in the coming years.

Projects won during the last year have already started contributing to the revenue which is visible in 50% growth registered in our international business. Also, we continue to receive fresh orders from these geographies. In the current quarter international business has registered an order intake of approximately €25 million.

I am happy to say that our Q1 performance is in line with the annual guidance of consolidated revenue of Rs. 1650 crores to 1700 crores.

I now request my colleague Mr. Amit Sengupta to share his views on various new initiatives taken by the company. Over to you, Amit.

Amit Sengupta: Good afternoon, dear friends. I am very happy to share my views on Wabag's growth strategy. The objective of Wabag is to grow organically as well as inorganically. On the organic growth front, we have taken various steps in our business development to achieve higher order bookings. Some of them are: 1) We have centralized our business development team to establish and enhance a relationship with customers ahead of competition. SBUs have been reorganized based on their sectoral knowledge and excellence to position themselves as knowledgeable solution providers. All the SBUs have been made global in order to enable them to share the best practices among all Wabag establishments globally and develop global delivery capability. Fourth is Corporate Marketing. Here, we are working with a long-term view towards Wabag brands and image building. Last but not the least point is we are establishing alliances with global majors to bid for large size projects where we can get some substantial share. Now, all these steps are expected to yield good results to Wabag in the longrun by virtue of better information and enquiry prospects and information that will be available to us in advance and we will be able to create right perceptions about Wabag in the mind of our customers. Also, it will earn us the preferred supplier status at the beginning itself so that the customers will feel that we can understand their issues and we are able to suggest proper solutions.

And Wabag will be able to achieve and secure a great chunk of mega projects to achieve breakthrough growth numbers. It is particularly true for our alliances with the major players in the global scenario.

Now, regarding the alliances I would also like to say that alliances with global majors has helped Wabag particularly our alliance with Sumitomo of Japan established about a year back has resulted in at least six projects around the continent. Each are at different stages of bidding but opportunities are created in municipal as well as the desalination sector and we are very hopeful that by this financial year end we will be able to convert at least one of them.

Now, coming to our strategy of inorganic growth. We are looking to acquire companies globally who will bring any or many of the following: Say, either a new market for Wabag or deeper penetration in the existing markets. B) some new technology which we can include in our portfolio and we can really take advantage of that in the market where we are in. Also, we are looking for a company who can compliment our growth in case they have good human resources. So, more or less these are our organic and inorganic growth strategies.

Now, I thank you all and over to Mr. Varadarajan for taking you through the financial performance of this quarter.

S. Varadarajan: Thank you, Amit. I am sure you must have had an opportunity to see the analyst presentation as circulated and uploaded in our website. Before we start presenting the results for the quarter, I would like to inform you all that considering the risk and return profile of the segments between products and geography the company has identified geography as a primary segment in accordance with Accounting Standard 17 on segment reporting. Accordingly, the company has disclosed its segment results between India and rest of the world.

Let me now present the unaudited quarterly results for Q1FY13. On a consolidated basis, we achieved revenue of Rs. 225 crores during Q1FY13. Net profit for the quarter was Rs. 2.24 crores as compared to a loss of 4.16 crores in Q1FY12. On a standalone basis for the quarter ending 30th June 2012 the company recorded revenue of 99 crores as compared to Rs. 128 crores in the corresponding previous quarter. Net profit for the quarter is Rs. 4.6 crores as compared to Rs. 5 crores in Q1FY12.

Some of the major projects that have contributed to the revenue are greater Dambulla Water Supply project in Sri Lanka; Reliance Industries project in Jamnagar, Dahej and Hazira; Durgapur project; three projects from Iran and two projects from Switzerland have contributed.

By now you must be familiar that there is a certain amount of seasonality to our business and therefore the revenues are back-ended towards the second half of any financial year. Generally, our first quarter is 10-15% of the total annual revenue. We have mentioned in the past that generally our contribution margins are higher in the international business. However, due to higher operating costs which we internally call as 'Total Cost of Operations' our EBITDA margin in international business are lower in comparison to the domestic business.

Yes, in the current year we were successful in improving our margin in the international business mainly due to controlling of fixed costs. Our EBITDA margin for standalone business is 8% whereas the consolidated EBITDA margin is 5%.

With this we now open the floor for question-and-answers.

Moderator Thank you. We will now begin with the question-and-answer session. We have the first question from the line of Gopi Krishna from AIG Mutual Fund. Please go ahead.

Gopi Krishna I just wanted to know about the sundry debtors' position after this particular quarter. You can say the number of days?

S. Varadarajan It will be about 277 days we have as number of days.

Gopi Krishna And creditors and net cash flow?

S. Varadarajan Creditors is about 167 days. We have 350 crores of net cash.

Gopi Krishna And one more question I wanted to ask is about the tax rate in this particular quarter. It is kind of high compared to the other quarters. Can you throw some light on that?

S. Varadarajan Tax rate generally is based on some of the permanent establishments where we have to pay the taxes whereas the subsidiary as a whole may not be actually making profit as much. So, I suppose your question on the consolidated number, right?

Gopi Krishna Right.

S. Varadarajan So the permanent establishments as I explained in the past is subsidiary, it is actually a consolidation of profitable subsidiary, and non-profitable subsidiary. The profitable subsidiaries will have a tax to be paid in their country which is obvious. There are some non-profitable subsidiaries which also have a permanent establishment where business in that country will be taxable based on the profits made and that is the reason why you will see that the tax is not something which we can exactly predict but it moves on an average by end of the year, it will be in the same lines of the previous year.

Moderator Thank you. The next question is from the line of Shreyash Devalkar from BNP Paribas.

Anand: This is Anand here. Just wanted to check on the prevailing policy paralysis in the country. Is that having any impact on your existing order book, are we seeing any slowdown in terms of the execution cycle?

Rajiv Mittal Anand, the answer in short is no. And as we have always told to all our investors that we only take those projects which are executable and all our projects both in India and international are all under this category because we do not start execution till we have all the funds available and financially we have enough security to start the projects. And you know we all focus on projects where we have financial security and that is the reason we have even given birth to the term called 'framework contracts' where we are not very sure that the projects can be executed, we put them under framework and do not take it even in our order book. So, at the moment in short, all our projects which are in the order book are executed, they are in progress, there is no hold or suspension from the client side or not even a go-slow from the client side.

Anand: Just one more, in terms of expected orders which are coming up for bidding both in India as well as internationally, particularly, what is the situation around Egypt, Libya which were the markets which really got battered in the last, one, one and a half year?

Rajiv Mittal I think we all read papers and follow the news. The good news is both these countries you mentioned have seen the election. Peacefully, the elections are over. Now, we will have to watch how quickly the governments will come back and start demonstrating their will to continue the development process. One thing is true that all these developing countries which include Egypt and Libya, they need a tremendous infrastructure even before the civil war. Now, after that even the requirement is much more. So, we have been getting continuous requests from these governments that we should keep our bid validity, we should be ready to come back and work; in fact, they have been in continuous dialogue with us, saying that we expect you to come back and work, please keep your resources ready to come back and work for us, we are going to very quickly give you a notice to start again. So all those discussions are on but truly we do not expect at least in the next one quarter anything to happen, but there is good chance that in the last quarter of this fiscal year something can come up.

Anand: And in terms of the domestic market how it is looking, whether the policy paralysis really now getting over and you are seeing some action?

Rajiv Mittal Domestic market you know we tend to be very choosy and we always go for large complex projects, whether they are in municipal side or in the industrial side and the criteria we go for where the finances are secured. And if it satisfies all this criteria we go for and these are generally about 12-15% of the project which we would like to bag. And these projects we have for this year order book very firmly under our control and we are very confident that the guidance which we have given you these are the orders we have a very concrete pipeline where the bids are in, they are in various stages of evaluation and we are very confident that this year's order book target we will achieve it very convincingly.

Shirish Shirish here. Just regarding the order with Sumitomo which you are talking about one can get closed during this year can you give more color on as to which geography and broadly the timeline if you want to put on.?

Rajiv Mittal My colleague, Amit, mentioned about Sumitomo because I think this is an alliance we had just over a year and we were expecting to do something with them. But unfortunately, because of this Arab spring things were slowed down but luckily at least in the last one year we have seen some of the other geographies opening up. And today, together we are developing at least six projects. They are in various stages of development. A couple of them projects we have also bid. Our bids are getting evaluated and these are the projects which we expect will definitely close in this fiscal year and one, we are very, very hopeful that we should be able to bag and start our execution in this financial year. And this is a project I cannot name the project for obvious reasons but it is a large project of at least a magnitude of €200-250 million and our quotient in that will be about one-third because there are other two partners also with Sumitomo and we believe that we have a very good chance on this project and in a geography where we are very familiar.

Shirish Lastly, Mr. Mittal, you said 277 days if we can get an absolute number of debtors?

S. Varadarajan Absolute number is 1075 crores.

Moderator Thank you. We have the next question from the line of Chhavi Agarwal from Ambit Capital. Please go ahead.

Chhavi Agarwal: Firstly, on the India execution, this quarter the execution has declined YoY. One reason could be the Chennai desalination plant; the contribution could be lower this quarter compared to last quarter in the last year. Now, the thing is that what has been the contribution of APGENCO project because in the presentation I do not see that those two projects are contributing majorly and also the Delhi Jal Board project?

Rajiv Mittal You are very right that the large projects like Nemmeli desalination plant and also our Dambulla which is the Sri Lanka project, the contribution is lower because in the last quarter we had a very substantial contribution and this quarter the contribution is not as good. Coming to the APGENCO projects, the reason you are not seeing again a large contribution because we had a lot of supplies which we could complete in the last year last quarter and this year we are more at site doing the execution. And it is the Kakatiya which is now in full swing construction is going on. As we have told you before Rayalaseema had a delayed start where client had some land acquisition issues which were sorted out and we got a clearance to go ahead in the last quarter of last fiscal year. So this quarter which is the first quarter of this fiscal year, we have finished most of our engineering. So from this second quarter onwards, you will see revenues also flowing in from the second project which is the Rayalaseema project, till now we were busy doing engineering and hence you do not see much revenue in that. Now, coming to Delhi Jal Board it is also a very fresh project, all the old projects more or less we have invoiced, the new one which we had won that project is still on the drawing board; the first four to six months always take design and engineering. We have just mobilized that site and this quarter being a monsoon quarter, we do not expect a huge progress in construction terms but we have started at site and some construction activities will be done. And the major revenues will come from Delhi Jal Board in the third and the fourth quarter.

Moderator Thank you. We will take the next question from the line of Manish Gupta from Kotak Securities. Please go ahead.

Manish Gupta I have a question on your margins. Can you tell me the order book that you have on hand what are the kind of margins that you are looking on?

Rajiv Mittal It is a very difficult question because as you know our order book comprises of at least hundred of orders and if you talk about our order book I think our contribution margin will remain in the region of 20 plus percentage in terms of India which is a normal percentage which we work on. And if you need a comfort to say that the orders which we are booking in, are they coming in at normal margins or lower margins? I would like to give you an assurance that we never do our business which compromises our margin. So, our margins are very much intact but some of the orders we have got in this quarter are better than our normal margins and we expect to maintain or increase our margins on the fresh orders.

Manish Gupta And does softening of commodity prices help your margins?

Rajiv Mittal If the softening happens obviously, it helps. As we have said before that almost 70% of our contracts have an escalation formula. So, if there is an escalation of commodity prices we get an escalation and if there is a softening there is also that we will have to reduce some of our prices. But, it always contributes only 70% benefit we can get. So, if commodity prices are on the downtrend definitely there will be a slight improvement on our margins expected.

Manish Gupta So we can expect the margins to remain in the range of 8-9% that we have seen?

Rajiv Mittal I think 8-9% last time we said that this was because of the reason of our variable pay which was twice. We would say more it would be in the 9-10% range rather than 8-9% range.

Manish Gupta One last question is can you give me a split between your order book in terms of government and private projects?

Rajiv Mittal If you take both our EPC business and O&M business, it is about 75% is municipal and 25% is industrial

S. Varadarajan On a consol basis.

Manish Gupta And what would be the split in India if you can give me?

S. Varadarajan India is 70% municipal and 30% industrial.

Manish Gupta So in spite of having 70% of your orders coming from municipal corporations, you do not see any slowdown or anything…?

Rajiv Mittal As we said before that we only go for projects which are properly funded. What does that mean is that we go for projects which are multilaterally funded or central governmentally funded through JNNURM so once these projects are approved by this multilateral agencies or the Government of India we do not see these projects slowing down because of cash flow not available.

Manish Gupta I am talking more about new orders being announced or tendered?

Rajiv Mittal That is what I said before that at least for this year we have a very concrete pipeline. These all projects take about two years to develop and by the time it is approved by multilateral agencies and they come for tendering this is the long back that all these projects have been approved and we have already bid for it, it is under evaluation so we do not see any risk in this year's order forecast or guidance which we have given, these are absolutely a concrete pipeline and we are very sure of what we are telling you.

Manish Gupta Let me ask you in another way. If the policy logjam continues for another say six months or so, would you see the impact in two, three years from now?

Rajiv Mittal Yes, I think there have been years when we see the municipal order book has slowed down but we are equally comfortable in working with industrial projects as we are with municipal projects, we shift our resources to the industrial side, there are years when we have picked much higher order intake on industrial compared to the municipal, we also can shift our resources for international projects which we have done in the past. I think that is the kind of a huge flexibility we have in our organization because we are multi-geography based, we can shift resources to geographies where the order intake is coming in. Also in India we can shift from municipal to industrial. So we do not think that even if this continues it should affect our order intake. We are still very confident the order intake required for achieving our 15-20% growth at the top-line will be a concern to us in the years to come.

Moderator Thank you. Our next question from the line of Jonas Bhutta from Bank of America. Please go ahead.

Jonas Bhutta: Basically, why were your standalone margins lower this quarter?

Rajiv Mittal I think you have to see that our revenues were lower compared to last year and our cost of running the organization, whether it is employee cost or other overheads will increase year-on-year. If you see the contribution margin we are good. But when you see the gross margin or the EBITDA it is lower and this is obviously because we have lower revenue and almost the same fixed costs or slightly higher fixed costs hence our margins will appear lower. As we go along when our revenues are higher and fixed costs remain fixed because all four quarters more or less the fixed costs will remain the same but in the first quarter we have hardly done less than 10% of our revenue. So naturally it will appear that the margins are lower.

Jonas Bhutta: So despite this sort of performance in the standalone business in the first quarter, do you still believe that on the margins and on the bottom-line, not on the revenue side you are on track for the guidance for FY13?

Rajiv Mittal Absolutely. I think there is no doubt about that. We have said this before and I just want to repeat just to get this clarity in place. Our margins will directly be proportional to the revenues because our costs of operations will remain fixed in each quarter. So, we are each time seeing that our first quarter is never on a consolidated basis more than 12-15% of our total consolidated revenues. So,the second quarter will be better but really the pickup and really the third quarter and fourth quarter which are always the bigger quarters and that is where the margins you will see but if you say standalone projects our margins on all the projects are intact and we have no cause to believe that our margins will not be sustainable.

Moderator Thank you. The next question from the line of Chhavi Agarwal from Ambit Capital. Please go ahead.

Chhavi Agarwal: I was asking that for the full year in the standalone accounts are we expecting a flat year YoY or we are expecting a decline or a marginal growth? Or if I put it this way in the revenue guidance of 1650 what proportion are you expecting from India standalone business and what proportion from international?

Rajiv Mittal About two-third from India and one-third from international.

Chhavi Agarwal: In the 1650 revenue growth to 1700 revenue guidance?

Rajiv Mittal That is right.

Chhavi Agarwal: In this quarter when you have given the capital employed breakup in that I see that on a QoQ basis capital employed in India has significantly increased by 30%. What could be the reason of this?

S. Varadarajan If you see about 60-odd crores get reduced under the unallocated and it gets added to the allocated. And what we have done in the unallocated portion is the cash on hand and cash equivalents we have put it as unallocated .

Chhavi Agarwal: That means cash on bank has reduced, move more towards working capital?

S. Varadarajan Yes.

Chhavi Agarwal: So in working capital which is the item which has increased? Is it the debtors or the creditors have declined or both?

S. Varadarajan It is the payable which we paid off about 60 crores in June and that is the reason why it has reduced.

Chhavi Agarwal The creditors have declined 37.54

S. Varadarajan Creditors have declined.

Chhavi Agarwal This would be for which project?

S. Varadarajan Various projects.

Chhavi Agarwal So when you have paid up the creditors, is there any delay in receiving the corresponding debtors for the same project?

S. Varadarajan If you would ask a question on the receivable collection, we were talking about it in the previous quarter also. If I get the standalone number since your question is on standalone, we had about 680 crores or so in the balance sheet if I reduce the retention money from the number because retention is collectable at the end of the project. We collected about 220 crores or so in the first quarter and we are expecting about 200 plus crores in this quarter. We will be having somewhere about 100 plus crores in about 25 different projects which are mechanically completed. Our provisional acceptance received. Here we will be awaiting the water or wastewater to be supplied by the customer so that we can run the performance guaranty or we will be working on a commercial closure post the provisional acceptance so that he releases the money. We expect good amount almost about 100 plus crores in a week's time itself from one project which is a large Sri Lankan project. So, we are seeing the receivables as moving but this payable is not directly one on one linked with the kind of project completion what I explained to you we have to pay them off.

Chhavi Agarwal In terms of the international order book which total is about 1345 crores, can you tell me the average execution cycle of the international order book, separately for EPC contracts and separately for O&M?

Rajiv Mittal Generally EPC contract is about two years and in an international order book we do not have many long-term O&M contracts, they are either of two years or three years so average you can take O&M also of about 2.5 years.

Chhavi Agarwal In the Indian EPC would be two years but O&M could be higher because of that Chennai.

S. Varadarajan About four to five years.

Chhavi Agarwal You have included in your order book two BOT projects; one is in India, and the other was in Namibia. Can you tell us the equity requirements that you need to invest in these two projects and when are you required to make this investment?

Rajiv Mittal The first one in India, our portion is hardly 10% and equity involved in this will be very small, maybe just in the region of about 4 crores or something like that.

Chhavi Agarwal This is the Ulhas Nagar municipal?

Rajiv Mittal That is right. Now, when you look at the Ujams, which is the Namibia one, our portion there of equity is about 80% and the equity required there will be €2.5-3 million.

Chhavi Agarwal So when do you have to make both these investments? 4 crores is understandable but this Namibia one?

Rajiv Mittal Namibia one, one would expect towards the end of this quarter or early next quarter.

Chhavi Agarwal And other than that are you also looking at incubating new geographies, the ones separate to the ones that you have done with Philippines and Sri Lanka? And if so, which are these geographies?

Rajiv Mittal I think we are very happy with what we have created, what we call it as multi domestic units and after the Arab spring we concentrated on markets like Saudi Arabia, Turkey, Philippines and Sri Lanka. We are quite happy with it for the moment. So, at the moment we are not going to move into new geographies other than if there are spot projects we may go and bid those interesting projects but we are not going to take these markets as target markets because we are very hopeful that the geographies which we lost because of Arab spring may come back towards the end of this year which means countries like Libya and Egypt will open up very soon.

Moderator Thank you. We have the next question from the line of Charanjeet Singh from Enam Securities. Please go ahead.

Charanjeet Singh In your previous earnings call you had mentioned about a couple of sewage treatment plant orders from Mumbai Municipal Corporation which were in the pipeline. Can you please throw some light in terms of like what stages they are in?

Rajiv Mittal Out of these seven projects which we had mentioned three projects they had already put out for expression of interest, we have filled in our expression of interest. One of the projects they have also announced the shortlist of prequalified bidders. We are one of the companies who got prequalified for that. The other two they are still under evaluation and we are very sure that we will also prequalify for that. The other four they are still having some land acquisition issues which I am sure over the next couple of quarters they will resolve that and then they will put out that also for expression of interest.

Charanjeet Singh So in this fiscal maybe three projects are more probable and the remaining four may not happen? Is this the correct understanding?

Rajiv Mittal Yes, definitely, four projects will not be awarded this year. We are saying these three projects will definitely maybe going ahead but whether they will be awarded this year, early next year this has to be seen how fast they will move in doing the evaluation.

Charanjeet Singh Because I think in our order inflow guidance of 23 to 24 billion we were actually including some of these orders?

Rajiv Mittal No, we would have included maximum one order and this also I say that we are still hopeful but we never depend on one order. For every one order we always keep some backups because such orders you can never be sure that this will get rewarded or the next one will get rewarded. We have few more backups to such orders which will ensure that we will still have the order book as we have already given guidance.

Charanjeet Singh And for the other municipalities is there any visibility for larger projects which maybe in the pipeline or which may get finalized in the next coming quarters?

Rajiv Mittal Yes, I think we said that earlier also, there are a lot of municipalities which are coming up for tendering. Some of them we have already bid, some of them have finished the prequalification process. They are coming out with the tendered documents. So, most of them are multilaterally funded, some of them are also JNNURM projects which are still to be completed. So, we have like in Orissa, we have in Rajasthan, we have in Punjab, we have in Karnataka, we have in Tamil Nadu some projects, so I think there are lots of projects which are in various phases and we see the activity is good and we are still very bullish that we will meet our guidance on the order book numbers.

Charanjeet Singh On the industrial front, is the finalizations are happening or still the negotiations phase, what are the rate of finalizations or it is mainly the enquiries which are coming in?

Rajiv Mittal We concentrate on large infrastructure industries like steel, oil & gas and power and we have seen that there are big projects which they have announced. We must have all seen that Reliance has announced a 50,000 crores investment in Jamnagar and they are one of our key accounts. So there are a lot of activities and generally the industrial projects are fast moving projects and once they make up their mind in six to eight months they finalize and take the decision. Unlike municipal corporation which takes about 12 to 15 months.

Charanjeet Singh Any specific large project or maybe size of the project which will be there which is in the final stages of negotiations in the industrial side?

Rajiv Mittal There are certain projects which we are negotiating and I would not say that these are very large but they are medium sized projects. I am sure as soon as we have some news we will share with all of you.

Charanjeet Singh And if you can please give me the number for debt at this level and mainly it is for working capital or what?

Rajiv Mittal That is all. We do not have any other assets. All our debt, we have debtors, it is only under working capital. I think fixed assets are very low for us.

Charanjeet Singh What is the debt level at the end of the quarter?

S. Varadarajan 103 crores, that is short-term borrowing against our own fixed deposits.

Rajiv Mittal We have our own fixed deposits. So whenever we need to manage our working capital against our fixed deposits we take a debt.

Moderator Thank you. There are no further questions at this time. I would now like to hand the conference over to Mr. Rajiv Mittal for closing comments. Please go ahead sir.

Rajiv Mittal Thank you. We once again like to thank all of you for your participation in our Q1FY13 earning call. We have also uploaded the analyst presentation of our company on our website. In case you have any further questions you may get in touch with Strategic Growth Advisors, our investor relations advisors or feel free to get in touch with us directly.

Moderator Thank you so much. On behalf of VA Tech Wabag Limited that concludes this conference.