

Q3 2012 Earnings Call - Pipavav Defence and Offshore Dt-14 Feb'12

Operator

Ladies and gentlemen, good day, and welcome to the Q3 and Nine Months FY12 Earnings Conference Call of Pipavav Defence and Offshore Engineering Company Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar

Good morning, everyone. We welcome you all to the Pipavav Defence and Offshore Engineering Company Limited Q3 and nine months FY12 analyst and investor conference call.

We shall discuss the performance and financial highlights for the quarter and nine months ended December 31, 2011.

Today, we have with us Mr. Jigar Shah, CFO representing Pipavav Defence and Mr. Kailash Gupta, General Manager, Accounts. We will begin this con call with opening remarks from Mr. Shah, and afterwards, we will have the floor open for an interactive question-and-answer session.

Before we begin, I would like to point out that certain statements made in this con call maybe forward-looking in nature and a disclaimer to this effect is included in the investor release and con call invite which was sent to you earlier.

I would now like to hand over the floor to Mr. Jigar Shah to make his opening remarks before we start the question-and-answer session. Over to you, sir.

Jigar Shah, Chief Financial Officer

Good morning, ladies and gentlemen. And thank you for joining us on today's earnings call for quarter three and nine months ended FY2012.

It is becoming clearer and clearer everyday that the outlook for the Defence segment is bright and the government prepares to invest a significant amount into the development of defence infrastructure in the next few years. We expect in this coming year, we will continue to see healthy growth on the back of enhanced operational performance.

Before we begin our discussion and run you through the key highlights so far, I would like to take you through the financial performance of the company, following which, I will take you through a recap of the key milestones and then close with an overview of the outlook going forward.

Let me begin by giving you a brief overview of the financials. For the quarter ended December 31, 2011, total income stood at Rs.4,663.92 million from Rs.2,769.67 million last year, an increase of 68.4%. We expect the commercial vessels in our order book to be completed within a three year timeline, so you can expect to see revenues increasing consistently both sequentially and on a year-on-year basis.

Total expenditure amounted Rs.3,476.91 million for quarter three FY2012 from Rs.2,329.70 million in quarter three FY2011. But a strong learning curve, better cost control mechanisms and better efficiencies have improved the company's profitability. EBITDA stood at Rs.1,187.01 million for quarter three FY2012, increasing by 169.8% from Rs.439.97 million in the corresponding period last year.

Net profit for the quarter was 139.78 million, as compared to of Rs.26.04 million in quarter three FY2011. For the nine months ended December 31, 2011, total income increased by 92.2% and stood at Rs.12,672.20 million from Rs.6,593.84 million last year.

During the nine months of the year, the company completed and launched its first vessel, one of the largest vessels ever build in India. EBITDA stood at Rs. 2,996.65 million for nine months FY2012, increasing 188.4% from Rs.1,053.53 million in the corresponding period last year.

Net profit for the first nine months was Rs. 313.32 million as compared to a loss of Rs. 93.83 million in the corresponding period last year. As the global commercial ship building industry continues to lack, a trend is emerging that shows a high value-added vessels in the Defence and Offshore sector are bringing better margins.

Pipavav Defence and Offshore as an integrated defence player has developed the infrastructure that India needs to construct various defence and offshore assets. The company's modular technology would allow Pipavav to construct multiple ships on a simultaneous basis.

A key point to highlight is that operations are now under full swing and conception of ship is taking on a bigger basis. As part of the growth philosophy, we believe that it is vital to have an in-house research and development team to further the construction and development of quality ships.

For this reason we have acquired a ship design company in Bangalore called Conceptia Software Technologies, Conceptia skills set includes extensive experience in naval architecture and marine engineering, virtual product development and engineering analysis.

The acquisition of Conceptia is a great value add to the company and we expect that this will improve the vitality of defence vessels that Pipavav produces. During the nine month period, the company further strengthened its position in the industry with two key strategic partnerships, the first is with Babcock Group of UK to build an enhance next generation aircraft carriers for the Indian Navy.

Given the size of the dry dock at Pipavav, the company is capable of producing and holding large defence assets. We expect that our tie up with Babcock Group will aid the government shipyards in the further development of defence assets for the India Navy. The partnership allows the company to capture whole new spectrum of opportunities in the Aerospace segment as well and will allow Pipavav to utilise technology for both civilian and defence applications.

Lastly, the outlook for the Defence and Offshore segment is favorable. The government is making significant steps in enhancing the Defence industry base with private firms. Geopolitical dynamics have also increased the need for modernisation of defence infrastructure and assets.

Over the next few years, Pipavav plans to increase its capacity to serve both the Army and Air Force. Technical partnerships with global majors like Northrop Grumman and Airbus will allow the company to develop military hardware that will benefit the whole of the armed forces. The strategic tie up with Airbus industry will also allow the company to cater to the Air Force and provide heavy engineering solutions in the Aerospace segment.

Many offshore rigs constructed decades ago need modernisation and refurbishing now. And we expect to capitalise on the opportunities available in that space. Indian shipyards including Pipavav will see greater demand in ship repair and shipbuilding on the back of cost effectiveness and similar quality to Korean and Chinese counterparts.

Pipavav will be able to offer a product line of high value ships in both offshore and defence segments. Thank you.

Operator

Excuse me sir. Can we begin the question-and-answer session?

Jigar Shah, Chief Financial Officer

Yeah.

Questions And Answers

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions]. The first question is from Bharat Choda from ICICI Direct. Please go ahead.

Bharat Choda

Yeah congrats on a good set of numbers. Just wanted the latest order book details?

Jigar Shah, Chief Financial Officer

See right now our order book stands at \$1.5 billion.

Bharat Choda

Okay.

Jigar Shah, Chief Financial Officer Bharat Choda

Okay. 665 from Defence.

Jigar Shah, Chief Financial Officer

That's correct. 665 million from Defence.

Bharat Choda

Okay. And sir, how many ships have been delivered as of now cumulatively?

Jigar Shah, Chief Financial Officer

One ship has already been delivered, another ship is on the trial run. And the two ONGC vessels have been launched on the gracious hands of ONGC Chairman last week of January.

Bharat Choda

Okay. So, probably by end of Q4, we'll have at least four ships delivered?

Jigar Shah, Chief Financial Officer

Absolutely.

Bharat Choda

Okay. And what is the total subsidy booked till date?

Jigar Shah, Chief Financial Officer

Just a second. Approximately 260 crores of subsidy we have booked.

Bharat Choda

260. And see, we have been seeing this Goliath crane being operational from the last quarter itself, both are operating.

Jigar Shah, Chief Financial Officer

Right.

Bharat Choda Jigar Shah, Chief Financial Officer

Right.

Bharat Choda

Anything specific for that?

Jigar Shah, Chief Financial Officer

No, no. See only in the June end quarter, that machine got into operation.

Bharat Choda

Right.

Jigar Shah, Chief Financial Officer

Since then you saw quarter September ended and December, we have maintained that kind of a momentum. We have tremendous jump because that's the way that we follow policy and we book additional cost during this quarter, in order to avoid any cost escalations in the future. You will see -- we believe you will see a good jump in the next quarter.

Bharat Choda

Okay. And...

Jigar Shah, Chief Financial Officer

The machines also, it takes time to get into a full momentum and that momentum I am sure, it should come out in the next quarters.

Bharat Choda

Okay. And sir what is your view on operating margin, like I am speaking about the core operating margin excluding the subsidy. Probably this time we are around 18 plus in the core operating margins.

Jigar Shah, Chief Financial Officer

Correct.

Bharat Choda

From 15. So how do you see it panning out from here?

See that's -- its a very good point you've touched upon. See my machinery has just started in the last quarter say June quarters okay. And consistently my margin is improving. So we -- it is our desire to achieve minimum 21% to 22% of a co-margin.

Bharat Choda

Okay. 21 to 21. And how soon do you see that happening like in probably this would be the peak margins that you say on the core operating...

Jigar Shah, Chief Financial Officer

These are the margins generally you can get depending on your location, depending on your infrastructure facility is depending on your planning module. We should be able to get a 21% to 22% margin in a commercial vessels.

Bharat Choda

Okay. Okay sir, thanks a lot.

Jigar Shah, Chief Financial Officer

Thank you, Bharat.

Bharat Choda

Thank you.

Operator

Thank you. The next question is from Abhishek Bhandari from Macquarie Securities. Please go ahead.

Abhishek Bhandari

Good morning, sir.

Jigar Shah, Chief Financial Officer

Good morning, Abhishek.

Abhishek Bhandari

Sir I had two questions basically on the macro side, you have presented that you have signed a lot of JVs with the top class defence companies in the world and the defence expenditure of India is likely to go up, but what are the main orders which you see over the next 12, 24 months which could come out from the Defence Ministry?

See, we believe there is a huge pile up of orders in Indian Navy, the direct order besides which is already been given to the existing defence shipyards. And in my view it should run into a billions of dollars because Government of India need huge Naval assets, which is right now depleting. We are buying aircraft carrier, second hand aircraft carrier. We are taking on a lease submarines from Russian.

So that actually demonstrate that we are in the huge need of a defence assets and my -- although I cannot give certain numbers due to sensitivity, but it will turn into billions of dollars. And as you see, we have just -- the Government of India has just cleared one order for aerospace about \$10 billion and another order of about \$15 billion to \$20 billion is in pipeline. So this can demonstrate the -- what could be the requirement from an Indian Navy.

Abhishek Bhandari

Okay. But any large order like aircraft carrier order was known and that was only a matter of delay like 12 months to 24 months, does it enables, hello?

Jigar Shah, Chief Financial Officer

Yeah, yeah it's in a public domain that Government of India wants to build submarines and Government of India wants to build -- enhance aircraft carrier. So I'm sure.

Abhishek Bhandari

All right. Sir, secondly on the commercial side of a the business, basically the shipping, the shipping lines are all pleading and even if you look at the baltic dry index, it is almost fallen by 50% to 60% YTD. And there is a huge amount of over capacity in the market. So, what kind of pricing pressures or competition, I would put it you are seeing from Koreans and Japanese companies?

Jigar Shah, Chief Financial Officer

See, we already have a commercial order, okay? And right now we are not looking for any further commercial orders. So, as of today, I don't have any pressure from other shipyards because our focus right now or going forward is only on the defence and offshore.

Abhishek Bhandari

All right. And sir thirdly, now that you have touched offshore, what kind of orders you foresee over next one year to two years?

Jigar Shah, Chief Financial Officer

We're seeing order worth of -- to the best of my knowledge, order worth of \$10 billion should be awarded to Indian firms.

Abhishek Bhandari Jigar Shah, Chief Financial Officer

Mainly from India companies.

Abhishek Bhandari

All right. And sir like across this three, what is the mode of getting orders are they on nomination basis or bidding basis across all...?

Jigar Shah, Chief Financial Officer

No. No orders are on a nomination basis.

Abhishek Bhandari

But now that you have formed a JV with Mazagon Dockyard, even that will not qualify under the...?

Jigar Shah, Chief Financial Officer

That is a -- that's a different thing where there is an order is already been given, already been awarded to Mazagon Dock. So that is different. The new orders would be, not be on a nomination basis, it's needs a bidding but that the party who has the infrastructure, who has the capacity, who has the JV partner, who has the access or who has the required access to build those particular defence vessels would only be qualified.

Abhishek Bhandari

Okay. So your JV with Mazagon is only applicable for new orders and not for the existing order book?

Jigar Shah, Chief Financial Officer

No. JV with Mazagon Dock is for existing orders which they have.

Abhishek Bhandari

Okay. You will be sharing the revenues with them?

Jigar Shah, Chief Financial Officer

No that's an existing order, see so far I was, Pipavav was acting like as an a contractor, I am a truly a contractor, okay? Now my role is the sub-contractor. So the new others, I will keep getting from Indian Navy, that's the Government of India. There is a JV which is formed between Pipavav and Mazagon Dock which will execute the existing order book of Mazagon Dock. Which is 1 lakh crore?

Jigar Shah, Chief Financial Officer

That's the total order book position of Mazagon Dock.

Abhishek Bhandari

Okay. And like what proportion of that will be of interest in the JV? The whole of it or only a part of it?

Jigar Shah, Chief Financial Officer

See it will be joint exercise, okay? And we believe considering our infrastructure, a large amount of orders should flow to us.

Abhishek Bhandari

All right. And sir last question basically, last question sir basically the government recently announced some new guidelines for private public partnership in the defence PSUs and that was basically to increase the transparency of formation of JV's. Now how will it impact our JV with Mazagon if at all it could?

Jigar Shah, Chief Financial Officer

See in our view there is no impact. The government as I said in my remark, the government is encouraging private sector firms and have come out with a defence policy in a very good period of time that policy is very transparent, we have fully followed that transparency process with the Mazagon Dock. So I don't think so, there is any major impact on us.

Abhishek Bhandari

All right thanks sir. And all the best.

Jigar Shah, Chief Financial Officer

Thank you.

Operator

Thank you. The next question is from Jaibir Sethi from CLSA. Please go ahead.

Jaibir Sethi

Good morning sir. Thanks for taking my question. Just wanted to understand a bit more about the, you mention that the recent notification from the government will have no impact on your JV with Mazagon, but have the modalities of the

Jigar Shah, Chief Financial Officer

Since last, when Mazagon Dock is approved, there were some news articles came out and Government of India then formed a defence policy which everyone was talking about. So, the major requirement of forming of a policy is already been announced, it's already been done. So, now I don't think so any major thing is required. This was the very basic start which everyone was looking for and it has been done. Fully done.

Jaibir Sethi

But has the JV between you and Mazagon been put down on paper as to these are the exact things that each party will bring to the table and this is what will happen and has that been approved or is that still progressing?

Jigar Shah, Chief Financial Officer

No, that is not required, if you see the policy the authority has been delegated to the defence PSUs to enter into a JV with a parties who has infrastructure and utilities and capabilities and blah, blah, blah, blah. So now it is with the defence PSU shipyard who will finalise.

Jaibir Sethi

Okay. So, Mazagon has to now set down across the table with you and finalize with that?

Jigar Shah, Chief Financial Officer

Maybe it will be done in a short span of time now.

Jaibir Sethi

Second sir, you mentioned that you've acquired a company in Bangalore so could you give us a bit more detail what is the size of the acquisition, what is the kind of IP that this business has and so on?

Jaibir Sethi

Sure, Jaibir. There is a company called Conceptia, they are already working with a Indian Navy on lot of design. Let me take that, what is our vision, the design in a core for a shipyard and as a country we are looking a critical design in the different segment. So, we have a vision to create a big design house and this is a stepping stone which we have already put in and the Conceptia has about 120 people who are already working with a India Navy on some of the data and this majority stake would allow us to stand in more and more on Conceptia, plus with the JV, with the few of the reputed defence conglomerate will also enable us to work on various designs factors. And so, combination of a JV with the foreign parties and combination of an Indian company who is working on the defence design with Indian Navy, will give us a lot of advantage. And finally, it will reduce overall cost of the company.

Jaibir Sethi Jigar Shah, Chief Financial Officer

It's about \$1 million.

Jaibir Sethi

Okay. So, it's a small company?

Jigar Shah, Chief Financial Officer

Yeah, it's a small company right now. 120 people, 130 people are working right now, but we want to take it up to a next level.

Jaibir Sethi

All right. That's all from my side, sir. Thanks a lot.

Operator

Thank you. The next question is from Sridhar Ramakrishna from HDFC Mutual Fund. Please go ahead.

Sridhar Ramakrishna

Hello sir. Sir could you brief us that the order book is to be executed in how many years? Hello?

Jigar Shah, Chief Financial Officer

Three years.

Sridhar Ramakrishna

Three years, okay.

Jigar Shah, Chief Financial Officer

36 months.

Sridhar Ramakrishna

Sorry?

Jigar Shah, Chief Financial Officer Sridhar Ramakrishna

Okay. And any major delivery in the coming financial year that is FY13?

Jigar Shah, Chief Financial Officer

Yeah, we would be delivering the Panamax and OSV.

Sridhar Ramakrishna

Okay. That is one Panamax and OSV, is it? Hello?

Jigar Shah, Chief Financial Officer

That is in FY12.

Sridhar Ramakrishna

Okay.

Jigar Shah, Chief Financial Officer

Sridhar, I think your line has some disturbances.

Sridhar Ramakrishna

Hello, yeah. Are you able to hear me?

Jigar Shah, Chief Financial Officer

Yeah, I can.

Sridhar Ramakrishna

Okay.

Jigar Shah, Chief Financial Officer

There is some background, noise is coming, so be clear.

Sridhar Ramakrishna

Okay

Sridhar Ramakrishna

Okay. Sir also are you looking at defence orders outside India?

Jigar Shah, Chief Financial Officer

Good point. We have -- the company has already been shortlisted with the two countries -- by two countries, we're talking to them and we are working with another four friendly nations. So total six foreign countries we are working with them. And we would first time in the country we would like to export the defence orders.

Sridhar Ramakrishna

Okay. That's very good, sir. Sir and also from the JV with Mazagon Dock, how many like could quantify orders which you are expecting to receive from the JVs, into the JV?

Jigar Shah, Chief Financial Officer

Since the policy has just been come out, okay. We are going to sit and word out on the nitty gritty and certainly in a short span of time.

Sridhar Ramakrishna

Okay. And one last question, could you give a brief outlook of ship repair industry in India?

Jigar Shah, Chief Financial Officer

Yeah. We believe we strongly believe ship repair has a very strong outlook. We have already started the ship repairing business in fact I don't know you all may recall we had a MOU with a ocean who is the largest in the world to repair the ships we've also started sending the to us. Ship repair business is a huge business and in my view it runs in to say \$3 to \$5 billion.

Sridhar Ramakrishna

Okay. And any orders have you received in this segment?

Jigar Shah, Chief Financial Officer

Yeah we have already received. We are already doing the ship repair business.

Sridhar Ramakrishna

Okay. Could you quantify the amount?

Jigar Shah, Chief Financial Officer Sridhar Ramakrishna

Sure sir. And also how are the margins in the ship repair segment?

Jigar Shah, Chief Financial Officer

Certainly good.

Sridhar Ramakrishna

Okay. Could you elaborate?

Jigar Shah, Chief Financial Officer

See, I would say a minimum about 25%.

Sridhar Ramakrishna

Okay. Fine sir. Thanks a lot. That's it from my end.

Operator

Thank you. The next question is from Jigar Shah from Kim Eng Securities. Please go ahead.

Jigar Shah, Chief Financial Officer

Hi, Jigar thanks for taking my call. My point is I actually did not follow when you mentioned about the breakup of order book between defence and non-defence, can you give that figure again?

Jigar Shah, Chief Financial Officer

Yeah, sure. Right now the non-defence order is \$910 million and defence orders is \$665 million.

Jigar Shah, Chief Financial Officer

Okay. And where do you expect this to go in the next year in FY13?

Jigar Shah, Chief Financial Officer

We believe by end of the calendar year there will be significant jump in our defence order book.

Okay. And my second question was about the MDL JV, although you have mentioned quite a bit prior to my question. I mean form the Rs. 1 trillion of existing backlog of MDL what kind of sub-contracting can we assume 10%, 20% or 30%, what is your guess?

Jigar Shah, Chief Financial Officer

See, Jigar the thing is it's a little sensitive point but we believe a significant order will flow to Pipavav, considering our size of infrastructure and our capability to execute the order.

Jigar Shah, Chief Financial Officer

Okay. And can you share details of your current debt and average cost of debt?

Jigar Shah, Chief Financial Officer

Okay, my long-term debt is about 1,050 crores.

Jigar Shah, Chief Financial Officer

Okay.

Jigar Shah, Chief Financial Officer

Right now due to increasing the interest rate it is approximately 13%.

Jigar Shah, Chief Financial Officer

Okay. And what about your short-term or working capital debt?

Jigar Shah, Chief Financial Officer

Working capital debt is like a perpetual business because now my operations are in full swing. So we need the working capital facility, but we strongly believe after the three to four year of sustainable operations the ship building business is like a self financing business.

Jigar Shah, Chief Financial Officer

Okay.

Jigar Shah, Chief Financial Officer

In the initial days when you start the process, you need certain working capital fund based and then you don't require any much fund based facilities, you have to work on the non-fund base because you have to issue bank guarantees to your clients.

Jigar Shah, Chief Financial Officer

Okay and one last question is about, the different preferential issues et cetera that have been made, so when do you think we are going to receive the fund, one is I think through strategic investors and then the other two to promoters and other investors?

Jigar Shah, Chief Financial Officer

See with respect to the promoters, they have already invested as per their regulations and the balance money should flow by end of next financial year before end of next financial year.

Jigar Shah, Chief Financial Officer

Okay. And what about the strategic investors?

Jigar Shah, Chief Financial Officer

Strategic investors, once our negotiations have done, it should flow in say few months from now.

Jigar Shah, Chief Financial Officer

Can we expect in first half of FY13?

Jigar Shah, Chief Financial Officer

That's, yeah.

Jigar Shah, Chief Financial Officer

Okay. Okay. Thank you very much and all the best.

Jigar Shah, Chief Financial Officer

Thank you, Jigar.

Operator

Thank you. The next question is from Devang Patel from Avendus Securities. Please go ahead.

Devang Patel

Could you share the order inflows in the nine months period and the breakup?
I am sorry, Devang I didn't get your point.

Devang Patel

Sir could you share the order inflow in nine months and the breakup?

Jigar Shah, Chief Financial Officer

What do you mean by order inflow is, addition in the order book?

Devang Patel

Yes.

Jigar Shah, Chief Financial Officer

Okay. We have added \$665 million from defence. There is a defence order which we got in last nine months is \$665 million.

Devang Patel

Okay. Sir and could you share some color on FY13 revenues, how they could shape up on our order backlog, could we expect \$1 billion of revenue?

Jigar Shah, Chief Financial Officer

Devang, I would certainly like to reach the target.

Devang Patel

Right. Sir on the Mazagon...

Jigar Shah, Chief Financial Officer

It's a forward-looking statements but yeah it would be our desire to hit that target.

Devang Patel

Right.

Jigar Shah, Chief Financial Officer Devang Patel

Right. Sir on the Mazagon JV and the nature the of sub-contracting work, could you share initially what kind of work is there, any understanding what we would be doing, what would be the scope, would it -- of ships already built or they would be complete ships, smaller ships that we could start building?

Jigar Shah, Chief Financial Officer

See Devang, they were -- the very purpose they came out with an expression of interest, okay? In order to liquidate that existing order book. That was the purpose to invite private sector participation in having a joint venture with the defence PSUs. So, certainly the order will come to private sectors for the execution, so it will be full ships which are going to...

Devang Patel

Okay. And they are probably some other such partnerships also on the table, are we participating for them as well or is our appetite satiated for now?

Jigar Shah, Chief Financial Officer

Which participation you are talking about?

Devang Patel

There was a stock of one more similar partnership available which L&T was probably...

Jigar Shah, Chief Financial Officer

Okay, okay. The three defence PSUs had come out with an expression of interest, that were Garden Reach Shipbuilders from Calcutta and Hindustan Shipyard in addition to Mazagon Dock. So we have submitted our papers to other two ship yards.

Devang Patel

Okay. Sir and on this subcontracting work should we expect margins to be lower than for our normal business?

Jigar Shah, Chief Financial Officer

The margins, it's not related to sub-contracting or a contracting margin will be related to your infrastructure, your capability of -- your methodology of building up a vessel and your locations that will determine what kind of margins you are going to get.

Despite my peers, although so called peers may not be achieving that kind of a margin in a commercial vessel which I am getting that margin.

Devang Patel

And should we get, start getting orders in FY13?

Jigar Shah, Chief Financial Officer

Yeah we believe by end of this calendar year, our order book should grow significantly.

Devang Patel

By the end of 2012 calendar, we will see some orders coming from Mazagon?

Jigar Shah, Chief Financial Officer

Yeah. That's our endeavor to get the orders from Mazagon as well.

Devang Patel

Right, sir. Thank you so much.

Jigar Shah, Chief Financial Officer

Thank you, Devang.

Operator

Thank you. [Operator Instructions]. The next question is from Vaibhav Jain from Religare Capital Markets. Please go ahead.

Analyst

Good afternoon, sir. Thanks for taking my question. Sir, I wanted to understand the CapEx plans of the company. If you would talk about that a little?

Jigar Shah, Chief Financial Officer

Thanks Vaibhav. You spoke about the CapEx plans, right?

Analyst

Right.

Jigar Shah, Chief Financial Officer

Okay. Vaibhav, we are converting our second dock. Second dock which right now, it's a wet basin into a dry dock. The work has already started.

Analyst

Okay. Sir, in terms of total amount that you have already spent and what is the remaining amount that...?

Jigar Shah, Chief Financial Officer

About, we would need about 1,300 crores for the conversion of second dock.

Analyst

Okay. Okay. And sir what is the timeline that you are looking at?

Jigar Shah, Chief Financial Officer

Now it's about 18 to 20 months.

Analyst

From now?

Jigar Shah, Chief Financial Officer

Yeah.

Analyst

Okay. Okay, sir. I think that's it from my side. Thanks.

Jigar Shah, Chief Financial Officer

Thanks Vaibhav.

Operator

Thank you. [Operator Instructions]. As there are no further questions from the participants', I would now like to handover the conference back to the management for closing comments.

Jigar Shah, Chief Financial Officer Operator

Thank you very much. On behalf of the Pipavav Defence and Offshore Engineering Company Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.