



“TIL Limited Q3 and Nine Months Period Ended 31st
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Earnings Conference Call”

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Moderator: Good morning ladies and gentlemen, welcome to the TIL Limited Q3 and Nine Months FY2018 conference call, hosted by Asian Market Securities Limited. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities. Thank you and over to you Sir!

Kamlesh Kotak: Thanks Lizaan. Good morning everyone. On behalf of Asian Markets, we welcome you all to the 3Q and Nine Months earnings conference call of TIL Limited. We have with us today from the management of TIL Limited, represented by Mr. Alope Banerjee, Director - Finance & CFO, Mr. Sekhar Bhattacharjee, Company Secretary, and Mr. Shibaditya Ghosh, GM (Finance). I request Mr. Banerjee to take us through an overview of the quarterly and half-yearly results and then we shall begin the Q&A session. Over to you Sir! Thank you.

Alope Banerjee: Thank you, Kamlesh. Good morning to all the participants who have taken time for this conference call of TIL Limited for Q3 and Nine Months results. Before we go to the financials, I think it is important we see that what is really happening in the economy.

I think the economy is looking slightly better than what it was during the last time same period and the business that we have negligibly done in the last financial year that is in the road construction business there we see some traction. We see that there are requirements of road making equipments, which is the change in comparison to the last year same period and of course the conventional business in terms of the cranes and the ReachStackers we find that there is a lot of traction. In the cranes there are two segments particularly the truck crane and the rough terrain cranes. In truck cranes we see a lot of interest amongst the customers and this is in the backdrop that we still feel that investments as planned by the government is still not taking place. So I will not consider these improvements as significant, but I would say marginal and from the company’s perspective, I think in the last conference call I have mentioned that 2017-2018 is the year of consolidation.

We have incurred losses two years back and we have to be very careful and cautious of all the future steps that we take as an organization and that is exactly what we are doing. We are sticking to these guidelines of our internal guidelines and we are doing business in a very cautious manner and trying to ensure that while we are on this cautious path, both in terms of the topline and the bottomline, both also improve. The order backlog, which I will share with you as we progress when I am discussing the financial numbers, is also there. From the constraint part of it from the strategic part of it what I would say is two important factors are there as on date, which I will share with you. The first one is of course the

inventory. The inventory levels are pretty high, and we have taken an internal target as to how to reduce this inventory, but it is also true that in this quarter the number of equipments that we plan to manufacture vis-à-vis the inventories as of now is required, but the issue that comes up or the contemplation is that the numbers that we are going to manufacture in January to March possibly the same numbers we will not be manufacturing between April and June, so therefore our sense is that the inventory should come down and that is what we are targeting at.

The other is because I have shared in my earlier concall also that there is a capacity constraint both in terms of outsourcing. Outsourcing the components that the others are manufacturing on behalf of us, where the vendor's factories are totally loaded. There is no place. So we have to be there physically present and we are now trying to ensure that our outsourcing job gets a priority because not much time is left between now and March 31.

Considering all these we see that we should be able to manufacture the number of units that we have planned in this quarter and for the future, I would say that from 2018-2019 onwards we would expect the business to grow because two, three factors are there, firstly I am hoping at least that next year the economy would be better than what it is this year, number one. Number two is I would like to share with the participants in this and with Kamlesh as well that we have done the Bhoomi pooja that is the land pooja for the plant for that we are setting up in Kharagpur. This will be our third factory. The first one is at Kamarhati, which is the mother plant then we have build another plant in Kharagpur where we are operating and now this is the third plant, which land was brought by us from WBIDC then we have done the basic pooja over there.

The architect has been appointed and we will be meeting him soon after the concall gets over and hopefully by within the month of March the construction should start and we should have the commercial production starting in the new plant starting from March/April 2019. Therefore during FY 2018-2019 we would be struggling a little in terms of productivity and outsourcing. However, now we are also getting seasoned and we are getting experience to have volume production and this also helping us to overcome the sort of problems that we have faced so far and hopefully in the coming financial year we should be in a better position.

Having said this, I would now like to share with you the financial numbers, which of course has been announced in the newspaper, but however, I would still share with you in terms of the performance. This is only for the quarter where we see the sales and income has increased from Rs.66 Crores to Rs.99 Crores, which is only in the quarter, which includes the total TIL business that means an increase of 50%. There has been a significant increase in the staff cost. I have shared with the participants in the earlier concall that the staff cost is likely to go up because the organizations for the road making equipment was not fully built

up and now we are building up the organization and we have got a Strategic Vice President, we have also appointed a Vice President in the HR function and along with this we are setting up the supply chain and also the manufacturing process because the activity is increasing, so there will be an increase in the staff cost. There is some increase in the expenses. The financing cost continue to increase from a level of 3.7 Crores last year same time to 4.6, but in terms of percentage to sales last year it was 5.6 and this time it is 4.6 and of course profit for the quarter including everything for the third year TIL has declared a profit of Rs.5 Crores.

When we come to the nine month period, we see from the level 226 Crores it has gone to 275 Crores for the nine month period. There has been increase in the staff cost we have shared, but in terms of expenses, the expenses has not gone up significantly from 32.3 for the last year nine month period it has gone to 33.9, which is only about 1.7 Crores and in the financing cost last year for nine months it was 18 Crores vis-à-vis Crores, so there is a reduction of 35% and of course on an overall basis for the nine month period, the company has posted a profit of Rs.12 Crores, 11.7. Now I would also like to remind our participants that in the financial year 2016-2017 on a standalone basis, TIL had posted a profit of roughly about Rs.7 Crores and in the nine month period we have posted a profit of Rs.12 Crores and typically in the history of the company you see that the fourth quarter the performance is better than the earlier quarters.

Coming to the balance sheet, I think the two important factors are there the inventory level as on date, as on date means December 31, 2017 is Rs.219 Crores and vis-à-vis Rs.185 Crores as on March 31, 2017. Now December 2017 it is Rs.219 Crores and if I take the inventory turnover that is very high. It is 676 days vis-à-vis 347, so this is something, which we are internally focusing and of course the inventory levels are high, but at the same time what we have seen is in the December month itself there has been additional dispatches in comparison to March 2017, so there has been an increase in the value of the dispatches in December. As far as debtors are concerned we are really not that much worried, I think we will bring it down.

Loan funds have increased, loans have gone up from Rs. 50 Crores as on March 2017 and now it is Rs.150 Crores and of course the EBITDA as on December was 12%, in comparison to March it is 11.2. PBT as a percentage to sales is 2.5% vis-à-vis 1.6% as on March. PAT as a percentage to sales is 4% vis-à-vis 0.3%, interest cover is 2%, debt equity ratio is 0.6% vis-à-vis 0.2% in March, Current ratio is 1.33% vis-à-vis 1.4% and return on capital employed as on December is 7.2% vis-à-vis 7.7%.

The order backlog as on December 31, 2017 is Rs.116 Crores. During this quarter we plan to manufacture about 97, 98 units. We do not know how much of it may be successful and hopefully the topline should exceed over Rs.400 Crores, last year we posted, I think 336, so

there would be an increased roughly about 30%, 25% to 30% increase in the topline. Bottomline I am not too sure how much it will be, so we as progress and our debt for the annual accounts has been finalized on May 13, 2018 and therefore after that I think we will announce it and we will have the concall soon after that, so that the annual accounts are also published. So with these initial comments, I would now request the participants to ask me any clarifications they have in their mind and I will try to answer them.

- Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We will take the first question from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Good morning Sir. Thank you Sir for hosting this concall. Firstly if you could give the idea of how many machines we produce for this quarter?
- Aloke Banerjee:** This quarter we are planning to manufacture between 95 and 97 units, we do not know how much we will be manufacturing, but that is the plan we have.
- Saket Kapoor:** Come again Sir.
- Aloke Banerjee:** 95 to 97 units we have planned to manufacture in this quarter.
- Saket Kapoor:** What was the number for the December quarter?
- Aloke Banerjee:** December quarter was 55.
- Saket Kapoor:** 65 and the break up Sir.
- Aloke Banerjee:** 55.
- Saket Kapoor:** Only 55. From 55 to 95 to 97 is what we are expecting for the next quarter?
- Aloke Banerjee:** In this 95 there will be a lot of smaller equipments also the values which will not be large, it cannot be prorated, if somebody tries to compare the turnover of the third quarter that we did, the mix is also to be considered so that is the plan we have.
- Saket Kapoor:** Right Sir, firstly Sir could you give the mix of this quarter also Sir in terms of the sales in the crane, the road equipment, ReachStacker and the customer support business if you could give the mix of revenues for December quarter?
- Aloke Banerjee:** No, the reason is it is very difficult to give you any number at this stage because we are now trying to utilize the capacity as it is available, if we find that we do 10 more six sets of

MOBILOAD, which are smaller capacity cranes will be doing that vis-à-vis we have got some defense orders, so we are also attacking, so it is a very strategic, dynamic model that we are following and any number would not be fair, but anything which is not manufactured between this, so obviously it will go into order backlog as on April 1, 2018.

Saket Kapoor: My question was the mix for the December quarter, what was the mix in terms of the manufacturing part and the after sales support?

Aloke Banerjee: Out of manufacturing how much is customer support that is what you want?

Saket Kapoor: Yes Sir.

Aloke Banerjee: Manufacturing is roughly about Rs.75 Crores.

Saket Kapoor: Manufacturing is 75.

Aloke Banerjee: Correct.

Saket Kapoor: So around 20, 22 is the customer support.

Aloke Banerjee: Correct.

Saket Kapoor: For the nine months Sir if you could give how much is the MHS and how much is customer support?

Aloke Banerjee: During nine months, Customer support out of 275 would be about Rs.45 Crores. I am just estimating roughly about Rs.45 Crores.

Saket Kapoor: What was guided earlier also that we were expecting around 85 to 94 for the entire year that was our endeavor for the customer support segment, so for the nine months if we did something around 40, 45, it is very likely that we will end the year with somewhere in that ballpark of 90 or it will be to less?

Aloke Banerjee: About 45 we will do another 30, 32 in this quarter, so that is about 75, 80. 75, 80 is the ballpark number that we can see, we will not go to 90 that was the plan we have, but I do not think we will touch 90, although the internal target is 100, but I think we will be able to touch 100 or 90, I think we will close about near about 80.

Saket Kapoor: On a conservative basis 35 is the one figure, which we can work for the next quarter?

Aloke Banerjee: Correct, I agree with you.

- Saket Kapoor:** I just put the point again to our last year March number Sir there could you elaborate out of 125 Crores revenue what was our mix?
- Aloke Banerjee:** I can tell you this much on an annualized basis my total customer support turnover was 66 and from 66 that is initial target was 100, but now even if I do around 80 even then there will be a growth of 30%.
- Saket Kapoor:** That is okay. I was just asking you last year we did 109 Crores or in fact Rs.110 Crores for the March 2017 quarter, if you could give how much was the mix at that time Sir, it would be helpful Sir?
- Aloke Banerjee:** Rs.109 Crores and out of that how much was customer support that is your question?
- Saket Kapoor:** Yes Sir.
- Aloke Banerjee:** The customer support would be in the region of Rs.30, Rs.35 Crores.
- Saket Kapoor:** That time also Rs.30, Rs.35 Crores Sir?
- Aloke Banerjee:** Fourth quarter normally good for the customer support business.
- Saket Kapoor:** Right Sir for the March 2017 is a good comparable quarter to March 2018, there was nothing big in that quarter that cannot be repeated for this year that can be assumed depending upon the market conditions and the order booking today?
- Aloke Banerjee:** So far the customer support is concerned, it more or less depends on us, we get orders we dispatch, but so far the manufacturing is concerned, I am dependent also on the outsourcing part, I may have all resources available, but wherever we are outsourcing we need to do the capacity in a right way. This is the issue that we are facing and we are trying to resolve that.
- Saket Kapoor:** That is what I am trying to understand that as was March 2017 there is a very good reason that we can perform on the basis of what March 2017 was, in fact we will be better than what March 2017 number, this is our endeavor and we should contemplate something in that vicinity only?
- Aloke Banerjee:** I agree with you, but Mr. Kapoor in one breath I am telling my turnover is likely to go from 332 or 336 to over 400 plus so the additional turnover that we have we have to manufacture them, majority. I have to manufacture them. The additional turnover, which is there, we need to manufacture them. That is the constraint I am facing. So last March, whatever I have done, last quarter, we need to do more than that this quarter. We should go to 400. This is the concept I am trying to explain.
- Saket Kapoor:** We need to have an eye on the bottomline, it should not be like that the turnover will be at the cost of margin you would post turnover only at the behest of margin?

- Aloke Banerjee:** Absolutely that is internally very much being getting done I agree with it.
- Saket Kapoor:** Right Sir even said the last quarter we were speaking about the Concor order of ReachStacker and 12 more?
- Aloke Banerjee:** Last Monday I was in Delhi, there were six bidders we are the only Indian bidder, TIL is the only India bidder. I met GGMs, etc., now what is happening there is all documents have been submitted. Now after analyzing these documents they are writing back to the company that the company has submitted the tender and what all are missing. That is step one. Step two there will be a technical discussion and all the parameters that have been mentioned as per tender and after that the price bid will be opened. So this entire process will take about four months if not more in entire process. When it happens, I will announce in case we get the order I let you know.
- Saket Kapoor:** This is all you are talking about 49 ReachStackers, which you spoke in the last quarter?
- Aloke Banerjee:** Only 49 ReachStackers for which you have submitted the tender.
- Saket Kapoor:** Right Sir now coming to this the landed cost for us will be road making equipment parts. you have categorically told that we are putting more thrust on improving our staff strength, introducing people who have legacy to be there in the business. Sir what is now the blueprint for us in the road equipment part? What is the visibility going forward, we already spoken something, but if you have something more to tell on the road equipment part, how soon we will be getting out of this legacy of losses for the road equipment part and the path is paved how soon they are going to happen?
- Aloke Banerjee:** I would say that the market is looking good, because the customer profiles what is there, their customer profile more or less matches with the customers that we have been dealing with so the customer is aware of TIL. Initial years we have supplied some machines so we are happy with the quality, but as I mentioned because of the capacity that we have we are now prioritizing our product so we will have to see. Let me give you different dimension. If you remember TIL on standalone that is when MHS was there, the EBITDA margin for TIL at that time was between 16% and 18%, if you remember EBITDA margin. Now having come this way now we have introduced the road making equipment, the EBITDA will not be at 16% to 18% it used to be to 12%, 13% may be my estimate is may be will reach up to 14%, but we can never go up to 16% or 18% that would be far fetched target for us, but 13%, 14% in a couple of years we should grow. So therefore you will have to take I mean one has to take very conscious call taking three or four parameters into consideration. Number one, the profits of the company should not be compromised. The customer in the road segment should not be compromised because we are entering the markets. The truck crane market which is at one time was taken over by Chinese cranes should not be

compromised, they should also have a consideration and of course the rough terrain cranes, the RT cranes, which is to be supplied to the government institutions and to the government organizations and through tender they also have to be taken into consideration so is a combination of four and we are now evaluating and deciding because the orders are coming in and we are trying to see how best we can address all these keeping all the four parameters, but if you ask me my foremost parameter is that we should be first profitable that is we should be consolidating, we should be strengthening our balance sheet, but not at the cost of the customer profile in the road making equipment segment. So my sense is 2018-2019 we will be doing reasonable and I have not seen very aggressive business, but from 2019-2020, 2020-2021, 2018-2019, 2019-2020 will be doing aggressive business because by that time next factory will be setup but in the meantime we have some homework to do also. We have to give supplies in the road making equipments to the customers, to the existing customers, to the new customers and get the product established in the market and let me also tell you the economy cannot be at this level although Mr. Gadkari is telling I think the plan is to built 32 kilometers of road per day, we do not know what is happening to us but we are seeing traction in the road construction business also, in the road making equipments also. So therefore this is very tricky question. As of now I do not have a straight answer for this, but I can tell you this much, I am working on certain things to see that when I can make EPS verticals fully strong, I am working on it, but when I working I have to take all these factors into consideration as well so it will take some time for this, I cannot give you a straight answer that it is not so simple actually is a very complex purchase and I will explain to you the parameters that needs to be considered before arriving at any decisions then we are trenching numbers. I hope I have been able to explain that you.

Saket Kapoor: Yes we have to be evolving that is what you have explained in detail, but we have to evolve at a moderate pace for this year and at a faster pace the year next that is what I cannot conclude Sir from this.

Aloke Banerjee: Right that is the bottomline.

Saket Kapoor: I will just conclude by two more points Sir. The first one we spoke about that Excon meet in Bengaluru how was being the order booking from that part. Do you see a number of traction from there?

Aloke Banerjee: A lot of truck train orders are flowing. Orders are flowing in from there also. The order for the new products MOBILOAD, lot of enquires are generated, but we are doing some R&D on the MOBILOAD as well and a small crane because we have launched it, but we want to reduce costs further so that it really becomes very competitive and attractive for the customer. Lot of work still remain to be done, so we are trying to do that, but hopefully I think by March-April we should be there and on the road making equipments, on the crushers, cranes, portable plants, wheel plants, lot of interests and enquiries, Mr. Shibaditya

has been extensively traveling and meeting all customers, contractors in Hyderabad, in Chennai, in Mumbai so things are looking better, but a theoretical words have no meaning, but bottomline that matters so I will speak I also have to see the bottomline, improvement in the bottomline so that is the target here.

Saket Kapoor: Allow me to ask our question on last two questions and then I will come in the queue. Coming to the land sale part if you could give what is the update on that? Land sale part at Hyderabad we were talking?

Aloke Banerjee: Land as the sale of the land.

Saket Kapoor: Yes.

Aloke Banerjee: We have appointed a person in Delhi out a find out the buyer, there were two processes of selling this piece of land, which is 21200 square meters, one is through fragmentation that is you can sell it in pieces, the other is we want to sell it as a total land so there are changes coming in the regulation of UPSIDC, so Madam is interacting with UP SIDC and has told us to hold on for 15 days or so, clarification will come, then selling of the land will be quicker.

Saket Kapoor: Thank you. I will come back again on queue.

Moderator: Thank you. The next question is from the line of Vijay Gupta an individual Investor. Please go ahead.

Vijay Gupta: Good morning Sir. First please accept my grief felt condolences of the demise of the charismatic leader, Mr. Avijit Mazumdar and I pray that may God rest his soul in peace, also my congratulations to the company for the results of Q3 and nine months. I have couple of questions. First question is regarding the company outlook on margin for the full year?

Aloke Banerjee: I could not get the last one?

Vijay Gupta: What is the position of margins that we expect let us say by the end of the year or may be even year ahead?

Aloke Banerjee: I have already focused the market, I have said that in December EBITDA is 12% and I think by March, the EBITDA margin should be around there. I do not see significant improvement is going up to 14% but it should be hovering around 12%, I said that because there is a mix of products and the best combination products need to be declared.

- Vijay Gupta:** In one of the recent news on the company, it was projected that by 2020 the company would be doing somewhere around let us say 30% of its turnover from exports?
- Aloke Banerjee:** Correct.
- Vijay Gupta:** So any outlook of the company as on date as far as our export orders are concerned, how does it look like by 2020, we will target to meet what we have aspired for?
- Aloke Banerjee:** So far the exports are concerned, every month we are exporting roughly about two ReachStackers, which is roughly about Rs.5 Crores every month, so that Rs.60 Crores of dispatches of ReachStackers are taking place to New Zealand, Australia things like that. This is in collaboration with Hyster. The Hyster people will be here this Friday, we are trying to explore the opportunity of increasing those exports, but the basic statement that was done was on the presumption that we will be exporting cranes also that is Manitowoc Technology Cranes that we are manufacturing in Kolkata to the countries where otherwise Manitowoc is unable to sell. It was initially planned for Middle East and South Africa and that discussion is still on and the presumption was in a couple of years' time we expect that this business should pickup so that we are not dependent only on domestic production and domestic orders, because these will be continuous flow, the moment we are able to export out from India like what we are doing for the ReachStackers and once these demand picks up then we will be exporting more. The other important factor, which has been established so far as ReachStackers are concerned that our ReachStackers which we are exporting our whole class standards, otherwise there would not have been repeat orders from New Zealand, Australia, Singapore so on and so forth. Now the same approach or the same strategy, we have been taking for Manitowoc. The results are yet to come. So the news item that we have seen was on the presumption we expect that in a couple of years from now, the export should really pickup, because along this Indian economy we also expect the world economies to improve and in the places that initially has been planned for instance Middle East and South Africa, these cranes will be moving at a very competitive price. Now if this goes at a competitive price we do not see any reason, if these were at a competitive price and good quality cranes as expected we do not see any reason why repeat order should not be coming back to TIL, so that is the basic presumption on which this 30% of the turnover was flying to me from exports.
- Vijay Gupta:** Given that we are exporting let us say two cranes two ReachStackers every month, will it be fair to assume that this year probably 15% of our turnover would be from exports have we touched Rs.60 Crores roughly what is going to be from exports?
- Aloke Banerjee:** You see this 15% is dependent on the sales of TIL now whether the sales of Rs.600 Crores or whether the sales will be Rs.500 Crores, it is very difficult to say at this stage, but yes we

can always below catch a percentage that may be 15%, 20% of the sales will come from exports.

Vijay Gupta: On the Asphalt plant, the Hot Mix Asphalt plant, are there any orders that we have received in this segment, any plants to export even Hot Mix Asphalt plant?

Aloke Banerjee: No, for HMAP we have not received any orders, I mean I will not say there is but very, very strong enquiry going on, but not maturing to an order. The moment this matures will be able to give. Line is finished products, but discussion is not from January, but orders are not maturing. Let us see if it happens by March, then it will come into account.

Vijay Gupta: Okay Sir, but any highlight do you like to give on this enquiry or is it only when it finalizes then we can come to know?

Aloke Banerjee: Mr. Kapoor has extracted all the information from TIL. I do not have anything more to say. Whatever rest are there you have asked me. So there is nothing for me to tell you.

Vijay Gupta: The last question from my side. This is about if you mentioned that we have received order from defence sector?

Aloke Banerjee: Right.

Vijay Gupta: Sir would you like to elaborate a bit more on that?

Aloke Banerjee: We will not able to tell you in a speakerphone because these are sensitive orders, confidentially is there. You come to TIL, I will show you what is happening inside the plant but I cannot disclose it.

Vijay Gupta: I will try and be in touch with you offline.

Aloke Banerjee: This is a very sensitive data and information I do not think I am authorized to speak to you.

Vijay Gupta: Thank you Sir.

Moderator: Thank you. We will take the next question from the line of N.K. Aurora an Individual Investor. Please go ahead.

N.K. Arora: Good morning Sir. We put the largest ever stall in the Escorts, Bengaluru recently, congratulations for the same, but how was the overall total response can you elaborate a bit more on that?

- Aloke Banerjee:** Overall response was very good. I think I can put it this way that almost the number of customers who visited were over 100 and some of them have placed orders, there itself some of them has placed orders subsequently and the interest was I will tell you quite a lot of customers, I would say there may be 30%, 40% of the customers were interested in the road making equipments which was a big take from these exhibition, because conventional cranes and ReachStackers we have been manufacturing so there is no new thing to say, but in the road construction we got lot of interest and we are also seeing the results in the sense that we see a lot of traction happening as I mentioned the man in-charge of the road equipment business has been traveling extensively and the customers are willing to place orders and with a targeted date of delivery which we are taking into consideration because of the constraint in the production in the factory, but I can tell you this much lot of interest has been created, in value terms it is difficult to evaluate how much of Excon exhibition has added value or given us orders, but I can tell you this much the interest has been had, 100 customers visit itself speaks a lot on the product that we have demonstrated over there. So let us hope that I think you see the other part is not everything matures immediately I think this what your question will get partly answers through the topline of FY2018-2019, it cannot be 2017-2018, but the topline should be whatever is the question will get reflected in the turnover of 2018-2019.
- N.K. Arora:** Secondly Sir, we may not discuss any products from the defence sector, but when are we likely to get significant orders for revenue?
- Aloke Banerjee:** No, we are getting already. On a continuous basis we are getting orders.
- N.K. Arora:** From new products?
- Aloke Banerjee:** No, we are developing two prototypes and other conventional equipment orders we are getting and orders are likely to be received by March, this is on a continuous basis I mean it is not that it is at any stage it is stopping because we have been continuously supplying to defence on various product lines, so TIL is very well established with on the defence people.
- N.K. Arora:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.
- Anupam Goswami:** Good morning Sir. Congratulations on a great set of numbers and I just wanted to know that which segment of your products are you looking to be of most traction?
- Aloke Banerjee:** The truck crane market which is the retail market where the operators take cranes and put them on hire with ONGC or Oil India or any constructions work is going on. There the

traction is the maximum in the retail segment followed by the defence orders. The defence orders are significantly getting better and better every year followed by the rough terrain cranes, which is basically government tenders but there also we see a lot of orders happening, lot of rough terrain cranes being placed and after that we would say the road construction equipment, because we were not there for a while in this market, so we are getting back into the market, but in present scene or suppose we have done 10 orders last year and we have received 20, there is 100% increase over here, but we do not have any benefit because it is only from 10 to 20. So that is why I am not even considering the EPC product line as one of the significant growth driver for the company, but yes as I mentioned from 2018-2019 I am hoping that we may see some lesser traction in the road making and we will be focusing on the trucks crane market also, but the major traction, the major focus is in the truck cranes.

Anupam Goswami: Sir, you also mentioned that due to the capacity constraint you will be prioritizing your products, so if you can throw some more light on it, how are you going to guide us with your product and which of the products will you focus more on?

Aloke Banerjee: As I mentioned to you, our first priority is rough terrain then we are followed by defense, truck cranes, the order backlog is there, so we are taking longer lead time and then we are also focusing on customer support, this EPC product line that is in road making equipment product line so we are prioritizing on that and of course the smaller cranes what I mentioned, the MOBILOAD and things like that so we are taking a mix and I think that we should not dissatisfy our customer but at the same time, as I mentioned, we have to be always aware that whatever we do our bottomline needs to improve, so this is a very strategic and very complex process and we are working it all the time, so that the bottomline does not go out of site.

Anupam Goswami: One more thing, you mentioned that you outsourced your products to other suppliers.

Aloke Banerjee: Also the components to be manufactured by outside suppliers and then it are returned back to the mother plant.

Anupam Goswami: Is there any hurdle that you are facing from them?

Aloke Banerjee: The factory capacity is a constraint. You see, as I mentioned, last quarter we have done about 55 units and this quarter we are planning between 95 and 96, while our factory is constrained, their factories are also constrained. They have never done it in their lives. So it is a chain reaction, but we are trying to see, and we are trying to find out alternate vendors, we are trying to win alternate sourcing, we are trying to see what we can do, because this is something, which TIL has never faced in their lives, so it is also a learning process for us,

but as I mentioned possibility this learning will help us in the next financial year when we will be more equipped to see that how quickly we can deliver to the customers.

Anupam Goswami: Sir your Kharagpur plant which are the products will you be focusing on or is it on a general every kind of product?

Aloke Banerjee: As of today we have a constraint in our mother plant manufacturing trucks cranes, rough terrain cranes and ReachStackers, so all those products will be there and we have two to three new product lines also in mind, which I am not discussing at this stage because it is premature. The work is going on in the research and development of our plant, so once it comes to a level maybe that will be the appropriate time to discuss that and moreover it will take a while for the factory to come up as I mentioned, I do not think it will be before March and April 2019, so we have some time also. We are also looking into if we can go into volume production and things like that, so there are certain points, but I am not discussing because it is premature on date. At the appropriate time, I am going to share with the investors.

Anupam Goswami: Sir our staff cost as mentioned has increased because of road making construction has come up is it further going to increase more at this pace?

Aloke Banerjee: No I will put it this way that whatever you have seen in the increase I would say about 60% to 70% of the increase has already come in. Within March I think 80% increase will come and after that in the first quarter we maybe another 15% to 20% and that is the end of it. After that it will stabilize.

Anupam Goswami: That is helpful Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Yash Mehta from Sushil finance. Please go ahead.

Yash Mehta: Sir in the last quarter concall when you said that your inventory will go down by around Rs.30 Crores to Rs.40 Crores in the third quarter and you will see inventory around Rs.100 Crores to Rs.120 Crores level Sir what went wrong in this quarter and we see our inventory at Rs.219 Crores and where do you expect your inventory in the Q1 FY2019?

Aloke Banerjee: You are absolutely right because this is something, which I told the board members as well, but what has happened is the orders that we have got now as I mentioned last quarter we dispatched only 55 and because we have plans some manufacturing 95 units, so the inventory procurement has gone up to a level of Rs.219 Crores, but my target is as on March 31, 2018 to bring it to a level of around Rs.160 Crores. Now let us see that the targets are here and that is what initially I had told. Initially that is what I had told at the initial remarks that I made in this concall. I had mentioned that our target is to reduce the

inventory, but let us see even if I am able to reduce Rs.50 Crores to Rs.60 Crores, I think it will be a good thing to start with because I do not foresee in the Q1 of FY2018-FY2019, I will have 90 to 95 units getting dispatched, so inventory should ideally get liquidated by that time. So that is the plan. Let us see how it works out.

Yash Mehta: What will you foresee our growth in FY2019 onwards?

Aloke Banerjee: It will be appropriate when we discuss it in the May concall after the annual account because I would first like to see how much turnover I hit in FY2018-FY2019. Based on that I will take the forecast.

Yash Mehta: Our employee cost percentage to revenue at what percentage will stabilize?

Aloke Banerjee: Let me put it this way the percentage of staff cost to the turnover as of now is rather high. There is no denying to it, but there is one factor, which needs to be considered that is in the operational maintenance contract with Concor huge resources have to be employed. That is what is actually the percentages that go in because the turnover is not so high, but the percentage is high. As of now the staff cost is around 16%, but our endeavour would be that with the final costing that will appear in the April-June quarter, we should be in the region of around 12% let us hope that way, but I do not know. We have to work it out because by that time I think all the resources would have been filled up. The organization would have stabilized in terms of staff cost and of course that time the turnover would be the major issue and we should be able to manufacture and dispatch. That is the plan about 12%.

Yash Mehta: Our material handling business what was the revenue and the profit this quarter?

Aloke Banerjee: I do not have that number. I have only consolidated numbers. You send me a mail I will reply to that.

Yash Mehta: I just want to confirm that because we were having losses in that segment, so we are at least breakeven in this segment as of yet?

Aloke Banerjee: No. Even in the EPS business, we have incurred losses, so the loss in that business is still continuing. I do not have individual thing, but once you send me the mail I can reply to it. We have been incurring losses. In the EPS business we are still incurring losses.

Yash Mehta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from KIFS State Capital. Please go ahead.

Nitin Gandhi: Sir two questions one would you plan once you start realizing some proceeds from Faizabad sale and your expectation?

Aloke Banerjee: Faizabad.

Nitin Gandhi: Yes?

Aloke Banerjee: The initial plan was January to March we thought some money would come in. I am not too sure. I am not ruling it out, but I think by first quarter next financial year we should see some revenue coming in. It all depends whether we are selling it in plots or total. If it is total it will happen through one go and if it is plots it will come as and when it comes, but I think we have passed it till May. By that time more clarity will come in.

Nitin Gandhi: But approximate ballpark how much is expectation and this will be used for repaying debt or something?

Aloke Banerjee: Part of it will be utilized for the setting up of the plant. We are expecting initially I had mentioned the higher figure, but you see there in UPSIDC there is a document and the rates of sale of land is also fixed by them. I do not think we can do anything beyond that because everything gets registered as per those rates, etc., so we are still working it out. I do not have a value as of now, but my sense is maybe around Rs.50 Crores.

Nitin Gandhi: How much do we need for setting up this new factory?

Aloke Banerjee: About Rs.110 Crores total in a phased manner.

Nitin Gandhi: Over a period of two years right?

Aloke Banerjee: I will not say two years over a period of say one and a half years out of which commercial production will start, but some will be there.

Nitin Gandhi: In phase basis, so basically this money will go to more or less funding this and how much debt you will be raising for this new plant?

Aloke Banerjee: We have already got a sanction of Rs. 80 Crores, but we have gone down because we are waiting for the construction to start. In the books today, we already have a loan of about Rs.15.5 Crores with SBI. The combination is this by the time the factory starts SBI will get virtually repaid, very little bit would be there and by that time my sales proceeds of Sahibabad land will come even if I can repay say 50% from the Sahibabad land or 60% long term loans should be in the region of may be Rs.60 Crores to Rs.70 Crores or Rs.50 Crores to Rs.60 Crores because we do not want to increase the debt of the company at any cost. We want to reduce it. Eventually in a couple of years or three years time when the Kamarhati

land will be sold off then the entire debt will get repaid. Then it is only the working capital will be there, but Kamarhati land is a far distant thing. It will not happen immediately. It will take a while; however, in long-term also and after that I do not require any long-term loans, so it is only the working capital plus I am getting a moratorium so that is the point I wanted to make, so by the time the repayment starts kicking in part of the debt should have got repaid by that time. That is the plan I hear.

Nitin Gandhi:

What is the asset turnover, which you plan from this new plant?

Aloke Banerjee:

Asset turnover we have worked it. I am just giving you the number because based on that we have applied for the loan, so I do not want to give you a number of the cuff, whatever based on which the loan application has been processed I will give you that. Any other question you have in the meantime?

Nitin Gandhi:

I will continue. Employees benefit you said like more or less 60% to 70% of what you expected rise is more or less factored, so right now it has gone up by Rs.3 Crores to Rs.3.5 Crores, so may be the Rs.5 Crores to Rs.5.5 Crores will be the sensible expectation from our side that it will be stabilizing, so may be Rs.17 Crores will be the peak level of our employee expenses right?

Aloke Banerjee:

No. It is like this. You see the nine months it has gone up from Rs.36.5 Crores to Rs.44.2 Crores, so that is roughly about say Rs.8 Crores and if Rs.8 Crores is supposed 80% for convenience so 100% this will turn into 10 Crores. This is what we want to tell you.

Nitin Gandhi:

So Rs.2 Crores is what you will be building up, and that will be you think that this will stabilize at 12% of the sales over the financial year?

Aloke Banerjee:

One has to go up because after that everything is lined up.

Nitin Gandhi:

All the best. Thank you very much.

Moderator:

Thank you. We will take the next question from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor:

Thank you Sir. Thank you for the opportunity again. Sir I am just taking you back to the March 17, 2017 numbers which just I was going through right now wherein we find that that quarter had something extraordinary being built into the manufacturing part because on a turnover of Rs.110 Crores out of which Rs.35 Crores was the customer support, we made a profit of around Rs.36 Crores, so if you could decode for us what was so exemplary that quarter that we had such a stupendous margin because as earlier the person asking you told that 12% EBITDA is what our endeavour should be for this year?

- Aloke Banerjee:** I do not have last year's numbers. I have only current year. You send me a mail on this. Let me see what is your query and I will try to respond.
- Saket Kapoor:** I got your point.
- Aloke Banerjee:** I do not have the numbers straightaway, so I have to understand your question vis-à-vis the numbers that you are quoting.
- Saket Kapoor:** Correct Sir. Sir now just putting one thing more into action Sir 97 are the number of units that are available that should be our endeavour to deliver for the March quarter out of this Sir what should be the percentage for the cranes and ReachStacker to get an understanding how are the deliverables planned Sir?
- Aloke Banerjee:** Out of 97, 15 are EPS product line and defense would be about 24. The balance is cranes, ReachStackers, etc.
- Saket Kapoor:** The balance would be the cranes and ReachStacker part? Sir just to have one more understanding about the ReachStacker part Sir ReachStacker we have a dominant market share and we have been always a prestigious partner with Concor so just to understand what kind of margin improvement are we expecting going forward on the ReachStacker segment also Sir? What is our endeavour to be there going forward because we have been there and we have consolidated our position in the ReachStacker segment and it is clubbed I think so with the equipment business on a net basis we are incurring losses so how is this ReachStacker going to continue for 2018-2019 and 2019-2020 Sir?
- Aloke Banerjee:** The ReachStacker pricing is also very competitive because we have got competition from Kalmar, etc., and Concor pricing whatever we have quoted has to be competitive. We do not know what the other companies have quoted, but you see at the end the strategy is that we will have to reduce the cost also. There are two strategies to it one is reducing the cost. Secondly we are also building another ReachStacker, which is slightly cheaper, which will suit the Indian conditions and the customer we get it at a lower price than what it is. We are still working on that and we are sure that we will be able to see few of them in 2018-2019, so that part we have to be taken care because tell me tell you something that competition is so fierce that just arbitrarily if you raise the price you will not get the sales, so we will have to take a combination of giving the customer certain additional benefits along with the price. There are various strategies on that. We have done some and we are working on it so that we give it as a package and not that purely we sell one ReachStacker because the market who is taking these ReachStacker may be in the retail segment. It may not be an institutional buyer. Now in the retail segment the most important thing that runs is the EMI for these hirer. Hirer is taking it and he will see that how much I am getting in as EMI, how much is my down payment and how I am making money and this combination is dependent

on the selling price of ReachStacker from TIL, so it is a far futures thing than earlier days it was simple combination that you see the ReachStacker at a particular price and if it is an institutional buyer he will not object, but for a retail market it is difficult. You have to consider that price a customer is also looking at so that he also in the process can make some money through the EMI process. We have consciously decided that is why that we have to reduce the cost of manufacture and we have requested Hyster also to look at the kit pricing that they are supplying to it. They will also reconcile themselves. They will also reduce some margins because from memory I am saying we have a 65% market share for the ReachStacker in India. They should also be interested and we can expect volumes to go up in the next financial year.

- Moderator:** Sorry to interrupt Mr. Kapoor. That was last question we could take.
- Saket Kapoor:** That is okay.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Kamlesh Kotak for closing comments.
- Kamlesh Kotak:** Sir just wanted two points. You said the order book is around Rs.116 Crores right?
- Aloke Banerjee:** As on December 31, 2017.
- Kamlesh Kotak:** We are targeting revenue of Rs.130 Crore plus for the Q4, so are we expecting more order inflow or how do you see that Q4 should be so strong for us?
- Aloke Banerjee:** The orders have already started kicking in January and February and we expect an order backlog in March will be equally good and say for instance the EPS business when I am saying 15 products actually the orders when they give the order they give the order for total equipment. One equipment may compose four manufactured items that we have to do, so I am getting it into four because I have to manufacture four items. It may not be in terms of quantity I am saying. It cannot resemble 100% with that, but I will put it in a different language. If I have to go to Rs.400 Crores plus I have achieved 275 up to December, unless we do around 135 to 140 then only we will get that out of which 116 is there. The balance orders will surely come in.
- Kamlesh Kotak:** Secondly Sir you said the debt has gone up to Rs.150 Crores right?
- Aloke Banerjee:** Absolutely.
- Kamlesh Kotak:** The Q4 we will have a higher interest cost as well?



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Aloke Banerjee: Let me put it this way. Last year my interest cost was Rs.21 Crores. My initial target was Rs.12 Crores, but now I am targeting between Rs.14 Crores and Rs.15 Crores, so I will have still some savings in the financing cost.

Kamlesh Kotak: Sir that concludes the call. Any closing remark you would have Sir.

Aloke Banerjee: Thank you Kamlesh. Thank you all the participants. I have tried to answer all your queries to the best of my ability. In case there are further queries, you can always get in touch with us. Kamlesh will be happy to share my email address with you and thank you Kamlesh for hosting this and we will have the next concall sometime in May after the annual results are announced. That is all from our side. Thank you once again to all the participants and Kamlesh.

Kamlesh Kotak: Thank you Sir. With that we conclude the call. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Asian Markets Securities that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.