"Tractor India Limited Q4 FY12 Earnings Conference Call"

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Moderator Ladies and gentleman good day and welcome to the Q4 FY12 results conference call of TI limited hosted by Emkay Global Financial Services. We have with us today Mr. Aloke Banerje President and CFO. As a reminder for the duration of the conference, all participant lines will b in the listen only mode. And there will be an opportunity for you to ask questions at the end o today's presentation. Should you need assistance during this conference, please signal a operator by pressing * and then 0 on your touch tone telephone. Please note that this conferenc is being recorded. I would now like to hand the conference over to Mr. Pritesh Chedda, Senio Research Analyst of Emkay Global. Thank you and over to you Mr. Chedda.

Pritesh Chedda Thank you Inba. Good morning everybody and thank you for joining us today. We would like t welcome the management of TIL Limited and thank them for giving us the opportunity to ho this call. From TIL Limited we have with us today Mr. Aloke Banerjee – President and CFO. H will give analysis on the quarter 4 and the year gone by in terms of performance and also shar his outlook on the forthcoming quarter and year. Over to you Mr. Banerjee for the openin remarks.

Aloke Banerjee Thank you Pritesh. Good morning to all the participants who have come and joined us in this TI conference call as we are going to discuss the annual results for 2011 – 12.

As you must have seen the results which has been announced in the newspaper last Tuesday no yesterday, prior to last week. I think it has been a very challenging year for us for all of us. An we hope that 2012 – 13 will be better than what has been in 2011 – 12. One thing we would lik to mention is that we have been in this industry since 1944, the dealership business started i 1944 and that's the relationship we have with Caterpillar. And the other relationship where w are in technical collaboration agreement with our crane manufacturers, Manitowoc, Previously was Coles, Coles which was taken over by Grove and Grove has now been taken over b Manitowoc, the relationship goes back as old as 1960. So these are fairly old relationships th we have and we are confident that with the economy turning bright and we will have lot o opportunities in the portfolio, in the product that we offer to the customers. This year, the yea that has been 2011 – 12 has not been a very good year for all of us. There has been certain area where we are making in introspection and we are trying to see how we can reduce the costs an how we can improve the margins. Along with it we are also looking in to 2012 – 13 which is th current year and also in the current year I do not see big opportunities coming up as of now. S therefore I personally feel that the first 6 months of 2012 – 13 will also be a very challengin year. With this introductory remark I will discuss with you the financial performance of TIL an TIPL.

But first let me give you an update on the group performance that is Tractors India Priva Limited, Tractors Nepal, Myanmar Tractors and TIL overseas they were in operation in 11 - 1 in the first 3 months. The top line of TIL and TIPL has grown from 1130 crores to 1290 crore and subsidiaries did not grow. There was a dip because of the Myanmar operations not bee there from 272 it fell down to 134.

On an overall basis the group turnover was last year that is 2010 – 11, was 1402 vis-à-vis 1414 i 11 – 12. We can take out the other income which has been a significant part of 47.8 crores fro TIL overseas. TIL and TIPL taken together, 2010 – 11 posted a profit PBT of 59.5 crores vis-à vis 13.9 and the subsidiaries in 2010 – 11 was 30.6 because primarily because that tim Myanmar operation was in full year vis-à-vis current year 2011 – 12 was 10 crores because was only in operations for the first 3 months. Whoever the group PBT 2010 – 11 was 90.1 vis-à vis this year 71.7 but out of 71.7, 47.8 crores had come as other income from Myanmar TI overseas which has been the income that was generated to the transfer of the assets and we hav been able to bring this money to India on a taxed neutral basis that year itself. 47.8 crores, we d not have to pay any tax because this money has been brought from Singapore from the tax pai income of Singapore and this has come as a dividend income that is permissible under th income tax act.

Coming into a slightly more detailed what we can see is TIL and TIPL taken together, the sale income grew from 1130 – 1290. The employee cost has increased from 94 crores to 107 crore And expenses have also gone up from 92 crores to 104. Operating profit was 84 crores last 201 – 11, vis-à-vis 60 crores. There has been a significant increase in the financing cost as it has bee announced in the newspaper, you must have seen by this time. In 2010 – 11 it was 20 crores an in the current year in 2011 – 12 it was 37 crores. Profit before tax last 2010 it was 75.8 vis-à-v in the current year 61.7. If I come in the divisional performance in the material handling growt the top line grew from 220 crores in 2010 – 11 to 244 crores. And the employee cost here als has increased as well as the expenses. In terms of operating profits, MHS (material handlin systems) there is a dip last in 2010 – 11, it was 34 crores vis-à-vis 21 crores. Profit before tax la year that is 2010 -11 it was 30 crores vis-à-vis 17 crores in 2011 – 12.

If we come to the performance of the power systems group, here the top line has grown from 25 crores to 290 crores. There is an increase in the contribution. Here the employee cost has gone u but the expenses, we have been able to continue to the same level, and however in terms of prof before tax in 2010 – 11, it was 12.7 vis-à-vis 8 crores 2011 – 12. In the construction and minin group also there is growth from 654 crores last year, this year it has grown to 744 crores. I terms of contribution there is a dip of 4 crores in contribution. Here the expenses, the employe cost has gone up as well as the expenses and in this division we actually last year we made profit of 22.2 and in current year we actually incurred a loss of 1 crore in 2011 – 12. If we g through the balance sheet of TIL and TIPL taken together, it appears like this that loan fun have increased from March '11 position of 227 crores to 389 crores and inventories have bee marginally increase in genset it was 293 crores and in March it will be 295 crores. Debtors la year in 10 – 11 were 139 Crores. 11 – 12 it is 207 crores. If we discuss the important financi ratios, we find that EBITDA as a percentage to sales and if I exclude my corporate income, the March '11 was 8.7 vis-à-vis 5.7 this year. If I say my corporate income was 5.3 and 1.1, PAT is and 0.7, interest cover ratio last year March '11 was 4.8 and March '12 is 2.6. Debtors based on moving average basis March '11 was 58 and March '12 was 64. Inventory cover was 127 days i March '11 and in March '12 it is 109 crores. The total outside liability versus tangible netwo that is my total debt equity ratio in March '11 was 1.7 and in March '12 it is 1.8. I would als give you the pending order and book position as on 31st of March. In material handling grou the total pending order was 91 crores, out of which 55 crores will get executed in April to Jur this quarter. Power systems it was 56 crores and out of which 42 crores will get executed in th first quarter. Construction mining as on 31st of March pending was 37 crores. Out of which 2 crores will get executed in the first quarter. I will also give you a flavor of the pending ord position as on 31st of March, 2011. Material handling group had a backlog of 45 crores and in th March '12 it is 90 crores. So there is a significant improvement in the order backlog of materi handling growth. In power systems it was 84 crores in March '11 whereas in March '12 it is 56, had mentioned this figure. And in construction mining 31st March, 2011, was 39 crores, vis-à-v 37 crores in March 2012. These are the numbers which I am discussing with you and along wit that I think which I will open it up for question. I will also give you my average borrowing cos My average borrowing cost as on 31st of March, 2012, is 10.99. It has gone up to 11.45. I December '11 and in March '12, we see a marginal dip. It has come down to 10.99. With th whatever questions you want to ask, I am willing to answer them.

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin with the question an answer session. Anyone who wishes to ask a question may press * and 1 on their touch tor telephone. If you decide you want to withdraw from the question queue you may press * and 2 t remove yourself from the question queue. Participants are also requested to use only handse while asking a question. Anyone who has a question may press * and 1 at this time. Our fir question is from Nirav Vasa from SBI Cap Securities, please go ahead.

Nirav Vasa Good morning sir.

Aloke Banerjee Good morning Nirav.

Nirav Vasa Thank you very much for the opportunity sir. Sir can I please request you to give my volum wise break up across all the 3 business segments for FY12 and FY11 and if possible the break u of that quarter wise?

Aloke Banerjee See I don't have quarter wise, but I can give you the break up of the volumes in terms o machines, material handling group. We had manufactured 120 numbers of cranes, reach stacke in 2010 – 11 vis-à-vis in the current year, when I speak of current year I refer to 2011 – 12 is 13 numbers. And then if you see the power systems Caterpillar business, there in 2010 – 11, we ha sold 544 numbers and in the current year that is 11 – 12, we have sold 518. So there is a dip i the volume over there. And as well as in construction mining, 2010 – 11 we had sold 112 numbers where vis-à-vis in the current year that is 11 – 12 we have sold 1035 numbers.

Nirav Vasa Okay Sir there was also some news article which stated that you are facing land acquisitic problems in the Kharagpur area where you are planning to set up a new factory. So any updat on that sir please?

Aloke Banerjee Yeah I will give you an update on that. You see what is happening is we have started commerci production in our Kharagpur plant sometime in November, 19 November after the inauguratic was done by the industry minister of West Bengal but you see we have built up this plant in a area of 67 acres. Actually we are planning to buy 200 acres over there and there are certain plo of land which we have to buy directly from the farmers or the sellers. Now the sellers can se that the production has already started and they are not that keen to sell up their land. The mentality stays that one day TIL, we have to come to them to buying of the land. So keeping th in mind if you remember I had also mentioned in my earlier telecon, we have purchased anothe 100 acres just about 9 kilometers away from the same plot where we have started manufacturin because of the uncertainty of the villagers and the farmers, decision of selling the land. An based on that we have taken 100 acres and there we are doing the basic work as of now. We ar leveling the land and putting up the boundary wall and just maintaining that at that level statu quo. So to answer your question land matter has still not been resolved with the farmers. It is sti going on. It's a very longish and continuous process and we are on it but we are not meeting an results as of now.

Nirav Vasa Sir because of this, should this road block, are you expecting any major increase in the CAPE that you are planning specifically for this manufacturing unit.

Aloke Banerjee You see the plan is this, as we have seen that 2011 – 12 has not been a good year for us. But a the same time, what we internally have decided is we are for the new plot of land of the 10 acres, what we have decided is we will put up the boundary wall and then we will be ver conservative or very slow in making investments in that plot of land. because the factory that w already have, we are going to utilize it and incase there is a because you see the entire thing already planned on the economy, improving and the investments by the government taking plac now if that is further delayed, then we do not have any plans to start of the manufacturing plan straight away. Although as per the blue print that we have, our initial target has been and we sti maintain the target that we will be starting the commercial production over there by 1^{st} of Apr 2013. But prior to that we are also interested to see that our presence factory is fully utilized an we are getting revenue from there. The return on the investments on the existing investmen comes up and then only we are going to invest it. The other thing that we have in mind which w have also planned is we do not have plans of increasing the borrowing when investment it ther We are looking now that whatever little cash generation we do from the existing business, th we should start investing in the new plant. Although investment in the new plant would b roughly about 150 crores. We will not be able to generate so much of cash in 1 year bu progressively we will maintain the investments and feel whatever is absolutely needed, we wi be doing there. But here also the other factors that comes up is lot of technical collaborators fo instance Hyster**,** Manitowoc they are also very keen in seeing that line of production starts in particular area. So just to share with you, we had a meeting with Manitowoc and they wer discussing whether we could manufacture crawler cranes and things like that now if crawle cranes have to be manufactured, possibly we will have to set up plant. It is something which not casting stone, as we go ahead, during the year '12 – 13, we will have to decide but I thin first and foremost that we are going to look is that conserve cash and generate cash as muc possible from the business and then only start investing in the new plant.

Nirav Vasa Okay sir what ahs been the total cost of land acquisition till date of both the land patches w have purchased?

Aloke Banerjee In this total, in the existing plant we have spent about roughly 20 crores. In the plant where in th area where we have started manufacturing 20 crores and in the land which we bought fro WBIDC we have spent about 27 crores. So total investment would be roughly about 47 crores.

Nirav Vasa 20 and 27. Yeah. Thank you very much sir. My queries have been answered.

Aloke Banerjee Thank you. You are welcome.

Moderator Thank you very much. Our next question is from Manish Goyal of Enam Holdings, please g ahead.

Manish Goyal Very Good morning sir.

Aloke Banerjee Manish how are you?

Manish Goyal Very fine sir. Thank you very much sir. Just a small clarification on the TIL and TIPL numbe you said EBITDA in current year was 60 crores versus 84 crores last year can you clarify thos couple of numbers sir?

Aloke Banerjee EBITDA? TIL and TIPL operational profit, if I may say, are you seeing the percentage numbers?

Manish Goyal Numbers. Okay operational profit is how much sir?

Aloke Banerjee Operational profit that is profit after interest last year was 59 crores or 60 crores vis-à-vis 13.9.

Manish Goyal This year 13.9.

Aloke Banerjee 13.9 because you see what has happened is along with that my 47.8 crores is my income fro Singapore. So that is getting away. So that's why it is coming to 60 crores – 61 crores.

Manish Goyal How much was one time income sir?

Aloke Banerjee 47.8. about 48 crores.

Manish Goyal Okay and this profit after interest is before depreciation sir?

Aloke Banerjee No this is after depreciation.

Manish Goyal Okay so this is basically PBT you are saying?

Aloke Banerjee Yeah this is PBT. You are right.

Manish Goyal Okay and sir you used to give the numbers on a like to like basis excluding Myanmar operatio So can you give for quarter 4 and FY12?

Aloke Banerjee Manish I have to send it to you, I am speaking from here the quarter 2 results are, I mean I don have it division wise. I will have to send it to you. I am noting it, I will send it to you of course.

Manish Goyal No problem sir. Okay so what was the revenue contribution from the new facility, Kharagpu facility and which are the products we are manufacturing there?

Aloke Banerjee See we have manufactured one hot mix asphalt plant. 3 numbers components for RTG, that's a because we really got 4 months of production, December to March. And HMAC itself is a bi equipment which cost 6 crores. So the hot mix asphalt plant is a big one. We have als manufactured some crushers and screens, etc.

Manish Goyal So what would be revenue contribution from sales?

Aloke Banerjee Total sales would be roughly about 11 crores and contribution would be roughly about 2. crores.

Manish Goyal And what is the fixed cost base for this plant or break even turn over for this plant?

Aloke Banerjee See break even would be roughly about, your contribution has to be roughly about 8 crores.

Manish Goyal Okay 8 crores contribution is required.

Aloke Banerjee But this is only from the 4 months production I am saying.

Manish Goyal No ideally on a full year basis what would be our fixed cost base for this new facility sir?

Aloke Banerjee See on a 4 month I am getting about 8 crores, so roughly about 2 crores per month but let m also tell you that the production has been at a very low level between December and March. S once my productivity increases, I think, and let me also tell you the contribution percentages fo the new plant is not as good as our existing Kamarhatty plant production. Because there we hav been there and here we are manufacturing the products for the first time. So therefore one has t take a mix of it. And However I would say if we can achieve a contribution of roughly abou anything between 20 – 22% then I think we will be breaking even.

Manish Goyal So basically rough calculation shows one 140 to 150 crores of revenue.

Aloke Banerjee Absolutely 150 crores of revenue is the bare minimum that we need to have. And if you ca attain 200 crores we will have some butter also.

Manish Goyal And what's the current order book for this particular product sir?

Aloke Banerjee The current order book for this product is, in that product of 90 crores, the EPS is als mentioned.

Manish Goyal Okay so it includes the EPS?

Aloke Banerjee Yeah it includes the EPS. I don't have the numbers separately but I can give it to you.

Manish Goyal Okay fine sir and on the construction side, what is the current inventory levels we have and ho are the receivables doing, in construction and mining division because we faces some problem in last one year sir?

Aloke Banerjee See let me put it this way. So far the inventory levels are concerned, if I may tell you the TIP balance sheet from, I will tell you, in March '11 my inventory was 234 crores and now it ha come down to 208. So inventory levels have I will not say they have significantly better but has improved marginally. Actually we should be able to bring it down to by another 50 – 6 crores. Then it will be in shape whereas in the debtors from 136 crores it has gone up to 16 crores. So there we feel lot of opportunities in the sense debtors but I think I also mentioned i the earlier con call there are certain customers if they don't have money they are unable to pa us. It will be roughly about 30 – 40 crores. So let me assure you that something like this they a not sticky. It is not bad. It is only a time taking process where the money is not coming in and am sure that people who are in our space and the customers who are in our space, they are a sensing this issue that's happening. So hopefully we should be able to realize this. Once we a able to liquidate the 50 – 60 crores of inventory and we are able to realize the significant part o debtors, the picture of CMS and PSS. Then of course we have to contain our cost also. It is doable situation. I am telling you even in this economy and if the economy improves the thing will be different, significantly different. Because as I mentioned earlier also that we have to d lot of introspection which we have already done and we are trying to see wherever possible, wha is the best method of increasing the prospects of the company.

Manish Goyal Sir to improve working capital you were looking to reduce sourcing cycle from Caterpillar fro 6 months to 3 months and on other side you were also probably negotiating for high commissions. Any breakthrough in that sir?

Aloke Banerjee So far the inventory part is concerned, you see backhaul loaders the 424s, we have been able t reduce the purchases. Previously it was 80 numbers or 90 numbers but for April-May-June-Jul we have been able to reduce it to 60. And so far increasing the percentage of contribution o commission income I think out management that is our Vice Chairman and Mr. Murthy who in-charge of the Caterpillar business, they will be visiting Singapore and having a word with bos of Caterpillar in the South Eastern Region. These are very tricky processes and it has to b placed in the right forum in the right way. Then only we can expect certain things to happen bu prior to that there are lot of internal things also which we need to see which we are addressin right now.

Manish Goyal But broadly for current year when you decide to probably relieve your schedule to Caterpillar, s have you increased your schedule in terms of order booking in terms for current year a compared to last year?

Aloke Banerjee This exercise is done in November because they follow the calendar year. 2012 it has alreac been submitted but there the volumes have been maintained at a same level as 2011 if I may us 11 – 12 as a bench marking except for backhaul loaders. Because you see backhaul loaders eve in the depressed markets I would imagine about 15,000-16,000 of backhaul loaders have bee sold. And we are targeting to sell 50 numbers per month. So 600, the Gemco dealer would b saying another 600 – 700. So in a total population of 15000-16000, we are selling about 1300 1400. You see that's an opportunity. So that's the market exist. It's only how we go in to th market and convert this. It is a challenging, I am not saying it is an easy stuff but the mark exists. People are buying JCD**.** So we have to accept that challenge and what best we can do. W cannot go to Caterpillar and say, sorry, you know what I mean. If the market did not exist th would have been different. And even in this depressed condition where the economy is n looking up, nothing much is happening.

Manish Goyal And in power systems sir we are seeing lot of competition especially from MNC and they a also looking to set up base in India like Perkins and especially the competition is coming up i higher ranges. Just 2 questions there, which is the horsepower range where we sell the highe volumes, number 1 and number 2 who are the main competitors there and what kind of outloo you see in power systems?

Aloke Banerjee See our main competition in power systems is Cummins, Kirloskar and the volume that you sai we sell maximum between 725 and 1050 or 1250, that's the range where we sell the maximu number of gensets. But let me tell you this that the person who has bought a Caterpillar gens will get back to Caterpillar. The reason being the operative cost is much lower than any of th competition. The other part is that the initial investment may be high and we have seen it in th past also that initial investment is high but the customer who has bought a Caterpillar genset wi continue to buy the Caterpillar genset. As a matter of fact the month of April the volume c genset sale was 201 crores, is higher than the last year. And I have also mentioned genset sa has nothing to do with economy. It is the reach to the customer and service that we provide to th customer after the product has been sold, after market, we are very critical. If you are able t reach to the customer at the right time, we will be able to sell. But it is a challenge. I am sitting i this office my neighbor will be requiring a genset I am not aware of it. So it is very critical th we know that our reach to the customer is there and having sold a product, our customer suppo has to be really very good. And we are focusing on this. I have been telling people who hav been listening to this con call, I have been telling this. There is always scope of improvemen The more deeper you go, the more penetration you have in the market place, the better sal number you will have and of course the product support people will have to be there at th customer's gate.

Manish Goyal But we are also seeing some emission norms kicking in June 2013 for gensets?

Aloke Banerjee That is not our problem because we are not manufacturing it is Caterpillar. And Caterpillar well ahead of all those.

Manish Goyal No the problem would be that because of that emission norm changed the price of the genset ar expected to go up by 15 – 20%.

Aloke Banerjee I agree with you. But then you also get a quality product. Just like if you buy a Sony televisio you will have to pay a higher price. Let me put in the right perspective, people who buy Caterpillar genset are well aware that they are paying higher than the competition. But still the buy. The market still wants the Caterpillar as a genset for 2 things, one the lifecycle cost if yo see it would be cheaper and people are aware of it and second of course the customer suppo service from TIPL is good but I cannot say it cannot be improved. It can always be improve And that will bring the customer back again repeatedly to TIPL.

Manish Goyal And can you give us the revenue contribution from spare parts and how is that grown?

Aloke Banerjee Manish, I don't have readily available with me. I will send it to you.

Manish Goyal And last question on the impact of rupee depreciation, any significant impact on your existin inventory because of rupee depreciation and any price hike you need to take in near future?

Aloke Banerjee You see for the earlier when dollar-rupee variation was between 52 – 53 at that time, Caterpill came upfront and shared a part of this foreign exchange fluctuation with us that this happened i February. And we are to buy from Caterpillar almost every month. But at the same time we tak a forward cover. So we do not speculate. So from the corporate governance part of it, yes we ar covered. From the financial part of it, it is going to hit us because the prices are going to go u and we are going to make a reference to Caterpillar but making a reference to Caterpillar at th right time we do not know when the dollar will stabilize. People are telling that it will stabilize 56 – 57 and then come back to 54, some people are saying it will go up to 60 and today newspaper says that government is going to take action to stabilize dollar movement. So this slightly tricky and at this moment so far the basic principle if you ask me we are going to make reference to Caterpillar just as you did in February 2012 and going by the experience that w have I am sure Caterpillar will share part of this foreign exchange fluctuation with the deal also. I am expecting that.

Manish Goyal I am done with questions. Thanks a lot for all the answers sir.

Aloke Banerjee Thank you.

Moderator Thank you very much. We have a follow up question from Nirav Vasa from SBI Cap Securitie please go ahead.

Nirav Vasa Yeah thank you very much sir. My question was pertaining to the demand that you are gettin for the power system. Sir would it be possible for you to help me with the industry wise break u of from where you are getting the demand for power systems?

Aloke Banerjee I am sure we will have some data on it. I don't have it with me right now but I have got you mail address, etc., and I will send it to you. I don't have it straight away, you want industry wis sales number right?

Nirav Vasa Yes.

Aloke Banerjee Okay we will send it to you.

Nirav Vasa And sir second thing now any update that you are getting on the mining industry apart from wh we read from the newspaper or should I say your view on it?

Aloke Banerjee Nothing is happening.

Nirav Vasa Nothing significant.

Aloke Banerjee Nothing is happening in the mining I am not even speaking on mining.

Nirav Vasa Okay sir thank you very much,

Moderator Thank you. Our next question is from Madan Gopal of Sundaram Mutual Funds, please g ahead.

Madan Gopal Sir this is regarding the power systems business. Rupee depreciation should have actually push Caterpillar to incur such price to maintenance margins. Have you seen any price increase fro CAT from the last one year?

Aloke Banerjee You see Caterpillar raises the prices annually. So, ever year on the 1st of April of 1st of Januar there is price increase. But having said that when the dollar went up to 52 – 53 Caterpillar cam up with a support system in the month of February. And they paid us some money. The pric increased would be the normal thing. Because these price increases happen at one time worl wide. It does not happen in a particular segment because once the product is classified, th product is going world wide. And all products are sold through 180 dealers all over the world. S the prices which are applicable in India, if it is too sensitive because of the foreign exchang fluctuations then we have to make a reference which we have already done. So the price increas per se will be there. for instance even in the genset as well as in the construction minin machine, the increase will be there but then we will have to go back to them and tell them this a situation and then only the adjustments starts taking place.

Madan Gopal So what you are saying is today he fixes you price in dollar times, or he fixes you price in rupe terms.

Aloke Banerjee He fixes our price in dollar even if it is an imported product he will say we have to pay $100 $150. That's it.

Madan Gopal So he protects his margin but basically it's your margin which is getting impacted because (rupee depreciation?

Aloke Banerjee That is where we make a reference to them and then they support us depending on you see wh is happen in India may not necessarily happen in Brazil or may not happen in China. It is specific country where they would see for instance dollar has gone up from 50 – 55 10% increa then they will say okay it is going to hit the dealer. So let's see how we can protect them.

Madan Gopal Okay that's great. So basically if you ask for a price increase what are the challenges becau demand is too low in the market? You are talking about demand pick up in April. First is I ju want to get a view, is it happening more on the high KVA or are you seeing it around the 75 KVA.

Aloke Banerjee For the month of April I don't have the numbers with me but the trend would be between 75 and 1050 or 1250 KVA as the majority of the gensets are sold. That's a big ticket items. A those are big ticket items. I am saying on an average basis there could be one or 2 up 2000 KV (1800 KVA or 15000 KVA and these would be high number items also.

Madan Gopal When you saying growth, growth is it in single digit or is it more than 10% kind of types?

Aloke Banerjee I don't have the number here.

Madan Gopal Ok no problem sir. I will call you later.

Aloke Banerjee We had increased it last year which I said was a good signals that's why I mentioned.

Madan Gopal That's right. But the competition is very much there and Kirloskar has been very aggressive i this above 500 KVA now these days, Cummins has always been there. And Cummins h recently announced they will increase the price by 3% across gensets. So given all this, yo expect a possibility of an increase from CAT as well?

Aloke Banerjee Sure because let me put it in the right perception, Cummins, Kirloskar these competitions w always there. It is nothing new that we are facing. Even in good times, even in bad times it there. We have faced the competition and still we have been able to make margins and still if w just go back one year, 2011 – 12 if we go back 2010 - 11 we made quite a decent profit based c these business transactions and there also the price increase was there, yes, what you can say th dollar did not misbehave as it is behaving today. By and large we have made profits and there th customer support that's part and services have also helped us in getting the margins and gettin the overall profits for the company. So we have to focus it on totality. While we agre competition is there, price increase is there, Caterpillar will increase the price, I mean it is genuine situation and they have been increasing prices and we have been selling the products an increase price. There we have to sell the product, the value for the money that is the peop have to see, the value for the product the people have to see. Therefore, our perception is ove the years, this has happened. It will happen hopefully.

Madan Gopal Sir now Perkins which is again a CAT company, when they come to India you see a possibilit of they using their dealership to sell there Perkins as well or how they do world wide. Do the sell Perkins through separate dealership and CAT through separate dealership?

Aloke Banerjee Perkins have always sold through dealership but here I have to check that what I was going t tell really I am not very sure. But Perkins dealership I think has been allocated to Gemco whic is a dealer PAN India but I have to check on this, I am not too sure.

Madan Gopal But are you hearing anything on the company putting up plant next year itself, that's what the have been talking about?

Aloke Banerjee We have not heard anything like that.

Madan Gopal On the mining side you were saying nothing is happening. So is that the Coal India Limited ha put on whole some of the tenders they would have come out or what is the sense that you ar getting from talking to Coal India Limited?

Aloke Banerjee Everything has been deferred. They are not saying put on hold. They are saying may be anothe 20 days, may be next month so on and so forth but nothing is happening.

Madan Gopal So it's more of delays is not like your entire FY13 outlook might be in problem because of it.

Aloke Banerjee That's what I said, October onwards we can see slightly different picture. First 2 quarters sounc difficult but 3rd quarter may look positive.

Madan Gopal Okay when they typically place orders sir, Coal India Limited during the year?

Aloke Banerjee October to March, that's the time frame, the budget gets exhausted in the month of February.

Madan Gopal Okay thank you sir. Thanks for your time.

Aloke Banerjee Thank you Madan.

Moderator Thank you very much. Our next question is from Srithajan C. of Batlivala and Karani Securitie please go ahead.

Srithajan C. We just want to get a light on Myanmar Tractors deal, to whom it was sold and how muc money has been remitted and what's the deal size and all.

Aloke Banerjee Well it is like this. We were the dealer in the Myanmar but the General who is #1 now, he cam up about 2 years back and he made a regulation that if we have to do trading business i Myanmar we need to have a local partner. So Caterpillar is the principal and Caterpillar ha mentioned that in this way MTL cannot continue. Because MTL will not have a local partner an it is very difficult for us also to have a local partner and do the operations in Myanmar fro India. So therefore we consciously decided that we will have to terminate the dealership i Myanmar and then Caterpillar went all out to find out a dealer, a local man in Myanma identified the person which was acceptable to them and took him to US and they interviewed th dealer. So they interviewed the present dealer and they found him suitable and then w transferred the assets to them. The total value of money that we got was roughly about 10 million and out of that what has happened is we got some money this financial year and we als got some money in the last financial year. Whatever money we have got in the current financi year, is the maximum possible under the tax free area. These have come from tax free reserves o TIL overseas. The balance of the money we are working out on something whether we can brin it in a tax neutral position or may be we will have to bring it into India and pay tax on it. So th is still been worked out on that. So does that answer your question?

Srithajan C. What is the amount left sir?

Aloke Banerjee See we have got about 100 crores. Out of which we have got into India about 48 crores alread and prior last year we have got about 64 crores we have already got and over there we have g another 20 – 25 crores which we have to see how we bring it over here. I am sorry I was tellin 20 million not 100 million, I was meaning about 100 crores. I was meaning 20 million, I a sorry.

Srithajan C. And sir for this quarter, why was the tax provisioning is higher, it was around 50% for th quarter and for the whole quarter it was around 37-38% or something, why was it so?

Aloke Banerjee Tax provision you are seeing from the press release?

Srithajan C. Yes sir.

Aloke Banerjee I will have to get back. So it was 50%?

Srithajan C. For this quarter sir?

Aloke Banerjee For the quarter, okay I have not worked that because on an average it is coming to 30 – 33%.

Srithajan C. Yes sir. On an average it is coming around 36.5%, was there anything related to court orders o something?

Aloke Banerjee No there was nothing related to court orders but I think what we did we made some conservati disallowances that may happen and that’s why the tax provision. On an overall basis it is 35 36% but not 50, 50 may have happened for the quarter because certain provisions which we not considered earlier may have. You see what happens is when we offer our file to the ta authorities, there are certain disallowances. Even if it is normal expenses the tax authoriti would fight out and say certain things are not in shape, etc., so we could have provided for th until and unless there is something specific which is not in my knowledge, nothing very specif is there, so it has been done in a conservative basis.

Srithajan C. Okay sir and our questions are answered. Thank you.

Moderator Thank you very much. We have a follow up question form Madan Gopal from Sundaram Mutu Funds, please go ahead.

Madan Gopal Hello sir. You said your margins in the power systems were impacted because of the rup change, that's why you were asking for an increase in price from CAT, but your margins seem to be strong in last quarter as well as this quarter, so any specific reason how it is possible whe rupee hass depreciated so much.

Aloke Banerjee See what we are trying to say is in case there is a variation in the pricing and in case the foreig exchange fluctuation has hit us but for a particular set of, for instance we got the money for th construction mining not in the power systems so then we make an approach to Caterpillar an say that we have bought these machines. What we are saying is that lot of the engines that ha been sold from the inventory, so it has not really affected us because they have been bough earlier. But whatever engines we will be buying now, and 2 things, one, most of the engines ar manufactured in Hosur plant in India except there are certain engines which we have to impor So the import content of these engines or the number of imported engines would be less. S that's why you are seeing the improvement in the margin.

Madan Gopal This is for engine inside power system you are talking about?

Aloke Banerjee That is in the machines that have lot of imported machines that come in to India, so there is difference in that.

Madan Gopal So you are saying for the power gen most of them which have been bought recently the engine have been done it India?

Aloke Banerjee The purchases are in India by and large, it's not only recent, always all the time, except fo certain engines which we may have to import.

Madan Gopal This is made in Thiruvalloor?

Aloke Banerjee This is made in Hosur.

Madan Gopal Hosur right yeah. Thank you sir.

Aloke Banerjee Thank you.

Moderator Thank you. Our next question is from Ruchir Khare of Kotak, please go ahead.

Ruchir Khare Hi good morning sir. Thanks for taking my question. Sir could you throw some light on how road construction segment doing and specially with respect to the receivables which were likel gone up last time in the public projects, any respite in that?

Aloke Banerjee Road construction project is going on, I will not say they are not happening. The major roa contractors for whom the outstanding was there, they still continue to be there. There could b some marginal movements but what has emerged is, there are certain small private contracto who are emerging as now to be the big contractors. The road contractors also had subleted, give it to small contractors who are now who are emerging as big contractors. So these are th opportunities that we have but we have been very careful and selective in forwarding th machines and equipments. But in the same breath let me tell you that although they are emergin but no placement of the order is coming from the private or small contractors also.

Ruchir Khare Okay fine thanks sir.

Moderator Thank you very much. As there are no further questions from the participants I would now lik to hand the conference back to Mr. Pritesh Chedda of Emkay Global.

Pritesh Chedda Just one question sir. On the capacity expansion in Kharagpur expansion site, you said you spen about 47, in which 20 went for the new plant. Is it a case that now at this juncture you want t halt a bit of investment before things improve or there is some CAPEX involved with th Kharagpur plant itself?

Aloke Banerjee You are 100% right, you are going to spend only once we see some light in the economy. A well as if some position of order booking. I will just tell you in the new plant which you have g from WBIDC what we are doing is we are leveling the land and putting up the boundary wa which is a bare minimum we need to do to protect the asset, right beyond that if you have to d we will have to see that whether we have the earnings to invest it there and as I mentioned th we do not want to increase our level of borrowing, no way. That's very important and we a very focused in that area.

Pritesh Chedda Which means the new plant which you spent 20 crores, stays as it is and that at a peak lev generate about 150 crores out of business.

Aloke Banerjee Correct.

Pritesh Chedda Just wanted to confirm what is the debt in the book?

Aloke Banerjee In TIL and TIPL taken together total borrowings are 389 crores. And the total debt-equity rati as I mentioned is 1.8, total liability vis-à-vis net worth.

Aloke Banerjee Okay thank you sir. Thank you for the opportunity to host this call. On behalf of Emkay we wis you and TIL good luck for the ensuing quarters. Over to you sir, if you have any closin remarks.

Aloke Banerjee Thank you Pritesh, thank you for all the participants. Thank you for the queries they have raise to the extent possible I have answered them, to the extent I have said I will get back to them, have noted it in a document and I will send the details. I will only say that investment in th government sector needs to happen for us to improve our performance but at the same time sinc we are making lot of introspection internally hopefully we will see better results but in the sam breath let me tell you in the first 6 months 2012, that is April to September will be ver challenging for all of us and I am hoping and this is my personal belief is from October onwarc there could be some improvement in the economy and based on that we will post better resul than what we have posted in 2011 – 12 in the coming financial year. With that closing remark thank all the participants once again. And thank you very much Pritesh for hosting this.

Pritesh Chedda Thank you sir.

Moderator Thank you very much. On behalf of Emkay Global, that concludes this conference call. Than you for joining us and you may now disconnect your lines.