Elecon Engineering

Q3FY12 Post Results Conference Call

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MODERATORS:

Mr. Prayasvin Patel – CMD, Elecon

Mr. Hemendra Shah – VP COMMERCIAL & CFO Elecon

Ms. Bhoomika Nair – IDFC Securities

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY'12 Earnings Conference Call for Elecon Engineering hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. I would now like to hand the conference over to Ms. Bhoomika Nair. Thank you and over to you madam.

Bhoomika Nair: Good evening everyone today we have the Elecon's management being represented by Mr. Prayasvin Patel, Chairman and Managing Director and Mr. Hemendra Shah, VP Commercial & CFO, I would now like to handover the call to the management for the initial remarks. Over to you Sir.

Prayasvin Patel: Thank you Bhoomika. Welcome all of you I would be reporting you the results for the first nine months of the year that is the nine months ending on December 31, 2011. The turnover of the company was 890 Crores net of all taxes gear was 420 Crores and material handling was 470 Crores. There was a growth of 8% over the corresponding period of the last year. Last year's turnover was 824 Crores out of which gear was 367 Crores and material handling was 457 Crores. In material handling there was a growth of 3% while in gears there was a growth of 15%. The overall net growth was 8%. The profit before tax was 71 Crores for the first nine months and the profit after tax was 46 Crores. If you compare that with the last year's figure the profit before tax was 87 Crores and the profit after tax was 64 Crores which means that there was a minus 19% growth in the profit before tax and minus 29% growth in the profit after tax. The reason for that was that there were some extraordinary items which led to this especially sales of certain shares which were amounting to 20.54 Crores. So if you look if you deduct that out of the profits the net increase was 8% in profit before tax and the profit after tax has increased by 6%. Overall the scenario is such that at present our pending orders on hand for material handling division are 1082 Crores and for gear it is 329 Crores totaling up to 1411 Crores as of January 31, 2012. If you look at the corresponding period last year it was 1031 for material handling and 337 for gears which was totaling up to 1368 Crores last year, so there has been an approximate increase of about I would say almost 50 odd Crores. Order book during the year up till January 31, 2012 have been 1030 Crores compared to 1699 Crores for the whole year, so the trend has been reasonably consistent as long as the order inflow is concerned in spite of the fact it has been slowing down in the power sector segment and steel. Over and above that we are also expected to get orders work about 300 Crores very shortly. So this is the scenario in a nutshell. I would say that while the order inflow has not reduced we find that execution of orders is becoming a problem, the slowdown that you can say in the majority of the projects which we are executing we find that money constraints, high cost of capital, clearances being obtained for major projects is an issue. So there are lot of issues which have come up suddenly for large projects which is causing the customer not to pick up the goods which are ready and whereby we find a situation where our finished goods inventory had started piling up but still on top of this we have been able to grow at the rate of 8% and we expect that by the end of the year we should be able to grow by approximately 11% to 12%. So this is the scenario in a nutshell. I am ready to take up any questions that you have further. Thank you.

Moderator: We have the first question from the line of Mr. Ankit Babel from Pinc Research. Please go ahead.

Ankit Babel: Good evening sir, Ankit here. Sir my first question is that though sales were flat in this quarter, but that there was huge raise in the capital employed both on year-on-year basis and the quarter-on-quarter basis. Could you just give us the reason for the same and do we expect it to reduce in Q4?

Hemendra Shah: You must have seen that as of March 31, it was 966 Crores.

Ankit Babel: Sir as of now it is Rs.1600 Crores which is up by 20% on a year-on-year basis.

Hemendra Shah: It is 1010, it is increased by 34 plus 10, 44 Crore only as compared to March 31, 2011.

Ankit Babel: Okay, I am comparing with December-to-December like?

Hemendra Shah: No, you must have seen that Rs.966 Crores as of March 31 which have now gone to December 31, it is Rs.1010 Crores, so this Rs.44 Crores has increased.

Ankit Babel: What is the current debt level both on the standalone and consolidated?

Hemendra Shah: Debt level on standalone basis it is around 526 Crores as of December 31 and consolidated will be 100 Crores more.

Ankit Babel: Do you expect this to come down in the fourth quarter are you expecting some relief from working capital? You already have inventory piled up do you expect liquidation of the same?

Hemendra Shah: No, we expect it will remain at the same level, but no further increase will take place.

Ankit Babel: What is the average cost sir because you have very well managed your interest cost?

Hemendra Shah: Interest cost for the working capital is around 7.75% to 11% and for the term loan it will be around 11.5%.

Ankit Babel: Okay, the term loan is slightly higher.

Hemendra Shah: Yes.

Ankit Babel: My second question is how has been the performance of Radicon in the third quarter and in the first nine months in terms of sales and profitability?

Hemendra Shah: The first nine-month they have been able to achieve a turnover of around 24 million GBP so it is around 180 Crores plus turnover, there has been an approximate increase in sales or in turnover let us say of 8%.

Ankit Babel: 180 Crores is up by 8% you mean to say.

Hemendra Shah: The invoicing has gone up by 8% that is the turnover and the order inflow has gone up by approximately, let us say 12%.

Ankit Babel: What is the amount of order inflows in the first nine-months?

Hemendra Shah: Amount I will be able to give you through email, it is not readily available with me but definitely there was an increase of around 11% compared to the corresponding previous year.

Ankit Babel: And on these 180 Crores of turnover how has been the profitability?

Hemendra Shah: Profitability EBITDA will be to the tune of 2% to 3% for this year and next year it should be going up to 6% to 7%.

Prayasvin Patel: There has been a major cost of moving, which means I will tell you the partition which took place or the change of the management that took place we had to shift the premises because as you know David Brown was bifurcated into two operations, the applied products and tailor made products were bifurcated, since they were bifurcated we had to move from the existing premises to another premises and the same kind of situation has happened in very many countries including United States. So all these moving costs have been apportioned including the segregation of IT, all the cost have been now apportioned to us independently and there were fixed costs which were incurred especially moving the entire IT requirements from a consolidation to an independent operation so all this have accrued this year as an onetime expense.

Ankit Babel: Are these restructuring cost are the high moving cost would get booked in this year and nothing will arise in FY 2012 and FY 2013 certain things because of operating reasons low moving cost the margins you expect to reach to 6% to 7%.

Prayasvin Patel: Right, yes.

Ankit Babel: So sir this 180 Crores you did in the first nine months so are we maintaining a guidance of Rs.250 Crores for this year.

Hemendra Shah: Topline will be in the range of Rs.240 Crores around Rs.240 plus.

Ankit Babel: Next year sir what kind of growth could we expect?

Prayasvin Patel: Conservatively we should put it 10% it will be higher than that but at least that will be achieved.

Ankit Babel: 10% to 15% growth we can expect.

Hemendra Shah: No, 8% to 10% but it will be higher that is why we are putting a conservative rate.

Prayasvin Patel: See we are operating in the international market where there is reasonable recession going on in the Western Nations over and above that we have still been able to grow at the rate of 8% and that we are reasonably confident that we will be able to achieve a similar kind of growth rate even next year.

Ankit Babel: Sir you just mentioned that this year you are expecting this 2% to 3% operating margins in this Radicon; now with these wafer-thin margins do we expect to remain positive at the net level because these are too thin?

Prayasvin Patel: These are too thin that is true but as I told you this was also mentioned in the past conferences that it takes time for us to bring in major changes whereby the cost would reduce and the margins would increase. We believe that it would take another 18 to 24 months before you start seeing that the margins have increased to a large extent because there are lots of changes that the company is making, moving the manufacturing operations to Thailand, part of it to India so all these once that starts happening the margins will be improving drastically. Even moving premises has also incurred a fixed time cost so all this as I told you all the net effect of all this you will realize by the end of about two years.

Moderator: We have the next question from the line of Mr. Dhananjay Mishra from Sushil Finance. Please go ahead.

Dhananjay Mishra: Sir in terms of execution have seen any slowdown or any deferment of orders or projects because in terms of growth it has been flat in this quarter and earlier we were expecting about 15% to 20% kind of growth in terms of turnover now we are guiding just 11% and despite order inflow is not bad I would say so have you seen any slowdown in execution because of that the growth is slow.

Prayasvin Patel: See what we have seen is the slowdown in the execution of contract, as I told you that we have finished goods ready with us but we are not able to dispatch them because of the fact that various projects are either on the hold or delayed etc. etc., so what we believe is that over a period of time once whatever hurdles that are there in various projects once they are ironed out things will start progressing further. The other thing is we all know that suddenly the power sector, which was one of the favorite areas of the entire country, has suddenly gone into a situation where problems have started mounting up. So once the government makes in a little bit of effort to reduce these problems and improves its policies I believe that the things will again go back on fast track.

Dhananjay Mishra: Sir in terms of BOP side of power orders have you any bid in terms of BOP currently in live inquiries?

Prayasvin Patel: There are various projects that we are pursuing and though they have not come to a conclusion so it is difficult for us to comment but yes we are pursuing them.

Dhananjay Mishra: Sir in terms of this NTPC 650 megawatt project which is likely to be finalized after the court orders so do you expect some improvement in terms of inflows in power sector orders going forward.

Prayasvin Patel: Yes.

Dhananjay Mishra: Okay, and sir lastly what is your outlook in other sectors if you can give a comment in terms of the steel, cement, ports and all that.

Prayasvin Patel: At present we see that the situation is fairly flat. Right now there have hardly been any investments coming in the cement sector or in the steel sector. The things are reasonably flat but we expect that over a period of time it has to go up.

Dhananjay Mishra: What about the port sector?

Prayasvin Patel: Port sector also we do not see any appreciable changes on the positive side.

Dhananjay Mishra: What is the current contribution from power sector in the order book?

Prayasvin Patel: About 67%.

Dhananjay Mishra: Power and balance if you can give.

Hemendra Shah: Steel 6%, Cements 12%, port 4%, mining 5% and balance others.

Moderator: We have the next question from the line of Mr. Madan Gopal from Sundaram Mutual Funds. Please go ahead.

Madan Gopal: Good evening sir. Sir the first question is what is the inventory level sir right now?

Hemendra Shah: Inventory is around 90 to 92 days.

Madan Gopal: Okay and in terms of absolute value can you give it?

Hemendra Shah: It is around 333 Crores.

Madan Gopal: We expect to end the year with this or it depends on how the offtake is likely to happen with these delayed projects?

Prayasvin Patel: No we believe that certain finished goods should get lifted up because again everyone is interested to see to it that March is coming and ensure their year-end budgets are met with, so we believe that certain projects would you know the finished goods would get liquidated so we believe that at the end of the year our inventory should come down.

Madan Gopal: Okay second question is you said certain one time expenses led to lower margin in the CMT business if you can quantify how much was that in percentage terms how much it reduced because we expected EBITDA margins to be around 6% at the beginning of the year?

Prayasvin Patel: Can we have your details because we will have to e-mail it to you?

Madan Gopal: Okay I will get in touch with Mr. Shah.

Madan Gopal: The third I wanted to know what is the consolidated interest cost Sir?

Hemendra Shah: No we have not consolidated but what I can give you roughly the interest which we have already seen and our standalone it is around Rs.42 Crores and for those 100 Crores and around 5% so 42 plus 5 that is about 47 Crores.

Madan Gopal: You mentioned about certain projects getting delayed, which are these, is it in private sector or the central sector that you are seeing these projects and are it power sector because since you have your order books 63% from power sector I presume that these are from power sector?

Prayasvin Patel: Majority or I would say most of them are coming from the power sector and in general majority of them are from the private sector.

Madan Gopal: If you can highlight me particular project that is getting delayed or is it to do with lot many projects?

Prayasvin Patel: Yes what we could do is we could while the e-mail those details to you we will also e-mail those details. I don’t have a list handy with me but we can e-mail it.

Moderator: We have the next question from the line of Chinmay Gandre from KR Choksey please go ahead.

Chinmay Gandre: Good evening sir. With respect to your sales even the gear segment has slowed down, 5% growth on Y-o-Y basis roughly because and gear is normally serving to all the sectors so just wanted to understand apart from power sector why especially gear has slowed down because gear has slowed down in this quarter, previously it was doing quite well?

Prayasvin Patel: If you look at the nine-month results the growth in gear has been 15%.

Chinmay Gandre: For the quarter I am talking.

Prayasvin Patel: The quarter yes it has been 4% basically as I told you what we find is that again most of the gears are going for projects and we find that in the project sector majority of the projects are not going on time due to various reasons and on top of it what has happened is that the cost of capital has increased so the general tendency is the customer who does not want to list the goods unless he is absolutely ready to utilize those goods for installation or utilize the gear boxes for installation and therefore he is delaying the delivery.

Chinmay Gandre: Sir regarding NTPC I think we are L1 in one of them and the orders got stuck because of the case but in some media reports we heard like NTPC is going to give the order before the courts comes with a decision?

Prayasvin Patel: We also have the same feeling because we had calls from NTPC asking for certain clarifications which whereby we got the impression that they may place an order on us much before the decision of the court, however when we directly ask them the question they were reluctant to give us an answer, they wanted to keep it confidential and therefore they were reluctant to give an answer but I can deduce or conclude that they would be placing the order.

Chinmay Gandre: Regarding the second NTPC bulk tender II on 800 megawatts, have you submitted for the bids?

Prayasvin Patel: I would not be able to comment on it because right now the tender is still under scrutiny, so I will not able to give you an answer.

Chinmay Gandre: Sir what would be your debtor days in terms of amount?

Hemendra Shah: Total debtors as of December 31 are around 184 days and the total amount will be Rs.681 Crores.

Chinmay Gandre: Regarding the CMT you were talking 2% to 3%, are they EBITDA margins or PBT margins, the gear division, the vendor gear division basically you were talking about 2% to 3% margins, are these EBITDA or PBT?

Hemendra Shah: EBITDA.

Moderator: We have the next question from the line of Chetan Wadia from JHP Securities, please go ahead.

Chetan Wadia: Hello sir my question would be what was the year-end order book that you are expecting by end of March 2012?

Prayasvin Patel: Right now the unexecuted orders is about Rs,1411 as of January 31, 2012 we expect that this should be almost around Rs. 1500 to Rs.1600 Crores by the end of the year considering that new orders would flow in and some of them would also get executed in the mean time.

Chetan Wadia: Sir my second question is on the live inquiries of 5500 Crores you mentioned. What has been the trend that you have seen is it that the inquiry is being converted and not getting delayed in the last six months.

Prayasvin Patel: Yes we are seeing the delay in the last six months and we believe that it will further get delayed for certain period of time.

Chetan Wadia: What is the cash position as of December?

Hemendra Shah: We have around Rs.45 Crores as of December 31.

Moderator: Next question is from the line of Khadija Bohra from Marwadi Shares and Finance. Please go ahead.

Khadija Bohra: Good evening sir. You talked about slowdown in execution of projects, I just wanted to know if there are any projects in which Elecon itself has slowed downed the execution considering delay in payments or delays in clearance of bill and all because the debtors days has also increased to 184 so just wanted to know if the delay is form the company's side as well?

Prayasvin Patel: Basically as I told you from the inflow of orders that we had got there are various projects that they themselves have gone into a slowdown and while we assess the situation with every customer of ours, if we find that they are not able to lift the goods let us say we give them second or third priority and give higher priority to the customers who are willing to lift the goods urgently and who are in definite need of the equipment, so this is a constant process that we are doing and continuously we are interacting with the customers on a regular basis to find out even as to what money they will be able to give to us and based on that we quite often even try to invoice them. It is like if they have a budget of invoicing up to Rs.10 Crores then we will produce goods only worth Rs.10 Crores for them and not more, that kind of fine tuning is also being done, so that we reduce as far as possible the finished goods inventory and ensure that our wheels keep on turning.

Khadija Bohra: All right Sir and has there been any negotiation on the orders booked earlier, I think may be the scope of the project has been reduced or the price has been revised.

Prayasvin Patel: No that has not been the case.

Moderator: We have the next question from the line of Mr. Sandeep Patel from IL&FS, please go ahead.

Sandeep Patel: I just wanted to check with you whether there is any progress on the restructuring that we were earlier contemplating?

Prayasvin Patel: Yes the exercise is on and it has been put on fast track basis and soon there will be appreciable change.

Sandeep Patel: Okay any timelines to this?

Prayasvin Patel: I would say yes the total execution should take about 9 to 12 months because there are also court approvals that would have to take place.

Sandeep Patel: Okay and final management decisions would happen by March?

Prayasvin Patel: No. This should happen by let us say June–July.

Sandeep Patel: Something on the macro front. What according to you would change the growth rates? I am just asking you this because a few quarters ago our enquiry levels were around 3000 Crores and now they are little above 5000 Crore but the order book growth has not been very high so what is it according to you that should change and which could change the total growth?

Prayasvin Patel: See first of all what we believe is that though there are 5000 Crores worth of orders on the horizon there is nothing that you can grab hold of because they are all in the sky, they have not reached the ground level. So the reason is that they are either delayed, some of them might be paused for a while, they might be under reconsideration and some of them are stuck up in the government approvals, so we believe that because we are seeing at least 3 to 6 months delay in almost every new project which was on the horizon, once I believe that they are all waiting for certain major changes to happen, outlook of the bankers in financing these project as well as of the government in improving certain policies, land acquisitions is a problem, then environmental clearances are a problem and so forth, that is the whole list of them, if we see that majority of these get resolved then all these projects will come into fast track but till that time it is going to be trickling down rather than coming in bucketful.

Moderator: We have the next question from the line of Mr. Monish Goyal from Enam Holdings, please go ahead.

Monish Goyal: Sir if you can give us what is the current debt as on December 31 and break up between working capital and term loan?

Hemendra Shah: On overall basis it is Rs.527 Crore out of that Rs.355 Crore is working capital and balance 172 is the term loan.

Monish Goyal: How much is the retention money due?

Hemendra Shah: In my debtors there are around Rs.200 Crore plus retention money in overall amount of Rs.681 Crores.

Monish Goyal: So that basically it has not improved, in last call also we were expecting some retention money to come in some Rs.45 – Rs.50 Crore in second half so are we not realizing any retention money?

Prayasvin Patel: The retention money is realized only when the entire contract is satisfactorily closed, site is closed and also handing over has taken place and the acceptance has been made by the customer, in that particular process whatever due on accounts this is around Rs.35 to Rs.40Crores, balance is not due because all our contracts are running, are under execution, out of this Rs.35-Rs.40 Crores yes we have already recovered or realized around Rs.15 Crores or so and we are expecting to realize for that.

Monish Goyal: Sir you had scaled down your revenue guidance from 25% growth to 15% growth for current year so even if we factor those 1300 to 1350 Crores that means in Q4 you will have to do revenue of more than Rs.400 Crores which could mean 20% growth Y-o-Y as compared to Q4 last year.

Hemendra Shah: That we have already planned it.

Monish Goyal: Because it will be a fairly good jump in execution considering in Q3 you have achieved only Rs.300 Crores revenue, we are fairly confident on this number in Q4?

Prayasvin Patel: Yes we are reasonably confident.

Monish Goyal: And on the margin front what you expect?

Hemendra Shah: That you must have seen that for the nine months margin has improved, we are very much hopeful and confident to maintain that level of improvement by year-end also.

Monish Goyal: Can you give us the order book break up between your various segments power, mining port and others?

Hemendra Shah: The pending order position as of December 31, power 49%, mining 24%, port 10%, cement 9% and steel 5% and others are 4% for MHE.

Monish Goyal: For gears?

Prayasvin Patel: For gear pending order position material handling is 20%, marine is 15%, steel conversion is 12%, plastic and rubber 10%, cement 9%, sugar 8%, windmill is 4%, disc gear is 4%, sponge iron is 3% and balance is around 14%-15%.

Moderator: We have the next question from the line of Mr. Ashutosh Garud from Dalal & Broacha, please go ahead.

Ashutosh Garud: What is the execution cycle on the current order book in material handling and gear division?

Prayasvin Patel: Well normally our technical cycle would be about 24 to 28 months in material handling and about 4 to 6 months or 4 to 8 months depending upon what size and what type of gears there are in the GS.

Ashutosh Garud: Just wanted to understand if at all we do end up with around Rs.1500 odd Crores of order book by the year end which you just mentioned, to harp on the same point of growth, what sort of growth do you expect because we would be more or less having similar order book which we had last year at the same time, so do you see the revenues being flat at least in the MHE segment for the next year?

Prayasvin Patel: See it all depends on how fast you are going to change. If the power sector scenario changes fast then we believe that next year would be reasonably good because though we will have an order book of about let us say 1500 Crores but there are certain other orders which are likely to get finalized and even including EPC contracts so it all will depend on how the economic scenario changes, till that time I would say that at least we will be able to continue what we are doing with let us say at least a growth of 5% to 7% for the next year.

Ashutosh Garud: Sir when you say live inquires of around about 5500 Crores so what exactly does that number signify?

Prayasvin Patel: It signifies that these projects have been announced and they are likely to go in for tenders for procurement of material handling network.

Ashutosh Garud: In what time frame would that be?

Prayasvin Patel: That is not ascertained because you see what happens is though they may say in the next three month if something unexpected turns up then that three months can become six months and nine months also.

Ashutosh Garud: When you say live inquiries of 5500 when you are saying these many orders would be announced is it safe to assume that you may not be bidding for all of them is it right?

Prayasvin Patel: Yes.

Ashutosh Garud: So approximately what percentage of these live inquiries do does the Elecon Engineering bid for?

Prayasvin Patel: It is difficult to put a percentage because there are various aspects which are scrutinized by the company before you come to conclusion whether you would like to bid for them or not. It depends upon the geographic location, financial conditions of the customer and a whole lot of things.

Ashutosh Garud: So from a figure of Rs. 4000 odd Crores it has gone up to Rs.5500 Crores so basically it indicates that the activity level is better off as compared to last couple of quarters might be?

Prayasvin Patel: Sure.

Moderator: We have the next question from the line of Mr. Ankit Babel from Pinc Research, please go ahead.

Ankit Babel: Sir you just mentioned a 5% to 7% growth you expect in FY'13 is this topline growth or growth in order inflows?

Prayasvin Patel: Topline growth.

Ankit Babel: Okay, so what kind of order inflows we expect this year and next year how much growth because I believe a couple of quarters back you had carried for around Rs.1600 to Rs.1700 Crores worth of order inflows and considering the first 10 months performance do you believe that you will be doing around Rs.1300- Rs.1400 Crores worth of order inflows this year.

Prayasvin Patel: As I told you it is very difficult for me to conceptualize because as I told you if there are EPC contracts or balance of contracts, which would come our way the scenario, would suddenly change drastically, 1500 will become 3000, 4000 suddenly.

Ankit Babel: This EPC you mean that a BOP one?

Prayasvin Patel: Yes. EPC, we are also bidding for EPC contracts as well as we are bidding for BOP contracts now one single contract can change the entire scenario, so it is very difficult for me to generalize right now, all I can say is that ELECON is trying hard to get more orders and right now though these projects, a large number of projects have been announced things have slowed down for a while okay if things improve the inflow would come in bucketful, otherwise they would be trickling down, which is anybody's guess, we ourselves are not able to guess.

Ankit Babel: So because you know we have been trying since long for BOP and till date we have not got any breakthrough orders are we deciding to go more aggressively quoting it more aggressively to get the order?

Prayasvin Patel: No I would rather leave the orders rather than put the company into a situation which would jeopardize the future of the company because these are large contracts we have a learning curve to overcome and it is better to go conservatively rather than to go aggressively and then pay a price for it.

Ankit Babel: On this single digit kind of growth in FY'12 will you be able to maintain your margins at the level of FY'13 because you know lot of fixed costs would not get absolved?

Prayasvin Patel: True but on the other hand we are trying very hard to see to it that our variable costs are kept under control and that we are able to see to it that the conversion takes place more efficiently.

Moderator: We have the next question from the line of Mr. Rounak Nagda from Value Quest, please go ahead.

Rounak Nagda: Sir what is your inventory? I missed your number on inventory?

Hemendra Shah: 333 Crores and it work out to around 90 to 92 days.

Rounak Nagda: Sir what would be the inventory of finished goods and windmill component that is there?

Hemendra Shah: Can you send me an e-mail, I will give you the entire break up of raw material, finished goods and also if you want windmill inventory also I will be able to provide.

Moderator: That was the last question from the participant. I would now like to hand the conference back to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Just some questions from my side, I just want to understand how is the competitor scenario in the market given that you know ordering activity has slowed down especially in power and cement and steel the three key sectors where we are operating in?

Prayasvin Patel: The competitor scenario is very similar to us except the fact that when such scenario happens the people try to bid very aggressively because what they see is that there are less orders right now on the horizon and everyone wants to ensure that there is a consistent backlog which is maintained.

Bhoomika Nair: Sir even if the new order from NTPC were to come in the execution would be much more elongated and probably would not get executed next year given that the BTG order itself is under question? Would that be a fair statement?

Prayasvin Patel: It would be normally a fair statement but it will all depend on the customers because if they try to compensate for the time loss then that would be great because they are capable of executing the contract much faster than what they normally do because NTPC normally gives you a time period of 3 years which is a fairly long time period normally if you try hard you can always execute an order within 18 to 24 months. So if they would like to do that then that would help us considerably.

Bhoomika Nair: And if the NTPC order were not to come in and were not to get finalized within the next two or three months to that extent obviously the intake would be kind of slow for us in the near term.

Prayasvin Patel: Yes.

Bhoomika Nair: Great sir, this answers all my questions. Thank you once again for taking time out for the participants and answering all the queries. Thank you everyone.

Moderator: Thanking all on behalf of IDFC Securities Ltd., that concludes this conference call. Thank you for joining us and you may now disconnect your lines.