



# “Kalpataru Power & JMC Projects Q3 FY 2016 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Kalpataru Power & JMC Projects Q3 FY16 Post Results Conference Call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in 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 Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you madam!

**Bhoomika Nair:** Good morning everyone. Welcome to Kalpataru Power and JMC Projects Q3 FY2016 earnings call. Today the management is being represented by Mr. Manish Mohnot, Managing Director, Mr. Kamal Jain, Director Finance and CFO, as also Mr. Manoj Tulsian, Director (Finance) and CFO of JMC Projects. I now hand over the call to Mr. Manish Mohnot for his initial remarks, post which we will open up the floor for Q&A. Over to you Sir!

**Manish Mohnot:** Thank you Bhoomika. Good morning friends. We have declared the Q3 results of both KPT and JMC and a copy of results, press release and presentations have been sent to all of you all.

Before proceeding for the Q&A session, I would like to take you through the key highlights of the results and recent developments. In KPTL, we have achieved operating margins in the range of 11% mainly due to softening of commodity prices and improvement in some of our businesses on the infrastructure side.

Our revenues have declined in the quarter as compared to the previous quarter mainly due to delays in conversion of our order and a lot of them which were expected to convert in the first quarter have happened in Q2, Q3 and also impact of commodity prices as there has been a softening of commodity prices over the last one year.

As of today KPTL has orders in hand exceeding Rs.8000 Crores and JMC has orders in hand exceeding Rs.6000 Crores. We have started getting better traction in our infrastructure business, both pipeline and railways. In the year till date we have received orders closer to Rs.1000 Crores under the segment. The net order inflow under infrastructure segment would be helpful for better utilization and realization in the next few quarters.

Our domestic T&D business has provided good growth in this current year with total order inflow of over Rs.3000 Crores. We expect this momentum to continue in the next year as well, as well as in the fourth quarter of the current year. On the back of this order inflows and expected steady execution we are looking for a 15% to 20% top-line growth next year with operating margins in the range of 10% plus.

In JMC, we are on track of improving margins with last quarter achieving operating margin of 8.5%, our order inflows in JMC are consistent from various segments government, city development, water, as well as factories and buildings of selected private developers.

The current order book of JMC also gives us visibility of order growth in excess of 10% to 15% for the next year and also good growth in the fourth quarter. On our road BOT projects portfolio all of our road BOT projects are operational except some component of Rewa for which we expecting the final COD anytime during this quarter.

On our two real estate projects, which we have in Kalpataru Power, Thana IT Park we have leased another 20% of the area, so in totality we have now leased around 60% of the area and sold around 30%, the balance 10% might be leased or sold out during the quarter.

On the Indore residential project we have started initial construction activities and we would be launching this project during this quarter anytime in the next two to four weeks.

In Shubham our overall business has impacted due to low utilization of our warehouses across the country and specially contributing by much lower utilization in MP and Maharashtra.

We are also rebuilding our management team there with the few exits of some of our senior management who were also director in the company and also revisiting the business model primarily in the trading and arbitrage and processing business. With this update and request, I would like to open the floor for Q&A.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Ranjeet Shivram from Antique Stock Broking. Please go ahead.

**Ranjeet Shivram:** Good morning Sir. Overall the infrastructure has shown good improvement, but regarding this T&D there might be some impact, because of this commodity price lowering, but overall if we adjust for that like what can be the steady state decline, because it cannot be completely attributed to that, so if you can throw some color on that and how do you see that going in the fourth quarter and FY2017 you have guided for 10% to 15%, so FY2016 how do we read this scenario under T&D in terms of growth?

**Manish Mohnot:** Good morning Ranjeet. Significant portion of degrowth has happened because of that lower order book at the beginning of the year and also the conversions of L1 to orders which were delayed. So if you see this 25% degrowth a significant portion it may be more than 80% of it would be just because of our order book position in the last nine-months. We believe with our order book in hand of closer to Rs.8000 Crores as of today I think the current quarter as well as the next year we should easily see

a 15%, 20% growth if not an excess of that, both on the transmission business as well as the infrastructure business.

**Ranjeet Shivram:** In terms of margins, will there be any improvement because at least for the fixed price contract we can get some benefit of the commodity price reduction.

**Manish Mohnot:** I think we have already have margins from where they were last year has gone up by closer to 100-basis points in Kalpataru and you have seen a similar number in JMC. So I do not see margins improving significantly from here in terms of percentage terms, but our aim would be always to make sure that we are in excess of 10% going forward.

**Ranjeet Shivram:** Because I was referring to this T&D segmental EBIT margin, which is at 9.4%, so can, that see a 150 BPS improvement, because infra has smartly revived but this also improved then there can be an overall improvement in the margin.

**Manish Mohnot:** I think on an overall basis our order book has a margin in the range of 10% whatever orders we have today, quarter-on-quarter there could be some variations plus minus but I think on a overall basis we still believe would be in the range of 10% that range.

**Ranjeet Shivram:** And how much of our order book will be fixed price contract?

**Manish Mohnot:** On KPTL?

**Ranjeet Shivram:** Yes.

**Manish Mohnot:** So if you look at a total order book of KPTL today of around Rs.8000 Crores, fixed price would be around 30%.

**Ranjeet Shivram:** So in this 30% there is a probability of showing some positive surprises if the commodity prices continuous to be at these levels, is that right?

**Manish Mohnot:** Not fully right, because to the extent we would be hedged a lot on our aluminum and zinc exposure to the extent steel exposure continue at this price, yes there could be some positive surprises, but at the same time there could be some negative surprise also if steel prices go up from here.

**Ranjeet Shivram:** Lastly regarding the consol debt and the standalone debt currently.

**Manish Mohnot:** Our KPTL standalone debt is in the range of Rs.680 odd Crores in the range of Rs.675 Crores. Rs.680 Crores. On the console side, the total debt would be in the range of Rs.3400 Crores.

**Moderator:** Thank you. Next question is from the line of Pranav Gokhale from Religare Invesco. Please go ahead.

- Pranav Gokhale:** Good morning Sir. Thanks for taking my question. Sir, I had just tried to understand this margin. Have we seen any kind of a margin impact because of any changes in the service tax loss?
- Moderator:** Excuse me this is the operator, Mr. Gokhale your voice is fluctuating a lot, we cannot hear you clearly.
- Pranav Gokhale:** My question is have we seen any kind of margin pressure because of change in the service tax loss as regards the Indian business goes the T&D?
- Manish Mohnot:** We have not seen any significant impact of the service tax changes in the current year, there would be a small impact on it but not very significant. A lot of orders, it is a pass through, a lot of orders the cost had already been inbuilt, so it has not been a significant impact coming out of it and in the current year.
- Pranav Gokhale:** And when it comes to 15% growth, this 15% growth which you guidance, which you have given for next year, is considering the fall in the commodity right Sir?
- Manish Mohnot:** Yes, it is assuming the current commodity levels. If it goes on further below from here profitability would improve and to certain extent topline would have get impact.
- Pranav Gokhale:** And the JMC now all the projects effectively getting operational on the BOT front, what is the kind of a daily collection rate which we are sort of getting right now on the road BOT projects for all the combined roads or if you can give individual?
- Manoj Tulsian:** We are in the region of Rs.52 Lakhs per day.
- Pranav Gokhale:** And this run rate effectively lead to cash profits in the next year?
- Manoj Tulsian:** This improvement of approximately 10% from here which we expect would come both out of traffic then we might be at a level, we might break even at a cash level, at levels of 60 we breakeven at a cash level on all the board new projects put together.
- Moderator:** Thank you. Next question is from the line of Sandeep Baid from Quest investments. Please go ahead.
- Sandeep Baid:** My question on JMC you have mentioned about growth of 15% to 20% in FY17 for Kalpataru when we expect similar growth in JMC as well given the order book of 6000 Crores plus.
- Manoj Tulsian:** Yes very much because if you see our order book today is already an excess of 6000 Crores and we have a L1 position which will also get convert it into order in Q4 itself of another 1000 Crores plus, that gives us a very good visibility for the next year which case for sure we are looking at a growth of around 15%.

- Sandeep Baid:** And in Q4 also can we see a 15% growth Q4 of FY2016.
- Manoj Tulsian:** Yes, for the full year we are looking at growth of around 5% this quarter also the growth should have been much better, but because of that flood situation in Chennai and increasing rain in Bangalore we lost out almost 25 to 30 Crores of turnover.
- Sandeep Baid:** Sir your core EBITDA margins for this quarter was 8.5% for JMC for FY17 can we see some improvement there.
- Manoj Tulsian:** We will surely try I think 50 basis points from here also.
- Sandeep Baid:** And the PAT margins are closer to 1% with the right issues profit coming in can that margins go up to 2% or beyond that in FY2017.
- Manoj Tulsian:** Yes it should be I think between 1.5% and 1.75%.
- Sandeep Baid:** Thank you.
- Moderator:** Thank you. Next question is from the line of Nirav Shah from Geecee Investments. Please go ahead.
- Nirav Shah:** Sir first thing on Kalpataru what is the outstanding advance balance from the Thane project because you would have received a lot of money in the first nine months of this financial year on account of outright sale of to the extent of 30%.
- Manish Mohnot:** No our total investment on Thane project is in the range of if you exclude what we have got we got around 60 Crores in the current year would be in the range of 180 to 200 Crores.
- Nirav Shah:** And any receivable amount over the next couple of quarters, maybe some amount of revenue recognition was kept that soon there would have been delayed.
- Manish Mohnot:** No I think whatever we have leased out to revenue we have been recognized there is only the 10% which has left out if that get sold in the current year then we might get some revenue or some cash flow coming out of that.
- Nirav Shah:** So even once the 100% is monetize though part of it is on lease still there will be at least 150 Crores of advances that will remain to the Thane project.
- Manish Mohnot:** In the sense because it is a long-term lease so there would be this and long-term lease you will continue to get lease rental which will take care of interest cost at least for the project.
- Nirav Shah:** Any likely revenue number on the lease front annual basis.

- Manish Mohnot:** We are at approximately Rs. 48 per square feet I will have to come back to you with the exact numbers on this.
- Nirav Shah:** And on JMC Sir the increment in long-term debt that has been on a sequential basis it is primarily due to support to the road BOTs, so how much by FY17 and the see this balance going up to from here on.
- Manoj Tulsian:** From here on we are not seeing any significant increase in the borrowings level.
- Nirav Shah:** No borrowings is fine because a lot of cash flows from the EPC business will be diverted towards supporting the BOT but just purely talking on the BOT front sir how much additional support do we see in the next five quarters till FY2017 end.
- Manoj Tulsian:** So we will be doing around another 30 Crores of investment in this quarter and for next year also we are looking at around 30 to 35 Crores maximum.
- Nirav Shah:** Next full year is 30 to 35.
- Manoj Tulsian:** Yes.
- Nirav Shah:** Thanks a lot Sir and all the best.
- Moderator:** Thank you. Next question is from the line of Sanjeev Kumar Panda from Sharekhan. Please go head.
- Sanjeev K Panda:** The order books you said its written in the presentation given is Rs 7000 Crores for the standalone KPTL and you mentioned Rs 8000 crore, so just trying to figure out like what is the scenario if you see share with us.
- Manish Mohnot:** No I think the difference is, if you see the presentation as a dated as of December 31, 2015 and I clearly indicated that as of today our order book in hand is around Rs 8000 Crores because we have got orders after December some orders are Rs 1400 Crores in January also that is the difference so the difference of December 31, 2015 and today.
- Sanjeev K Panda:** And sir regarding the revenue guidance that you have given have you factored the commodity prices that because some part of our top-line that we have seen in the nine-months is also part of because of the commodity prices so have you factored in that or how you look that and then given the guidance.
- Manish Mohnot:** No, we factored in the commodity prices changes which has happened till now if things have further softening from now that is not factored in and as I said earlier if that happens then margins would improve on fixed price projects and to that extent revenue there would be degrow, but we do not expect that to happen significantly.

- Sanjeev K Panda:** Last question is on Shubham we had a plan for IPO and Shubham fund raising kind of thing so how and what exactly has gone down there like what is the scenario there because as you are saying that we are running under low utilization thing so if you broadly explain us how things are there and what are your future plans there.
- Manish Mohnot:** Sure, we have deferred our plans of doing a public raising in Shubham at least for the next year or so it is not more than that we have had certain senior level management exit in Shubham where a couple of our senior directors exited in the last three to six months, so we are rebuilding the professional team to make sure that the business growth continuous going forward. As far as the utilization is concerned the two of our states basically Maharashtra and MP because of the agriculture output which was not on tract as whatever was scheduled or whatever was budgeted we have seen warehouse utilization levels to be very, very low they are more in the range of 40% as compared to Gujarat and Rajasthan which are more in the range of 80%, 90%. So to that extent we have certain losses, which would continue even for quarter four.
- Sanjeev K Panda:** Future plan regarding the business or the fund raising activities.
- Manish Mohnot:** As far as the public domain is concerned I do not think we have any plans of fund raising get there from IPO the capital markets in the next year or so.
- Sanjeev K Panda:** And Sir can we understand like the senior management left any reason for that or something.
- Manish Mohnot:** It was a normal exit.
- Sanjeev K Panda:** We have not been sharing the numbers at this point of time or because previously we use to do before the planning for IPO so...
- Manish Mohnot:** No we have shared the number so I think if you look at the presentation mail to everyone yesterday the numbers have also been shared.
- Sanjeev K Panda:** Fine sir, thank you that is it from my side.
- Moderator:** Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** My question pertains to our JMC what is our current debt as of now.
- Manoj Tulsian:** It is 750 Crores.
- Deepak Poddar:** What is our target debt post-right issue, our target by FY2016 end because we were looking at 750 to 770 Crores by FY2016 end.



- Manoj Tulsian:** We are at that level only and with this Rs 150 Crores it will be Rs 600 crs so if you leave that aside we are at the same level of Rs 750 by the year-end.
- Deepak Poddar:** This 150 Crores will be entirely used to repay the debt
- Manoj Tulsian:** Yes.
- Deepak Poddar:** What is our Capex plan at the JMC level for next year I think Rs 30 - 35 Crores investment in BOT you mentioned right.
- Manoj Tulsian:** Yes, other than that we are looking at further Capex investment for the EPC business close to around 60 to 70 Crores.
- Deepak Poddar:** So total about Rs 100 - 110 Crores kind of investment.
- Manoj Tulsian:** Yes, maximum Rs 100 Crores both take in together.
- Deepak Poddar:** So for that how will that funding be happening will that be happening to that...
- Manoj Tulsian:** Most of it we assume now will happen through the internal accruals itself. So the margins have improved and we are also looking at a 15% growth next year. So our internal cash flow sales that we would be able to meet the challenge from our internal accruals itself.
- Deepak Poddar:** Even the cash level loss that we are doing at the BOT level so that thing that including that.
- Manoj Tulsian:** Yes.
- Deepak Poddar:** So basically will it be safe to assume that this Rs 600 Crores debt that will have by FY2016 end would be the peak debt.
- Manoj Tulsian:** As of now yes, we are also targeting that we should not allow this figure to move up there can be some movements between the quarters but the year-end positions yes we want to stick to this number now.
- Deepak Poddar:** So at Rs 600 crs debt currently our interest cost is in the range of about Rs 27 Crores a quarter but 600 like annual figure should it be closer to Rs 75 to 80 Crores because of this reduction.
- Manoj Tulsian:** I have not done the exact working we are still doing the budgeting exercise but yes it should be between Rs 80 - 85 Crores next year.

- Deepak Poddar:** My final question I wanted to know was the JV or the road BOT dilution or divestment that we are thinking so if at all we do it in next one year and one and a half year so will that be use to repay the debt at our parent level as well.
- Manoj Tulsian:** I think if it happens then for sure most of it will go towards debt repayment.
- Deepak Poddar:** At the parent level?
- Manoj Tulsian:** Yes.
- Deepak Poddar:** Any kind of target that we have set that how much any kind of quantum.
- Manoj Tulsian:** No, we are still working on it anything will happen we will come back to all of you.
- Deepak Poddar:** Thank you very much that is it.
- Moderator:** Thank you. Next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Manish Ji, on this Kalpataru what is our L1 pipeline and what is your sense on going ahead this delay in conversion of L1 so where do we see and which are the area where we are seeing some delay.
- Manish Mohnot:** We are L1 in orders exceeding Rs 2000 Crores as of today and orders in hand today is around Rs 8000 Crores with this visibility I do not think will have a similar challenge what we had in the previous quarter of revenue degrowth at least for the next five, six quarters minimum, the previous quarter was an exception because some of our order conversions got delayed and some approvals came late with this visibility of Rs 8000 plus 2000 crs I do not think will have a problem of degrowth going forward in the next few years.
- Bharat Sheth:** This conversion delay we are seeing and the 2000 Crores L1 is can you roughly divide between this infra and T&D.
- Manish Mohnot:** Out of Rs 2000 Crores infra is only around 250 Crores the balance is completely T&D.
- Bharat Sheth:** So what is then in going ahead your outlook for new order inflow coming in FY2017 and which segment we will try to growth and how is the outlook on TLD as well as railway and pipeline side.
- Manish Mohnot:** See we still not finalized our order input target for next year but at least current year what we are targeted Rs 7000 Crores of new orders we will exceed that by at least 1000 Crores is what our estimate and as far as traction is concerned I think we are seeing a lot of traction on transmission domestic coming out of PGCIL and private sector parties, in international we are seeing a lot of traction coming from a few African countries and also from some of the middle east countries.

Railways we are seeing a huge order book coming in because there are lot of tenders quoted and I think lot of them should get converted in the next three to six months on pipeline it is not like as good as TLD as well as railways but pipeline also looks reasonably okay with the order book of closer to Rs 500 Crores which already happened.

**Bharat Sheth:** And on Middle East side has we seen some slowdown in T&D?

**Manish Mohnot:** There have been some delays in terms of orders which were suppose to be tendered in the last few months have got extended but otherwise orders are being placed it is only that this delay in terms of what was suppose to happen in this quarter is happen in next quarter, otherwise we are seeing a lot of tenders which we are participating and then orders have been placed. The last few quarters also we have also got two large orders from Middle East so orders have been placed it is only about the delay part.

**Bharat Sheth:** Because of this oil price as we seeing some kind of slowdown?

**Manish Mohnot:** Nothing significant as I said nothing significant because this is all already planned transmission normally gets planned a few years earlier there was nothing significant but if at all there is going to be some impact we will see that within the next year.

**Bharat Sheth:** What is the total bid size that railways remain at a midsize?

**Manish Mohnot:** As of now we in the next six months the tenders was which we are focused on exceeding 5000 Crores.

**Bharat Sheth:** On JMC Manoj Ji, I believe that you said that the 8.5% EBITDA that we are targeting for current full year and then the 0.5% kind of an improvement, correct.

**Manoj Tulsian:** That is right.

**Bharat Sheth:** What I believe that with this year already we will be approximately reaching and crossing 1.58% so why we are taking that next year will be between 1.5-2% and with interest cost reduction happening.

**Manoj Tulsian:** Right now as we said we are still in the process of budgeting I am saying 1.5 to 1.75 is a number, which for sure looks promising.

**Bharat Sheth:** Now with our debt equity improving so are we seeing some decline in the interest cost also.

**Manoj Tulsian:** No we just got our rating reaffirm at the same level so that does not change the interest rate.

**Bharat Sheth:** After this what will be our debt equity?

- Manoj Tulsian:** After.
- Bharat Sheth:** This right issues what is the current debt equity.
- Manish Mohnot:** We should be less than one.
- Bharat Sheth:** And you said that we have L1 position we have around 1000 Crores so which are major is it and which are lot of talk we are listening on the roadside so are we participating on roadside.
- Manoj Tulsian:** Roadside we are participating but more on international so this 1000 Crores L1 also we are talking almost 500 Crores out of this is road but internationally.
- Bharat Sheth:** And domestic or still we are not participating.
- Manoj Tulsian:** Not very much.
- Bharat Sheth:** So going ahead of what is the plan for next year in participating what kind of because the kind of construction slowdown that we are seeing.
- Manoj Tulsian:** See there are lot of orders which we are getting even from the government side in JMC, government is coming out with lot of hospitals regularly and then there are many other government projects today if you really look at our order book consist of almost 40% orders from government agencies. We are not really today so much dependent on private builders only within the order book it is a balanced order book and next year we would further be looking growing our infra book.
- Bharat Sheth:** In infra which side of this?
- Manoj Tulsian:** Mainly on the flyover side international roads and water projects.
- Bharat Sheth:** Currently what is the order mix between international and domestic.
- Manoj Tulsian:** International is hardly anything because we only have one project of Ethiopia which is only around Rs 100 Crores of work is left and in the L1 position we have around Rs 650 odd Crores of international orders.
- Bharat Sheth:** And that is mainly on roadside.
- Manoj Tulsian:** One road and one water project.
- Bharat Sheth:** How we are participating on railways that do we participate on metro or anything.

- Manoj Tulsian:** No.
- Bharat Sheth:** Thank you that is all.
- Moderator:** Thank you. The next question is from the line of Devang Patel from IL&FS. Please go ahead.
- Devang Patel:** From what you mention is seeing the Ethiopia water order is still at L1 stage any situation of that getting converted now.
- Manoj Tulsian:** No it is not a water project it is a road project in Ethiopia.
- Devang Patel:** So we carrying it over from the last quarter any kind of progress on that order.
- Manoj Tulsian:** This quarter for sure I think while not even this quarter may be this month itself we are expecting the LOI.
- Devang Patel:** Sir you mentioned on the railways lot of orders coming up anything that could come to JMC side on the civil side.
- Manoj Tulsian:** Not much.
- Devang Patel:** Sir on the debt that has gone up by Rs 50 Crores quarter-on-quarter I just wanted a sense how is the working capital also behaving on a quarter-on-quarter and Y-o-Y basis last quarter you have mentioned things are very much under control.
- Manoj Tulsian:** This quarter yes there are few receivables which has got delayed both from the private side and also from the government side because of some approval things and all those so our working capital cycle has gone up by around seven days and we do our internal measurement, but we are pretty confident that we would be able to recoup that in Q4 and Q1 of next year.
- Devang Patel:** And the order book on the buildings and factories side are there any orders which are slow moving or where the client since we have having some sort of cash price.
- Manoj Tulsian:** Yes we have some order book where in some of these we have already taken a call also for the time being not to work unless their financial condition improves.
- Devang Patel:** Is it possible to quantify what percentage of our order book.
- Manoj Tulsian:** This should be close to around 300 to 350 odd Crores.

- Devang Patel:** Sir on the EBITDA margin when I compare this December quarter to last quarter it is very commendable we are seeing EBITDA margin inching up all the while as you had guided earlier but just an instead of the increase seems to be coming from lower overhead cost the gross margins or the material margins are the same my question was future margin increases will they continue to come from controlling cost or is there a increase in material margins that we expect from here on.
- Manoj Tulsian:** See cost control is a continuous process and we still feel that there are lot of opportunities where we are working and that is where our confidence is material margin is something which is also factor of what is the kind of orders so if it is a labor oriented orders and then we will not really see that visible in terms of the material margin fluctuating so whether it is with material order or only a labor based order so most of this has come through internal improvements and improvement in efficiencies at every level which is showing up in the margins.
- Devang Patel:** Sir and a housekeeping question when I breakup the order backlog seeing that the power and railways share in the order book had gone down since the last quarter from September to December is the amount will worked up to 600 Crores that gone down to 130 Crores is what implies on the presentation is there any order which has the execution has speeded up or any cancellations in order book.
- Manoj Tulsian:** No there were some substantial completion of work during this quarter and one order which was wrongly classified there which was more in infra but was taken in the railways like the metro project that we have taken back to the infra order book.
- Devang Patel:** Sir this Rewa MP the COD seems to have got stressed, you said a couple of quarters in the last call whatever is this further delay is this something that we will get compensated for.
- Manoj Tulsian:** No there is no compensation for the delay the best part is that there are no LD charges for any delay.
- Moderator:** Excuse me this is the operator Mr. Patel can you come back to the queue for follow up question, please.
- Devang Patel:** I will do that, thank you Sir.
- Moderator:** Thank you. We move on to the next question that is from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari:** Sir my first question is if you can actually quantify what is the impact of the lower commodity prices during this Q3 FY2016 where we have seen almost around 25% kind of revenue decline.

- Manish Mohnot:** Significant portion of it is coming out of lower order book we have not exactly clear. So significant portion of it as I said earlier is because of that lower order book conversion there is an impact of commodity would be less than 10% so a significant portion is out of lower order book conversion.
- Swarnim Maheshwari:** Sir in Q4 we have already seen almost around one and a half months have we seen some improved traction from those early execution that projects which we want over the last nine months.
- Manish Mohnot:** We have already seen a lot of traction on those so that is why we are saying that we are confident of a 15%, 20% growth going forward including this quarter.
- Swarnim Maheshwari:** On the debt side I think even from FY2016 level I do understand that our revenues have almost declined by almost around 19% but our debt levels have come down from almost around Rs 900 Crores to Rs 650 odd Crores during this quarter so this is in more or less in sync with the revenues or there has been certain reduction in the working capital itself.
- Manish Mohnot:** See it is a combination of three things one is reduction in working capital which happened because of closure of a few large projects when we got our retention money coming back one of them significant was a Congo project and which we got closer to Rs 100 Crores which came in, in the month of December second was reduced working capital across the board with improvement coming in the infrastructure division also where the revenues increased and we also got good order book third was advances also coming in for all the new orders which materialized in the last two quarters so given that it is a combination of all two or three things we still expect our year end debt levels to be similar to what we were at the beginning of the year within the range of Rs 750 to 800 Crores.
- Swarnim Maheshwari:** Thank you.
- Moderator:** Thank you. We move on to the next question that is from the line of Balchandra Shinde from Centrum Broking. Please go ahead.
- Balchandra Shinde:** Sir regarding recent announcement by the government of MIP what kind of impact we may see on transmission power related business because of minimum import prices on steel.
- Manish Mohnot:** See on our variable price projects I do not think we will have a significant impact because the prices go up, the indexes would go up so it is only a matter of timing in terms of sometimes some projects we might have right back this month and it would get negated on the next month on a fixed price project if the prices go up significantly there could be some impact coming up in our profitability but as of now we have build in that impact and we still believe that on our overall order book we have profits in the range of 10%.
- Balchandra Shinde:** How much of our order book will be at a fixed price clauses.

- Manish Mohnot:** Closer to 30%.
- Balchandra Shinde:** Sir in export orders when we benchmark our input prices how it will affect our export especially in this tower business if we are exporting.
- Manish Mohnot:** I think if we are exporting and if we can get steel under our advanced license I do not think there is a issue of minimum import price that as long as it is under an export advance license we can still get the steel and send it back so there will be no impact as long as steel is purchased from outside of the country if we are purchasing domestically then obviously the new prices whatever the new prices will have to pay those levels of prices mostly.
- Balchandra Shinde:** Just I would like to know this our orders in exports will are always benchmarked on the LME or is it on the domestic prices.
- Manish Mohnot:** I think it is a combination of both so wherever the client decides and wherever the clients has fixed variable terms than its LME wherever we have to propose something we have proposed both LME and domestic so it is different for different kinds of projects.
- Balchandra Shinde:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Ambar Singhania Amsec. Please go ahead.
- Ambar Singhania:** One thing I want to understand is though we are seeing the margin improvement on the numbers but when you see the segmental it is apparent that we primarily because of the turnaround of infrastructure this segment rather transmission is showing a similar margin and even in the last 12 quarters more or less the similar I just wanted to understand where exactly the commodity benefit is going off in this.
- Manish Mohnot:** So to great extent the commodity benefit is inbuilt in this margin because of this lower turnover your fixed cost and your variable cost as far as overheads are concerned do not go down in the same proportion so the margins are already built in into the T&D segment what has been presented also a lot of it is hedge for future so if you look at our majority of our supplies will bought out which involves that and we have already hedge that and a benefit of it would only come whenever the supply is happened but the cost of hedging has already been inbuilt in the number which have been presented.
- Ambar Singhania:** If I remove the commodity price on the overall numbers then our margins have declined at that level.
- Manish Mohnot:** If you inbuilt the cost of hedging for future then there isn't a significant plus or minus coming out of that because what we have done is a significant portion of aluminum which is for future has already



been hedged in mark to market as of December 31, 2015 price level even that the plus minus impact of commodity would not be significant.

**Ambar Singhania:** Not exactly the commodity but when the realization is falling and our contribution per ton is remaining constant on a percentage term if you show a significant up move on that whereas that is not coming in and I think this cost overhead will not be that high suppose to make such, so I just wanted to understand that on a like to like basis with our margins falling this if you remove the commodity back on that.

**Manish Mohnot:** I do not think it is falling significantly it can be basis of 10, 20 basis points here or there we are still on an average margin of closer to 10% on totality.

**Ambar Singhania:** Because last 12 quarters the yearly margin is more or less in the same range and improvement is apparently only because of the turnaround from the infrastructure side.

**Manish Mohnot:** Yes I think on the last 12 quarters we have been saying that we have been in margins in the range of 10% itself because that is the level we have been bidding at given the competition I think it is difficult to go beyond the levels of 10% to 11% as far as operating margins are concerned this is a complete business which is L1 driven so I think we still believe that 10% to 11% is what we would continue with growth on the top-line.

**Ambar Singhania:** Secondly on the KPTL standalone debt outlook like we have seen the debt reduction so far but I believe that does not include the rights issue and all which we need to go to JMC so what is the outlook on the debt going forward in this year and next year average.

**Manish Mohnot:** So this year end we are still projecting debt levels to be in the range of 750 to 800 Crores we are still not done a projection as far as debt for the next year and may be in the next few months we will have complete clarity on that.

**Ambar Singhania:** Secondly Indore side when we are saying that we have started construction but we have already launch the project so that means we will putting more money in that project instead of getting the repatriation of the advances which we have given earlier so the plan change on that part how things are panning out on the captive side.

**Manish Mohnot:** I do not think we will be putting in more money because now the money would be coming in from debt from banks we would not be putting in more money and the project is getting launched when I say construction is began it is not that we have built in slabs and we have just started the basement and the first slab and since this launch will happen soon then we should start getting money which would take care of the construction activities go itself.

- Ambar Singhania:** But there is not be any repatriation to KPTL from both the business Thane as well as Indore from now onwards.
- Manish Mohnot:** Indore there would definitely be a repatriation because Indore is completely residential and commercial which would all be sold off there is nothing called as leased in Indore there would be definitely be repatriation not the entire amount should come next year but some portion next year and majority of that the year after next.
- Ambar Singhania:** Sir last question if I can squeeze in I just want guidance for JMC growth next year and the working capital currently in KPTL.
- Manish Mohnot:** So the JMC guidance for next year is 10% to 15% growth given the visibility on order book and working capital will continue to be on the similar levels going forward as far as Kalpataru power is concerned.
- Ambar Singhania:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Nirav Shah from Geecee Investments. Please go-ahead.
- Nirav Shah:** Sir on JMC BOT what will be the approximate cash loses this year.
- Manoj Tulsian:** I do not have the number right now we let you know.
- Nirav Shah:** Okay, the reason I am asking is assuming we are at around Rs 52 Lakhs a day collection and post Rewa becomes fully COD and that this collection can go to 54, 55 is that right.
- Manoj Tulsian:** No we will be at around 51, 52 Lakhs of collection post this Rewa COD so in the month of March we are expecting we will touch around 51, 52.
- Nirav Shah:** So assuming that we go from Rs 51 lakh and we have breakeven is Rs 60 Lakh a day so that 8 Lakh a day increase that translates to 30 Crores on an annual basis the incremental revenue and assuming that entire flows through the PBT still I think if we end this year with around Rs 60 odd Crores of tax losses then we still have to put in more money than what we are expecting of Rs 30 Crores.
- Manoj Tulsian:** No the reason for that is you are right in your calculation the reason for that is that we also have deferment of premium so on the cash basis next year because we have a deferment of approximately Rs 25 odd Crores on the premium side once we reduce that then at the operating cash level we will only need to put around Rs 5 to 10 Crores maximum next year and the rest what I have disclosed is more towards repayment of loan which is around Rs 25 odd Cr.

- Nirav Shah:** And sir second question on the Thane project the interest is paid or it gets accumulated to the loans and advances whatever interest with the balance that we have given to both these SPVs is it flow through the P&L and it is just added back with the advances a kind of capitalized.
- Manish Mohnot:** Interest till now is got capitalized but now going forward once it is fully sold out or once we start the sales it will get into the P&L but the loss in this under construction work in progress got capitalized.
- Nirav Shah:** Thanks a lot sir.
- Moderator:** Thank you. Next question is from the line of Rohit Gupta from ICICI Securities. Please go ahead.
- Vivek:** I had a question on the KPTL ordering we are seeing a trend that a lot of not a lot but some contracts have been ordered only on a supply basis even it like to lower the market were gone into the EPC business. So do you think this trend is going to continue and the only supplier player you have also supply it now orders that is the project of KPTL order but you see the trend moving forward what is the margin that you said in the two type of contracts.
- Manoj Tulsian:** I think PGCIL was following this trend primarily for all the BOT projects which they were bidding for in the recent BOT project which won three to four months ago we have seen that the tender has come out which does not excludes supply it is a tender which has supply erection and bought out. So our assumption based on what new tenders have come out is may be would not be only supply tender is going forward but it is completely a PGCIL strategy more than anything else.
- Vivek:** What is that cost effect then they since you supply an EPC complete done the tender versus only supply trend what is the thought process is it cost driven earlier like they did not driven or what is that.
- Manish Mohnot:** My perspective it would only be cost driven but the best guys to answer this question would be the PGCIL team.
- Vivek:** So what you are saying if you see in that even in the BOT last tender that it was the ordering was around in EPC trend and this trend may not continue.
- Manish Mohnot:** No I have said earlier all BOT tenders which they won they have supply and erection separately the latest trend project which they won around three months ago the tender for that is already floated and we are suppose to submit the tender in the next few weeks that is come consorted were supply and erection has come back together.
- Vivek:** So going forward you expect this is to come back or...
- Manish Mohnot:** I have no clue about it this is going to be PGCIL driven status.

- Vivek:** And what is the margin difference wherein we have been an only supply tender and the consequence.
- Manish Mohnot:** I think in totality the margins are similar it is only about the strategy on supply what you need to bid looking at your plant level situation but in totality that the margins are similar, but typically supply would be higher in margin as compared to erection because we are risk on erection as much higher.
- Vivek:** My second question is on interest cost this quarter is what is the continued run rate for interest cost going forward it has come down this quarter and is it likely to go back in coming quarter or the next year what is the our interest cost.
- Manish Mohnot:** Our intension would be to keep interest cost lower but at the same time we expect that to go up by around Rs 100 to 150 Crores in this quarter and given that it would go up, you will see interest cost coming back to the levels of the previous year.
- Vivek:** Thanks for taking my question and best of luck.
- Moderator:** Thank you. Next question is from the line of Ankita Bora from B&K Securities. Please go ahead.
- Ankita Bora:** Sir my question was on the BOT project how much would now be the total equity investment in the projects all put together.
- Manoj Tulsian:** We have invested around 550 odd Crores right now.
- Ankita Bora:** And no further, in terms of equity investment not required anything else right.
- Manoj Tulsian:** No we said that in Q4 we have to put another 30 Crores.
- Ankita Bora:** So this would be towards equity funding.
- Manoj Tulsian:** Well yes, because anything which we are funding today for shortfall you can say the shortfall obligation or maybe even towards equity that all for us for all purpose is equity only.
- Ankita Bora:** And sir what about the refinancing of road BOT project now that they have become operational are we in talks or are we in discussions to refinance the project and getting the interest rate.
- Manoj Tulsian:** No, if you look at our road projects there is not much scope except one project which is Reva which we will just achieve COD and post that only we will start the work on that other than that the three other projects there is not much scope for a refinancing and bring it down the interest cost.
- Ankita Bora:** And in terms of order inflow this year till date we have got around Rs 2200 Crores of order inflows in nine-months what is the expectation for 4Q and for next year going forward.

- Manoj Tulsian:** We have a L1 position of around 1000 Crores which we are very sure we will get materialized and converted into order in Q4 and so we are looking at anything between 1000 to maybe 1200 with some more discussions going on and next year again we should be targeting again we are going through our budgeting process but we should be targeting anything around Rs 3500 odd Crores.
- Ankita Bora:** And this would be largely from you are saying the building housing and infrastructure space.
- Manoj Tulsian:** That is right.
- Ankita Bora:** And in infrastructure the international project road project.
- Manoj Tulsian:** Both international and domestic.
- Ankita Bora:** On international front, which are the job, which is, there is it only Ethiopia where you are looking for new projects or you think projects in other geographies as well.
- Manoj Tulsian:** No Ethiopia for sure we have a few more leads because we have done a good job right now and we are getting a few more leads from the authority there we are looking at one more country so we are still not work that so maybe we will be able to tell you next two, three months.
- Ankita Bora:** In excess of all this.
- Manoj Tulsian:** Yes.
- Ankita Bora:** If you can highlight what is the pipeline what are the kind of jobs or the size of projects that are coming in the international markets because we do not have much idea about the projects lined up there.
- Manoj Tulsian:** See we have opportunity in even doing road projects there even there is a elevated structure project which is coming which is a very large project maybe we might have even look for a partner of doing that because it is a very large size project there also opportunities which we are getting in on the building side there but there is mixed opportunity since our performance has been good and we have been rated very well there so long so we are getting lot of those inquiries coming straight from the government for us to participate in a larger way.
- Ankita Bora:** Any number you want to put to that opportunity.
- Manoj Tulsian:** No it will be too early.
- Ankita Bora:** And sir how much would be our working capital days right now.

- Manoj Tulsian:** My own calculation the way we do it we are at around 81 days which has again as per our calculation has gone up by around 7 days.
- Ankita Bora:** In this quarter.
- Manoj Tulsian:** Yes.
- Ankita Bora:** So this is post 3Q right as on December 31, 2015.
- Manoj Tulsian:** Yes.
- Ankita Bora:** And sir I want just going through your prior con call transcript and I remember in 1Q 2016 you said we had 100 Crores of legacy orders left now you are talking about 300, 350 Crores of slow moving orders so are we seeing more and more projects that are now also going slow due to some client side issues largely in the I believe that your listed segment only where we are seeing some slowdown so what is the color on that.
- Manoj Tulsian:** Yes, so you are right all of this built up which is happen during the year is on the real estate front only by the developers so we are getting a very close watch on the same and if we are seeing any visibility of payment delays and all those things then we are definitely talking to the developers and making sure that our money does not get stuck. So things are happening amicably so it is and the order book remains and their financial position improves we come back to work again.
- Ankita Bora:** Sir out of the 5400 Crores of order book in the factories and building segment how much would be from your real-estate segment.
- Manoj Tulsian:** real-estate segment again I do not have the number right now we will let you know.
- Ankita Bora:** I will come back in the queue for follow up questions. Thank you.
- Moderator:** Thank you. We have next question from the line of Bharat Sheth from quest investment please go ahead.
- Bharat Sheth:** Thanks for giving the opportunity again. This Kalpataru how much negative top-line will be there in for current year next year we are talking of the growth of the 15%, 20% but.
- Manish Mohnot:** Bharat Bai we are not looking at a significant negative we are looking at plus minus 2%, 3% only so which means the current quarter obviously would have a significant growth as compared to quarter-on-quarter previous year so our right now target is plus, minus 2%, 3% on top-line for a year as a whole in the current year and then a growth of at least 15%, 20% it is not higher than that going into the next year.

- Bharat Sheth:** And second sir what is our strategy to turnaround this Shubham.
- Manish Mohnot:** There are three areas which we are doing one is rebuilding the team which we are nearly done we have appointed a few senior guys which will be joining us in the next few months second we are again refocusing on some segments of Shubham which were primary trading processing and arbitrage as to what we need to do in that business at given the kind of volatility and given the kind of balance sheet pressures we have and we might not have a lot of focus on that business going forward and third on the warehousing business we are now doing a right mix of leasing versus ownership earlier we have significant portion of ownership as far as warehouse are concerned but now we have good opportunities of leasing warehouses from a long-term perspective in the newer states which we are going so it is a combination of all these three which would start giving us better results going into the next year we will still have some stress on Shubham in quarter four of the current year.
- 00:53**
- Bharat Sheth:** What is the strategy to bring down its borrowing.
- Manish Mohnot:** The same as I said earlier that the strategy to bring down I would not say borrowing for the strategy to improve revenue productivity and margins would be to focus on a right mix of lease and ownership if you go into new site with leasing your Capex requirements would come down significantly so while growth would happen your debt level would not go up from here so effectively you would have a better ability to repay the debt and that is how that would reduce over a period of next two three years.
- Bharat Sheth:** Thank you that is all.
- Moderator:** Thank you. Next question is from the line of Ambar Singhania Amsec. Please go ahead.
- Ambar Singhania:** Sir could you give some color about the third BOT project would be again one in Bhutan what is the size what kind of equity requirement it will be and what are the timelines we are getting for it.
- Manish Mohnot:** This is a project which is connecting Bhutan it is not in Bhutan it is closer to the border that is why the name is what it is Bhutan just so that everyone is clear it is a project in India it is nothing outside India, we have already been awarded the project by PFC a few weeks earlier and we have also awarded the EPC contract to KPTL from SPV the total EPC would be value would be in the range of Rs 900 Crores for substation and transmission put together and the total project cost would be from the point we have our debt closure done which will happen in the next few months.
- Ambar Singhania:** And sir since we will be doing our self or we will be giving it to someone else.
- Manish Mohnot:** We will be doing it ourselves.

- Ambar Singhania:** Second is on the JMC side you mentioned about 30 Crores of infusion will be there on the road BOT does that includes the losses which will be there in the JMC or it is only the capital commitment.
- Manoj Tulsian:** Yes for next year right.
- Ambar Singhania:** Yes, that includes the losses also.
- Manoj Tulsian:** Yes
- Ambar Singhania:** And this year Q4 30 Crores will be mainly for the balance part of Capex.
- Manoj Tulsian:** It is balance part of Capex as well as loss funding.
- Ambar Singhania:** So sir have we reduce our loss projection in these assets significantly low in the last quarter we were talking about at around 40, 50 Crores of losses in the next year onwards from these projects.
- Manoj Tulsian:** No I do not think that we have mentioned around 40, 50 Crores we possibly in the last call also would have said around 25 to 30 Crores of infusion only look to some extent these numbers can again change because there is a big variability which is traffic growth but most of this we are saying based on the existing traffic number plus or minimum growth of 3%, 4%. So if the growth is better may be this number can be even further lower.
- Ambar Singhania:** Secondly when you mentioned about the legacy project or the slow moving projects which have moved up because of the real estate so are we now started seeing some slowdown happening in the Bangalore market which was firming up so far compared to rest of the year.
- Manoj Tulsian:** Not so visible at this point of time at least Bangalore looks to be a very selected market we also sometime feel but we have not seen any slowdown per se.
- Ambar Singhania:** Sir this recent Rs 200 Crores reality has come from which particular pocket.
- Manoj Tulsian:** This is mainly from North.
- Ambar Singhania:** Bangalore is still firm and we believe that it is going to be similar level.
- Manoj Tulsian:** Yes.
- Ambar Singhania:** Thanks.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.



- Prem Khurana:** My question was for Mr. Manoj sir I was because the last time a month or two back and we talk about trying some new segment so international what seems to be one that we are trying out would you be able to share which all other segments are you looking at and in terms of order inflows.
- Manoj Tulsian:** On the international front.
- Prem Khurana:** No domestic as well as international, because you were saying if you plan to try some new segments as well and given the fact that the real estate is going little slow and on private side we are seeing some payment delays as well so you talked about some trying some new segments so...
- Manoj Tulsian:** When you say segments like we were there in the institution of segment but we are building that out on the government side and other than that it is water we have got a couple of projects and based on our performance in the next six months on those projects we would like to built up that order book.
- Prem Khurana:** Any further segments that you are looking at apart from water institutional building
- Manoj Tulsian:** No.
- Prem Khurana:** And if I may looking on order backlog composition and I thought a couple of years back or come in use to account for almost 16%, 17% of our number and now it is almost 40% so any plans to take it up further and how would I change our payment cycle if we were have more up on this from government how is it different from private sector if I will compare government payment cycle vis-à-vis private party.
- Manoj Tulsian:** Are we carrying a notion that the government pay cycle has been higher than the private pay cycle?
- Prem Khurana:** No I have been just want to get a sense from you is this general perception seems to be government tends to pay you at the end of the year because they are requires to meet budget so they are generally tend to give us the payment at the end of the year.
- Manoj Tulsian:** No it is not that bad if that would have been the case we would not have been building up so much of order on the government side I think it is a discipline side which will be a surprise too many if we have done our work properly and if we are able to raise the bill the way they want India formats and everything processing happened very fast and normally we are also approaching the projects where we are very sure about that they have already arrange the cash flow for the same so we do that much of work to find out that whether the cash flow is tied up or not sometimes these things happen because normally it is our three year project so annually sometimes it happens that the budgetary allocation for next year is not done so we see that maybe one or two months like in March and April sometimes we do not get the money, but otherwise it is very smooth.

- Prem Khurana:** And any plans to take it further from 40%.
- Manoj Tulsian:** No look if the economy is not improving like today if you really see we hardly have any order book on the industrial segment we have a good team we have a good skill set they are nothing which is opening up on that side on the residential also we are become very selective other than southern territory if you really see we have hardly any order book from the private developers so when some of these opportunities are missing for some time and if we have to build up the order book I think the percentage may go up further from here.
- Prem Khurana:** Thank you that is it from me.
- Moderator:** Thank you. Next question is from the line of Bhoomika Nair from IDFC. Please go ahead.
- Bhoomika Nair:** Sir just wanted to check on this middle east orders we have got a couple of them over the last year how is the execution panning out there given the falling crude prices can lower cash flow for the government side.
- Manish Mohnot:** For orders which have early placed by them I do not think there is any problem in execution neither cash flows we are seeing some delays in terms of tenders which were already announced to be submitted have got deferred otherwise orders which are already there I do not think there is any problem neither on execution of that.
- Bhoomika Nair:** Because we got a couple of orders in Kuwait and Ethiopia, Tanzania etc. there is no execution issue.
- Manish Mohnot:** Abu Dhabi no execution issues are there.
- Bhoomika Nair:** And in terms of future pipeline in terms of orders from there.
- Manish Mohnot:** Yes, see there is lot of tenders which have to be submitted but there has been a delays so this tenders were to be submitted in last six months and they have all got deferred so it is only about the timing on when it needs to get submitted but the lines are required and they would happen whether it happens and the tender submission happens and this quarter or the next quarter is only a matter of time.
- Bhoomika Nair:** And I can just coming on the side this year we have seen obviously very strong order inflow relatively in almost Rs 7000 to 8000 Crores is what we land up with so next year where is the growth will going to come in from or where are the order really going to come in from given that these regions or international order intake flows down that enough orders in the system in the metric market to make up for.
- Manish Mohnot:** I do not see international going to slow down to that extent see today if you look at our order book breakup I think with domestic and international are 50%-50% in terms of the transmission is around

Rs 6600 Crores broken up 50-50 between international and domestic and around Rs 1400 Crores is infra so while there is some slowdown in the middle east but there is still African there is still CIS there is still South East Asia where we are seeing a lot of traction so it is not that it is going to be a complete slowdown plus I think domestic is improving significantly the plans of power grid as well as the private sector developers that the volumes are much higher on a totality basis I think keeping this levels or even higher than this by around 10%, 15% should not be challenge at least for coming days.

**Bhoomika Nair:** Fair enough sir thank you.

**Moderator:** Thank you. We take the last question from the line of Ranjeet Shivram from Antique Stock Broking. Please go ahead.

**Ranjeet Shivram:** Sir just in case can you share is there any Forex related impact in the current earning in the income statement because the interest cost was lower is there any Forex element to that.

**Kamal Jain:** There is no Forex element in this year this quarter

**Ranjeet Shivram:** There is no...

**Kamal Jain:** There is no Forex loss or gain in this quarter so it is very minimal it is not something phenomenal.

**Ranjeet Shivram:** Thanks.

**Moderator:** Thank you. That was the last question from the participants. I would now like to hand over the floor to Ms. Bhoomika Nair for her closing comments.

**Bhoomika Nair:** Thank you everyone for being on the call especially the management for taking timeout and giving us an opportunity to host the call. Thank you very much Sir.

**Manish Mohnot:** Thank You Bhoomika. Thank you everyone. Bye!

**Moderator:** Thank you. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us. You may now disconnect your lines.