



Tecpro Systems Limited

Q3 & 9M FY2012 Results Conference Call Transcript

February 15, 2012

Moderator Ladies and gentlemen good day and welcome to the Tecpro Systems Limited Q3 and 9M FY12 results conference call. As a reminder for the duration of the conference, all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Mayur Maniyar of CDR India. Thank you and over to you sir.

Mayur Maniyar Thank you Lavina. Thank you for joining us on Tecpro Systems Limited's Q3 and 9 months FY2012 earnings conference call. We have with us today Mr. A. K. Bishnoi, Chairman & Managing Director of Tecpro Systems Limited; Mr. Amul Gabrani, Vice Chairman and Managing Director; Mr. Kulbhushan Arora, Chief Financial Officer and Mr. Pankaj Tandon, General Manager (Corporate Affairs) and Company Secretary. We will start this conference call with opening remarks from the management, after which we will have the floor open for an interactive question and answer session. Before we begin, I would like to point out that certain statements made in today's discussions may be forward looking in nature and a disclaimer to this effect is included in the investor release and conference call invite which was sent to you earlier. I will now hand over the call to Mr. Bishnoi to make his opening remarks.

A.K. Bishnoi Good afternoon everybody and a very warm welcome to everyone present and thank you for joining us today to discuss the operating and financial performance of Tecpro Systems Limited for the third quarter and nine months ended December 31st 2011. I would like to begin the discussion with an overview on the company's operational performance for the period under review following which Mr. Amul Gabrani will provide the financial highlights of the company for the quarter and also nine months ended December 31st 2011.

As you are all aware, the macroeconomic environment at present remains challenging where the pace of new order inflows has moderated, all players share this concern, but we as a company believe that this is a passing

phase. Power is obviously an important resource and infrastructure growth is imperative in order for the country to achieve the GDP growth which we are targeting. There has to be investments in these sectors and we feel that once these investments fructify, things will definitely improve from where they stand today. Despite the current environment, we continue to do well both operationally and financially. Our unique presence across the value chain backed by our robust order book position and proven execution capability makes me confident of navigating the ongoing slowdown and bagging new orders. Once the tide turns favorable, Tecpro Systems will be at the forefront to reap the benefit of the enormous opportunity.

We are able to execute all our projects smoothly since all environmental clearances as well as fuel linkages are in place for all the projects that are currently under execution. In a scenario where the BoP orders are taking longer time to finalize, we continue to leverage our strength and leadership position in the material and coal handling space where we are booking orders and hope to continue booking new orders.

During the quarter under review, the company received another prestigious order from NTPC worth Rs. 405.4 crore for the supply of an extended coal handling plant package for the Pakri coal mining block in Jharkhand taking the total order size at Pakri to Rs. 661 crore. Tecpro also secured an ash handling plant order from Lanco for their Vidarbha project which is worth Rs. 80.5 crore. The company also secured an order worth Rs. 30 crore from Bhushan Steel, and an order of Rs. 19 crore from Andhra Pradesh Generation Corporation for the 1 x 500 MW for the wet ash disposal system for the Vijayawada thermal project. The quarter also saw the company bagging an order in the Waste Heat Recovery segment from Ambuja Cement for Rs. 60.5 crore. We have witnessed a steady inflow of orders this year. The total order addition this year has been to the tune of Rs. 1,638 crore. This figure is as of 31st December and just to give you an update, this figure now stands at approximately Rs. 1,800 crore as we speak now.

Tecpro Systems is already a prequalified bidder in the NTPC package tender for the 660 MW series. For some coal and ash handling packages, we expect to get some orders in the near future. Our order book position as on December 31st 2011 remains robust at about Rs. 4,600 crore providing us good revenue visibility for the next few years. Client interests across segments remains high going by the number of enquiries we are receiving for new orders. We expect a significant number of these orders to materialize once the environment becomes more conducive for implementing infrastructure projects.

Going into the next financial year, the order pipeline is encouraging. NTPC is likely to order out the balance 660 MW series and also the new 800 MW series. As a coal handling and ash handling player, we definitely expect to receive a decent share from not only NTPC, but other public sector companies and also we expect to receive some orders from the private players. In addition to this, the State Electricity Boards are looking at augmenting their capacity providing good business opportunities in the Balance of the Plant segment. I may add that in this financial year, the BoP segment has been very dull and we are hopeful that this segment will definitely pick up in the coming financial year.

We have built a strong operating platform with top-class engineering capabilities, have a diversified business portfolio, superior project management skills and a healthy order book position which reflects good future prospects for our company. Once economic recovery becomes more entrenched, we are well poised to capitalize on the prolific opportunities in the power sector while maintaining a sound financial foundation. We will also continue to foster strategic tie-ups for acquisition of latest technologies and enhance our product portfolio which will enable us to consolidate our positioning as a complete engineering, procurement and construction player.

I would now like to hand over to Mr. Gabrani who will take you through our financial performance. Thank you.

Amul Gabrani

Thank you Mr. Bishnoi and good afternoon everyone. We are pleased to report another strong performance this quarter with our topline growing 36% year-on-year. Our order backlog continues to remain fairly healthy at about Rs. 4,600 crore as of 31st December providing good revenue visibility for the next 2 years. As you are aware, we also have some L1 positions which will be added to this order book position within a short period of time. Some of them have already been added in January and February. It is also very encouraging to see the large number of live enquiries in the material and ash handling segment despite the challenging macroeconomic environment. We expect some of these to be finalized in the coming months. This gives us the confidence of sustaining our growth trajectory going into the next year.

Before I provide you with an overview of the company's financial performance for the third quarter and nine months ending 31st December 2011, I would like you to note that it is best to monitor our business on an annual basis as a significant portion of the revenues are recognized in the last quarter of the financial year given the nature of the business and the accounting practices therein.

We are on track to deliver our estimates of revenue growth of around 35 to 40% for the full year as a major portion of the revenues accrue in Q4 which has also been the trend historically. On the earnings front, we are all set to deliver around 20-25% growth for the full year taking into account a simple calculation that in Q4 all the line items like employee costs, depreciation and interests are going to be charged only on quarterly basis which will more or less remain constant, and which on a higher revenue base will deliver significant earnings in the last quarter as per our plans. Our pre-interest earnings have also remained fairly robust for the nine months period. We always build interest as part of the project cost, but exceptionally high rates may impact PBT margins by 50 to 75 basis points. As the environment turns favorable for growth, the softening of interest rate from the current level should help us further augment our profitability.

Revenue for the nine months ending December 31st 2011 stood at Rs. 1,430 crore representing a growth of 41% as compared to Rs. 1,012 crore during the corresponding period last year. EBITDA was at Rs. 162 crore, higher by 49% as against Rs. 109 crore for the same period last year. Our operating margins remain healthy at 11.4%. We have been constantly integrating backwards to ensure that the margins remain fairly consistent. Depreciation for 9M FY2012 increased to Rs. 9.4 crore as compared to Rs. 7.8 crore in

9M FY2011. Interest expenses for the 9M FY2012 amounted to Rs. 110 crore compared to Rs. 60 crore for the same period last year. PAT for 9M FY2012 stood at Rs. 28.6 crore, up 8.1% as compared to Rs. 26.5 crore recorded during 9M FY2011.

For Q3 FY2012, the figure in terms of revenues was Rs. 627 crore as compared to Rs. 462 crore during Q3 FY2011. EBITDA for the quarter under review stood at Rs. 62.9 crore compared to Rs. 54.4 crore during the corresponding quarter last year. PAT for the three months ended December 31st 2011 is Rs. 14.7 crore as compared to Rs. 19.9 crore during the corresponding period last year.

Majority of our debt is still working capital in nature which is a consequence of growth as well as nature of the business we are in. Our business model is such that most of the revenues are booked in the last two quarters and moreover this is the period when most of the collections also take place. You also have advances which come in the second half till most of the orders are finalized and a combination of advances and collections helps in not only maintaining topline, but also increasing topline without really increasing the debt level.

On the execution side of the business, for all the jobs which we have on hand including the Korba and APGENCO BoP projects, all clearances including coal linkages, financial closures including release of BTG packages to BHEL etc. have been completed much before the orders were awarded. The execution of all the projects is on track and we are receiving payments from clients as per the agreements. Our focus forward would be on enhancing the order portfolio, bidding profile and project execution. All these initiatives will help us deliver sustained operational and financial growth.

This brings to the end of the management commentary and now we would be happy to address questions that you may have. Thank you very much.

Moderator Thank you very much sir. We will now begin the question and answer session. Our first question is from the line of Ashwini Aggarwal from Ashmore India. Please go ahead.

Ashwini Aggarwal Just looking at the Q3 numbers, could you give me some more details on what was the interest, depreciation and tax number for Q3 FY12 versus Q3 FY11?

Amul Gabrani Depreciation is about Rs. 3.74 crore in Q3FY12 against Rs. 2.8 crore in Q3FY11. Interest expense in the quarter is Rs. 36.79 crore as compared to Rs. 21.13 crore in Q3 FY11, subject to the note in the notes of accounts. Tax for the quarter is Rs. 7.63 crore compared with Rs. 10.59 crore in Q3 FY11.

Ashwini Aggarwal What is the note to the account?

Amul Gabrani There is some interest which was to be reimbursed by our suppliers. We had booked some back-to-back jobs. Advances were interest paying. During the current quarter, the company had a recognized recovery of interest expense of Rs. 11.58 crore pertaining to the prior period. Prior period means only the

earlier two quarters. Out of the total recovery of interest expense, Rs. 6.01 crore pertains to quarter ending 30th September 2011 and balance will be Rs. 5.57 crore pertains to the quarter ending 30th June 2011. See what has happened is that we were to recover this interest expense from our suppliers as per the contract whereas we were expensing off this interest in our quarterly statements. Claims from these companies were not made; they were made in this quarter. So our auditors have just tried to clarify this in the note, but on the nine month basis, there is no prior period. So in terms of interest expense, it is Rs. 36.79 crore in 9M FY12 and Rs. 21.13 crore in 9M FY11.

Ashwini Aggarwal So this Rs. 36.79 crore is net-off this amount of Rs. 11.58 crore?

Amul Gabrani Yes.

Ashwini Aggarwal So gross amount is much higher than that and one more question sir the EBITDA margin for Q3 is somewhat lower as compared to the corresponding period of last year?

Amul Gabrani Our business is such that it is very difficult to analyze it on a quarterly basis because it depends on what kind of supplies we have made, what area, whether there was a service income or not. So lots of parameters are there. Like I had mentioned in my commentary when I was starting this, that it is best to analyze this business on an annual basis or let us say the best as of now is nine monthly basis because what will happen is that our first quarter results will be better than what we were expecting and this quarter probably some compensation will happen, but overall annual results more or less will be in line what we have said in terms of revenue growth and profitability.

Ashwini Aggarwal And what is the total debt as of 31st of December, 2011?

Amul Gabrani Total debt as of 31st of December including all kinds of debt including working capital, term loans and other debt is about Rs. 1,150 crore.

Moderator Our next question is from the line of Madan Gopal from Sundaram. Please go ahead.

Madan Gopal What is the order flow that you are getting for the year because we are only at Rs.1,800 crore right now and given our L1 portion, will it be possible for us to do Rs. 2,500 crore kind of order flow for the year?

A. K. Bishnoi I will just answer that. We have as I mentioned till February, booked close to about Rs. 1,800 crore as we speak now and we are L1 in about Rs. 750 crore. These L1s obviously we are expecting will get finalized before March. Most of this is NTPC and some of it is also APGENCO.

Madan Gopal Is the NTPC part of the bulk tender?

A. K. Bishnoi This is part of the 660 MW series. They will get released now. That is what is being mentioned in the Press and we have already had some pre-award meetings with NTPC. We are expecting this to get cleared. So Rs. 1,800 crore is what we spoke and about Rs. 750 crore is what we are L1 on. As

you know in our market, the third and fourth quarters are the main areas when most of the order booking takes place and we still have another 45 days in this financial year. We are now negotiating some major orders with some customers and we expect some of them to get finalized hopefully.

Madan Gopal So full year, you expect to close with some Rs. 2500 crore order, or even cross that?

A. K. Bishnoi Yes, we should. If all this L1 gets converted, this itself will be more than Rs. 2,500 crore.

Madan Gopal What is the current inventory position and how is it compared to last year?

Amul Gabrani In terms of inventory, as on 31st December, 2011 the total inventory is about Rs. 235 crore as against about Rs.170 crore on 31st December, 2010. You will appreciate that most of our revenues are in the last quarter and we have to keep ourselves ready in terms of delivering in the last quarter. That is why inventory will always be higher at the end of December quarter.

Madan Gopal How is debtor position sir?

Amul Gabrani Debtor position right now as of 31st December are Rs. 1,548 crore against Rs. 937 crore as on 31st December 2010.

Madan Gopal Sir some of your peers in the market are rising concerns that a lot of the private sector power projects due to funding issues or coal linkage issues are kind of slowing down now. The peer that I am referring to is also involved in lot of private sector projects and it is working with you in many projects as well. So are you also viewing these things happening in the market, what is your outlook?

A. K. Bishnoi It is a fact that in this financial year as far as finalization of orders is concerned, practically no major order in the BoP segment has been finalized either by the private sector or by the public sector. Even the public sector tenders which we were expecting will get finalized, some of them have issued the tender notices, but they have not been finalized and some of them have not even issued the notices. So yes, I would agree with your view that there is a definite slowdown as far as the power sector segment is concerned and especially in finalization of orders in this financial year for the Balance of Plant segment. But coming to Tecpro, as you are aware Balance of Plant is just one of our areas of operation, but our main bread and butter business has been the Material handling segment, the Ash handling segment and we have also added the Waste Heat Recovery last year. So having seen the situation in the private sector, we have taken action this year and we have marketed our Material handling segment very aggressively in the steel sector where we have seen very good results. So considering the efforts made in the marketing especially in the Material handling, Ash handling and the Waste Heat Recovery, we have been able to book what we have booked.

Madan Gopal Sir actually I was referring to execution of the current projects, the orders already bagged, the peer was saying that there is a slowdown in execution.

So are you seeing such a slowdown in your execution that is actually on the order side of interest?

A. K. Bishnoi As regards to the execution, most of the projects which we are executing are not really in the private sector. The main jobs which we are today executing are mainly the Balance of Plant such as Andhra Pradesh and Chattisgarh, then we are doing lot of work for NTPC. We are doing two major jobs for BHEL which we bagged this financial year which is for the NMDC project coming up in Chattisgarh. The private sector projects this year which we are doing are very small.

Madan Gopal What will be proportion of private sector on the total order book sir?

A. K. Bishnoi One major job which we are doing in the private sector is for Lanco which is about Rs. 170 crore order, but that again the end client is the government sector which is for Koradi. Koradi is one of the power projects being set up by Maharashtra Generation Corporation. So indirectly what happens is we again continue to work for the public sector. So I would imagine that practically all our major jobs are directly from the government sector or indirectly like I just mentioned the Lanco job to you. We also have got one job from Tata Projects which is again in the private sector, but again the end client is NMDC which is a government sector for the same steel plant which I mentioned to you. We are not really affected. In fact that was, both me and Amul mentioned in our opening remarks that we are not really affected in our current jobs which we have on hand. All our jobs are being executed as per the contract and we are also getting paid as per the terms of the order.

Madan Gopal And you are referring to interest recovery, how much is the total un-recovery as of now, the balance, that you would have paid from your P&L, but yet to recover from your suppliers?

Amul Gabrani There is no balance recovery now, whatever was due for the first two quarters and the third quarter has been done now.

Moderator Our next question is from the line of Supriya Subramaniam from Kotak Securities. Please go ahead.

Supriya S. Just a few questions in terms of the order pipeline. Apart from the L1 orders of Rs. 750 crore, what are the other kind of bids in the pipeline that the company has already placed and may be expected in the near term?

A. K. Bishnoi In addition to this L1 orders which we mentioned, we are also looking at some contracts in the Waste Heat Recovery segment and the captive power segment. We are also looking at some jobs in our traditional Material handling segment and also some jobs in the Ash handling. We are not really looking at any of the jobs in the BoP segment because all the government BoP projects which are tendered, we are obviously participating in them but they are not likely to get finalized in this financial year.

Supriya S In the BoP space, is there any bid that you have placed and if you could mention at least with which GENCO? They need not be received necessarily

in this fiscal, but it would probably come in next fiscal, so some idea on that if you could give us?

- A. K. Bishnoi** There are tenders which have been floated by Singareni Collieries which is for Balance of Plant tender. There is also a bid on Bhusawal from MAHAGENCO. There is also bid on the Madhya Pradesh government for EPC contracts, but these will get finalized only in the next financial year.
- Supriya S.** Just a few quick numbers if we could get. What would be the current cash position on the balance sheet right now?
- Amul Gabrani** About Rs. 109 crore.
- Supriya S.** And working capital, if you could just give us net working capital number?
- Amul Gabrani** The net current assets as on 31st December would be about Rs. 1,562 crore.
- Supriya S.** And sir do you expect this to come down or go up in the fourth quarter or will it remain at around these levels?
- Amul Gabrani** I think because we expect collections to be the best in the last quarter, although the billing also would be the best in the last quarters, but we still believe that the overall working capital position should not get worsened in any case and the net working capital should go down a little bit. At least the debt should go down from mid level what it is now.
- Supriya S.** Any guidance on the outlook for FY13?
- Amul Gabrani** I think we will be able to give it a little better view probably by the end of the coming quarter. But we are expected to continue on growth path of certain similar levels what we have been achieving till now. But I think we will be able to give a much clearer figure closer to the end of this quarter.
- Moderator** Our next question is from the line of Ankit Babel from Pinc Research. Please go ahead.
- Ankit** Sir my first question is on your order inflow guidance. Since the last three quarters, we have been maintaining that Rs. 5,000 crore plus worth of orders would be coming in this financial year and suddenly in one quarter we are revising it downwards by around 50%. I understand there are concerns in the macroeconomic environment. Just wanted to understand are those orders getting just postponed to the next fiscal or you altogether will not be receiving those orders. What went wrong actually?
- A. K. Bishnoi** When we mentioned Rs. 5,000 crore, we had obviously factored one Balance of Plant contract in this. So if you see today also, we are maintaining Rs. 2,500 crore plus and if you include one balance of plant, it will again reach to almost that level of Rs. 5,000 crore. Now what has gone wrong is that we have not really lost the jobs. All the jobs which I mentioned were expected to come out much earlier than what they have come out. The tenders have been delayed and the finalization of some of the jobs with the government jobs plus also in the private sector which were expected to take place in this

financial year is now getting postponed to the next financial year. I can just mention to you that we have not really tendered or lost the job, it is just that the jobs have got delayed and obviously this will come up in the next financial year, be it Singareni or Bhusawal or be it any of the rest.

Ankit So again sir next financial year, you are expecting the first half or the second half?

A. K. Bishnoi That is little tough one because as you know these orders, they keep getting extended for various reasons not in control of the bidder. But I would imagine that some of these jobs would definitely get finalized in the first six months of the next financial year.

Ankit So can you be rest assured that next financial year you are on track to achieve Rs. 5,000 crore inflows?

A. K. Bishnoi As Amul just mentioned, I think it is too early to say that. But yes what I would like all of you to appreciate is that Tecpro as a company is very strong in various segments. In the Material handling, Ash handling, and in the Waste Heat Recovery, we continue to book orders as per our target, but in the Balance of Plant segment, there has not been any order and that is mainly because there has been no order which has been finalized. So obviously once these orders get shifted to the next financial year and when they are getting finalized next financial year, we would definitely, I would imagine stand a very good chance to book that.

Ankit And sir my second question is on your interest cost. Now considering the first nine months performance this year and taking the trend of the third quarter interest cost, what could be the interest cost for the fourth quarter? Would it be in the range of Rs. 50 crore in line with the third quarter gross amount?

Amul Gabrani We are expecting the interest cost to be close to Rs. 42-43 crore. That is our expectations based on the information we have as of now and we do not think it should go beyond that.

Ankit So you are expecting a sequential decline?

Amul Gabrani Yes, a sequential decline in this quarter because collection as I said is expected to be much better than the earlier quarter. So this will help us in reducing the debt portion which will help us in reducing the interest cost.

Ankit And sir last is what was the amount of bank charges in this quarter and in which head you have booked in?

Amul Gabrani Bank charges have been booked under other expenses and I will just give you the figure. For quarter ending 31st December, 2011 the bank charges are about Rs. 8.4 crore and for 9M FY12, the bank charges are Rs. 23.30 crore.

Ankit All these new orders whichever you are bagging, are they on the same margin levels or you are seeing some pressure on the margins also?

Amul Gabrani On EBITDA level, there is no pressure, only the impact of interest which has come up is primarily because of little bit of liquidity constraints during the last year and the unprecedented interest rate increase which was not expected. We are expecting that it will impact our margins by about 25-50 basis points at PBT level, but otherwise we had already factored in our estimation with basic interest cost.

Ankit So whenever you are bidding for new orders, you are taking a higher interest cost. Higher in the sense the current interest rate in mind or considering 100 or 150 basis point cut.

Amul Gabrani It depends on case-to-case basis while we are estimating and we always take into consideration what is going to be the expected interest cost of the project. Suppose I am bidding today, I might take a little bit of higher, but if I am bidding after a month and if I am expecting the cost go down, then I might reduce it a little bit. It is on case-to-case basis based on our estimation planning.

Ankit At an operating level, you are not facing any pressure?

Amul Gabrani At operating level, you will realize that our EBITDA level, our operating level margins in 9M FY12 have grown by about 49% against our revenue growth of 41%. So at an operating level, it is not a major issue. It is only that on expense because of specific macroeconomic scenario, this has happened this year. There were two issues. One was the interest rates were unprecedentedly high. Second was there was definitely a liquidity crunch which in fact had delayed collections. So that is why the overall impact of interest was felt a little higher.

Ankit And this is for sure that this year you would not be getting any BoP orders, that is what you foresee?

A. K. Bishnoi No, one cannot say that because there is one job which is being discussed on a very aggressive basis, but it is too premature to really mention whether it will get finalized by 31st March, 2012 or not.

Ankit The size of that is as high as Rs. 2500 crore?

A. K. Bishnoi It is almost in that region yes.

Moderator Our next question is from the line of Manish Goyal from Enam. Please go ahead.

Manish Goyal Is it possible to give a breakup of this L1 Rs. 750 crore orders you have?

Amul Gabrani That is primarily some of them are government orders, some of them are as good as government orders, but at this stage it will be difficult for us to give you the details.

Manish Goyal Are there basically large number of orders?

A. K. Bishnoi There are about 4 orders and they are from premier public sector players.

Manish Goyal And what was the quarter 3 order inflow sir particularly?

Amul Gabrani The quarter three order inflow was about Rs. 770 crore.

Manish Goyal Out of the total order book of Rs. 4,600 crore, how much would be NTPC?

A. K. Bishnoi Today in NTPC, there are two major jobs which are under execution. One as we mentioned in the opening remarks, the total order size for both NTPC Pakri jobs is close to about Rs. 660 crore. We also have Nabinagar under execution which is originally about Rs. 240 odd crore, out of which something would have got executed. These are the two major jobs in the coal handling segment and in the ash handling segment, we have another two jobs. One is Vindhychal and one is Rihand which we had booked last year and which are also under execution.

Manish Goyal And sir you mentioned that you will maintain our 35-40% growth in the current year, so last year our Q4 revenues were significantly higher at Rs. 960 crore. So even on that basis, you expect Q4 to report 35-40% growth?

Amul Gabrani If you see last year, our percentage of revenues what we had clocked in the last quarter was almost 49% and we hope that this year also our revenues, vis-à-vis the annual results, 49-50% will be in the last quarter. That is our expectation. We are on course to achieve it. We are ready for that.

Manish Goyal Basically in nine months, you have done Rs. 1,425 crore, so you expect that in the fourth quarter you should be anywhere near to Rs. 1,400 crore?

Amul Gabrani That is right, close to anything between Rs.1250-1,400 crore.

Manish Goyal And you reported 20% plus EBITDA margins, so same can be expected? What I am asking is EBITDA margin in 9 months, is 11%, but what happens is in last quarter because you reported a substantially high turnover, so you reported 20.7% EBITDA margin in Q4 last year. So what I want to know is that will it repeat?

Amul Gabrani I think it will cross this.

Manish Goyal And also sir earlier you used to have large BoP single site orders, now basically you have larger share of an order book from material handling with number of contracts. So do you think that going forward because you will have number of sites, your margins can be impacted?

A. K. Bishnoi No, actually if you see this year which we explained that no real BoP order has been finalized. It is not that we have missed out on any order. So as far as the company is concerned, we have maintained all along that we are continuing to look at our strength areas of Material handling, Ash handling and also Balance of Plant and Waste Heat Recovery. It will continue to be the way it is. Now since the Balance of Plant orders have not really come up in this year, the company has gone ahead and booked the orders in their strength areas or verticals.

- Manish Goyal** Sorry sir, but my point was that earlier you were operating at two or three sites with large size orders, now basically you have small orders at number of sites. So basically in terms of manpower resources and other resources, basically what I want to understand can it impact your margins going forward?
- A. K. Bishnoi** Let me put it this way that it is not only the Balance of Plant jobs that we were operating. We secured our first BoP job, which was Korba and along with Korba, we continued to operate X number of orders in the material handling segment and Y number of orders in the ash handling segments and then we went ahead and got the two Andhra jobs which were late last year. So by which time, Korba obviously had advanced to a certain extent. So if you see the history of the company, the Balance of Plant has been only 3 jobs whereas the number of jobs which we have executed in Coal and Ash has always been much more. So there is no real change per se in the number of sites which the company is operating currently, it would not really affect the company in anyway, be it manpower or be it additional cost because this has been a trend all along at any given time, where we have been operating more than 25 Coal & Ash handling sites.
- Manish Goyal** And last question, on NTPC for 660 MW series, have the tenders opened for coal handling and ash handling packages or has bidding happened already?
- A. K. Bishnoi** Bidding has happened and tenders are opened.
- Manish Goyal** So there are I believe 11 packages for 660 MW. Tenders for how many packages have been opened?
- A. K. Bishnoi** I think about 6 to 7 if my memory serves me right but I could be wrong.
- Manish Goyal** And what could be the potential order size of each package?
- A. K. Bishnoi** That depends because the value of coal orders will obviously will be much larger than ash handling orders. So it also depends on the scope of work, but they are sizable packages. If you just see Pakri which we got, which is not really a 660 MW series strictly because it is for the mine, but the coal handling value was Rs. 400 crore. So it is difficult to say but they are all sizable packages.
- Manish Goyal** So 6 to 7 tenders have been basically opened and so they should happen in probably next couple of months sir?
- A. K. Bishnoi** It should happen much earlier going by some of the Press news and as I mentioned we have already had meetings with NTPC on some of them, in which they have also mentioned that they are looking at releasing orders on a fast track.
- Manish Goyal** And how was the competitive pressure sir in terms of number of parties and competition?
- A. K. Bishnoi** For NTPC, as all of us are aware, the number of bidders has traditionally been almost the same because there has been no real new entrant in the

last couple of years. So the competition has been same which has been there. You have parties in the Coal handling segment which are approved and you have parties in the Ash handling segment which are approved. So they still remain the same. There is no real addition to that. So there is no real threat on the margins because all of us have been there for quite some time. So we all know each other well enough.

- Moderator** We will take next question from the line of Chinmay Gandre from KR Choksey. Please go ahead.
- Chinmay G.** Sir for nine months, what would be the interest on advances, part of your interest cost?
- Amul Gabrani** For 9M FY12, the interest on advances that has been debited to us will be about Rs. 24 crore.
- Chinmay G.** Because I think till H1 it was roughly Rs. 13 crore, right?
- Amul Gabrani** No, I will just come up with those figures.
- Chinmay G.** And just to confirm basically for the full year, you still maintain your 15% kind of EBITDA margins? For full year, FY12?
- Amul Gabrani** EBITDA margins will be over 15% for the full year.
- Chinmay G.** Sir and now the order inflows would it be lower than what we had estimated earlier, from Rs. 4000-5000 crore now to like Rs. 2500 odd crore. So do you see your FY13 sales number being impacted?
- Amul Gabrani** No, I think our growth rate on FY13 should not be impacted at all because even if we grow at about 30-35% if we do about Rs. 2700-2800 crore, we should enter the next year with round figures of about Rs. 4200-4500 crore. So next year even if we grow at about another 30% that makes it about Rs. 3500 odd crore. So with that in mind, I think we still have enough business available for the next 1.5 years or more than that. Now a lot more jobs have been revised again and they are being tendered and they would be finalized much before we use whatever we have in the bag.
- Chinmay G.** So basically you are trying to say like whatever orders have been slowed down because of the issues, that should not really impact what you had earlier planned for FY13..
- Amul Gabrani** That is right and as Mr. Bishnoi said that all these orders which have been delayed this year are now being tendered. Some of them he had mentioned which have already been in the Press, we are bidding for them. So we have enough order backlog and in the meantime, we hope to cover up for any shortage of orders this year.
- Chinmay G.** And the interest on advances, how will that would be? For 9M FY12, you said it is Rs. 24 crore right?

Amul Gabrani For nine months, it is Rs. 14.62 crore. Total interest was Rs. 28 crore, out of which, Rs. 12.28 crore is recovered. So balance about Rs. 14.62 crore is on our accounts.

Chinmay G. Interest on advances for 9 months FY12 is Rs. 14.62 crore.

Amul Gabrani That is part of the total interest.

Chinmay G. And what would be that for 9 months FY11?

Amul Gabrani No, are you talking of FY11? This figure is nine months FY12. In 9 months FY10, there were no advance interests recovered.

Chinmay G. Nine months FY12, it was Rs. 14.62 crore and 9M FY11, it would not be anything right?

Amul Gabrani It was not anything because we did not have jobs then where interest was there on the advances.

Chinmay G. Whatever you have this Rs. 14.62 crore, nothing would be recovered going ahead?

Amul Gabrani No, nothing.

Chinmay G. And in fact whatever projects we are having, we are now going to pay interest on advances.

Amul Gabrani That has been included in the costs. That has been in the estimations. This was already estimated.

Moderator Our next question is from the line of Suryakanth Behera from Edelweiss. Please go ahead.

Suryakanth B. Sir my first question was on your order book. Currently you have something of Rs. 4,600 crore. What is the execution period for this order book?

A. K. Bishnoi Out of this, there are two major orders from APGENCO where the execution period is 30 months and then most of the NTPC jobs, where the execution period varies between 18 to 22 months.

Suryakanth B. So that is the Pakri, the Rs. 661 crore that you said.

A K Bishnoi One of the Pakris is exactly in fact lower, it is 16 months. The other is about 18-20 months.

Suryakanth Behra And these two major orders which you take 30 months, this would be amounting to how much?

A. K. Bishnoi These are the Andhra jobs which we booked last year. This was totaling about to Rs. 2000 crore.

Suryakanth B. How much is remaining from these two projects which is included in this Rs. 4,600 crore?

A. K. Bishnoi We will just answer that. We are just working on that, we will just tell you that.

Suryakanth B. In the meanwhile sir another thing, in your cost front, if I look at it in detail, then your contract cost as a percentage of sales this year and also on a quarter-on-quarter basis as well if you look has gone up. If you look at on YoY, last year it was around 48% of your sales and this year it is around 57% of your sales. Are you outsourcing some of these jobs?

Amul Gabrani Let me clarify this. See we execute two types of contracts, one which are mainly design and supply, and which are under Accounting Standard-9 are treated as general revenue. The other are under Accounting Standard-7 where design, engineering, installation, civil everything etc. is in our scope, and these are treated as contract revenue. If you see our detailed balance sheet, it will have contract revenue and all costs pertaining to this contract revenue will be contract cost.

Suryakanth B. So these are nothing, but our in-house manufacturing?

Amul Gabrani No, this will be everything including bought outs, everything related to contract. Any contract where design, engineering, manufacturing, supply, site constructions, and civil constructions is in our scope, that is treated as contract revenue.

Suryakanth B. So it has nothing to do with outsourcing part as such?

Amul Gabrani This is nothing to do with that. These are some contracts which are treated under Accounting Standard-7. Our nomenclature is 'contract revenue' and all costs related to these contracts whether it is in-house manufacturing, whether it is bought outs, whether it is civil, sites, cement, steel everything is part of the contract cost.

Amul Gabrani Out of Rs. 1,970 crore of the total Andhra jobs, Rs. 502 crore is already executed and in Chhattisgarh, out of Rs. 950 crore, about Rs. 820 crore is booked.

Suryakanth B. Sir one more question, have you received any retention money from your clients that you are entitled in this quarter?

Amul Gabrani It is a regular process. We keep on receiving that. Generally the retention is 12 months after completion of the project. So probably we would be receiving it much later when we start billing to them, but it is a regular process.

Suryakanth B. It is already pending, at this point how much retention money are we supposed to receive from all the contracts put together?

Amul Gabrani About Rs. 636 crore is retention as of now.

- Suryakanth B.** And this all retention money is only after 12 months? Or is it like after like 3 months or 6 months something like that, any clause or anything is mentioned?
- A.K. Bishnoi** No, it is linked with a performance guarantee test. There are different clauses in different contracts, but in most of the contracts it is linked to the PG test. And the PG test obviously depends not only on the coal handling, but on the entire plant. So this Rs. 636 crore is basically for jobs which are under execution where the retention is strictly not due. Retention is as Amul just said a regular phenomenon. As we keep executing jobs, we keep closing the jobs, we keep getting our retention. Recently for example we have closed all the projects of Bhushan Steel where we have collected all the retention. We have collected retention from Adani. So it is a continuous process. Wherever jobs keep getting closed, the performance guarantee test is conducted, the retention comes in and this Rs. 600 crore odd which we just mentioned basically are jobs which are under execution.
- Suryakanth B.** Sir you mentioned right now your debt position including working capital and everything put together is around Rs. 1,150 crore, is that right?
- Amul Gabrani** Yes.
- Suryakanth B.** Where do you see this by this year end?
- Amul Gabrani** By this year end, I think we are expecting it to go down because collections are going to be better in this quarter. That is what is our expectation is. Let us wait and see.
- Suryakanth B.** But already our debt-equity is somewhere around 1.4. So I was just wondering till what level we can be comfortable?
- Amul Gabrani** I think we will have to wait till the end of this quarter. Debt equity probably should be about 1 to 1.12-1.15.
- Moderator** Thank you. We will take our next question from the line of Rinki Gureja from Enam. Please go ahead.
- Rinki Gureja** Sir you said that Rs. 502 crore has been executed in Rayalaseema and Kakatiya. Can you just give me the breakup as to how much is from Rayalaseema and how much from Kakatiya?
- Amul Gabrani** I think that we will have to work that out and can probably provide it separately.
- Rinki Gureja** Sir one of the competitors in a recent con-call mentioned that most of the state utilities are now going through the EPC route instead of BoP or it is only the independent power providers that are going for BoP projects. So your comments on the same and how are we placed in this scenario?
- A.K. Bishnoi** It is very difficult to categorically state one way or the other whether tenders will come out on BoP basis or on an EPC basis. As I just mentioned to you Singareni Collieries if you see is a tender which is absolutely on the BoP

basis. Bhusawal is currently on an EPC basis. So how things pan out will have to be seen, but I can only mention that if you just go by the past record and if you see most of the State Electricity Boards have been traditionally ordering their power plants on two separate package routes, which is the BTG package and the BoP package. If you see Andhra, they have ordered close to 5-6 jobs following this route. If you see Chhattisgarh, they have ordered two projects both separately, BoP and BTG. If you see Maharashtra, they have ordered four projects all separately. So it is really too early for anybody to make a statement because there are many issues which will need to be examined, what is the cost of an EPC tender as compared to that when it is split into a BTG and a BoP package, and we also have to see how many players are there which come up. So this is something which we will know as time passes by.

Rinki Gureja

Sir do we see any slowdown in current projects, I mean, is the execution on track or are there any slow moving orders in our current order book?

A.K. Bishnoi

No, we are very lucky and that is because we have chosen our contracts accordingly. All our contracts which we have on hand are on schedule and there is no real single contract of any significant value which we can mention where there is a slowdown. I think we have explained this earlier, for most of the projects that we have on hand, we have seen to it that the financial closure is achieved for the Balance of the Plant projects, where the BTG's order on BHEL. Similar is the case with our material handling jobs which are with premier clients like NTPC, BHEL etc. and same is the case with ash handling jobs. Even in the private sector, be it UltraTech or be it ACC, whichever jobs we have on hand are all on schedule. We are not really seeing a slowdown.

Rinki Gureja

And sir on retention money, you said that Rs. 636 crore is your retention money currently. So sir by 31st March, how much do you think can be released out of this?

Amul Gabrani

I think it will be very difficult to say because we will have to really do that analysis because there would be some realization, but there will also be an additional buildup against the new revenues we book.

Moderator

Thank you. Our next question is from the line of Nidhi Agarwal from Sharekhan. Please go ahead.

Nidhi Agarwal

Sir in the recent quarters, we have seen a slowdown in order inflow as compared to FY11. So in FY13 starting with a lower order inflow, do you see any fall in revenue at least in the first few quarters of FY13?

A.K. Bishnoi

Not really. See if you noticed, we started last year, this financial year with an order book of about Rs. 4,300 odd crore and we have already booked about Rs. 1,800 crore. We are L1 in Rs. 750 crore and we are obviously hopeful that we will be able to book at least what we execute if not more. So, as Amul just said, we may start the year again with Rs. 4100-300 crore or more. Now those contracts are contracts which we have received where we have all the necessary clearance from the clients. So we don't really foresee any

slowdown in the new system as far as the execution of these contracts is concerned.

- Nidhi Agarwal** So out of the Rs. 4,600 crore of order book, how much of the order book can be executed within let's say FY13?
- A.K. Bishnoi** See FY13 if you notice what we just mentioned that if we look at a growth of 30-35%, we should be doing close to about Rs. 3500-3600 crore of turnover in the next financial year.
- Nidhi Agarwal** Okay, that will also include some of the short cycle orders?
- A.K. Bishnoi** Yes, it will definitely include some orders which will be booked next year where the deliveries are much smaller. You are absolutely right.
- Nidhi Agarwal** Sir I wanted the numbers on creditors and Loans and advances.
- Amul Gabrani** Creditors as on December 31, 2011 will be around Rs. 1,035 crore and Loans and advances will be about Rs. 195 crore.
- Moderator** Our next question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.
- Pritesh Chedda** Sir, Just wanted to check on NTPC. Could you identify the projects which are supposed to come up for tendering? And my second question is the Rs. 4,000 crore of inflow that you are basing next year, if you could tell us how much of the orders in the BoP in mega wattages term is actually left for ordering under the XIIth plan, and how many orders in ash handling and coal handling in mega wattages is left for ordering?
- A.K. Bishnoi** Let me tell you like this that if we talk of NTPC about 10 to 11 plants are planned in the 660 MW series, out of which, as we mentioned earlier in the conference call, in about 6 to 7 (if our memory serves us right) the price bids have been opened, and the balance is going to be taken up. NTPC now I am sure you are aware has also taken up the 800 MW series as well.
- Pritesh Chedda** Okay, now I just want to check this 660 MW series is the one where BTG tendering is still in limbo?
- A.K. Bishnoi** Yes.
- Pritesh Chedda** Are you referring to those?
- A.K. Bishnoi** No see, in this 660 MW series they have already opened the bids for the boiler and the turbine as you are aware. Now they have opened the bid for the boiler turbine, they have also opened a bid for coal and ash handling.
- Pritesh Chedda** Okay, so you are referring to those.
- A.K. Bishnoi** Yes. the 660 MW series. For the 800 MW series they have just started the bidding process. The coal handling tenders are expected in the next couple of months. Coming to BoP, see the list is very big so there is no point in

going into the list per se, but what is expected in the near future are two jobs from MahaGenco, out of which Bhusawal is already tendered, and there is one more. At least three jobs are expected from Andhra which will come up in the next fiscal. In addition Singareni Collieries which is also in Andhra is already tendered. Madhya Pradesh has already tendered one job. We expect at least another two. We expect at least two jobs from Chhattisgarh. We also expect two to three jobs from Tamil Nadu. Now these are projects which have been discussed for quite some time and in Tamil Nadu for example one of the tenders was also bid last year but then it got postponed for various reasons so that is expected to come up. So I would imagine that totally, we would be looking at about 9 to 10 tenders, which we can classify as live tenders because they have been discussed for quite some time, and everything going on schedule this should definitely get tendered and finalized in the next financial year.

Pritesh Chedda Can you estimate what could be, in mega wattage terms, the possible opportunity for an inflow for companies like you under the XIIth plan? Would it be 10,000 – 20,000 MW or could be higher than that?

A.K. Bishnoi If you go as per the press releases and the plan of what was targeted, it is much more. But I think instead of going into those theoretical figures one should look at it practically. As I said, in the next financial year, it is a good bet to say out of these 8 to 10 jobs, most should get tendered, which will obviously mean a good amount of business for companies like us.

Pritesh Chedda Let me put it this way, if you want to strategize for more than one year then obviously XIIth plan is the plan for you as well as for most of the other companies and in that case have we mapped down the opportunity which is still left to be ordered?

A.K. Bishnoi Yes, we have those details ready with us, but I do not have them off-hand now on the con-call. Definitely in our marketing department we have our numbers ready but obviously instead of looking at projects which have been announced but we do not know when they will come, I think you will agree with me, it makes more sense to see which the live projects are which will definitely get finalized. We do not only look at Balance of Plant, we also look at material handling and ash handling which are huge opportunities for us. We also look at Waste Heat Recovery. So obviously on a marketing front we look at various segments to decide what is the marketing plan of the company and how we should go about achieving it.

Pritesh Chedda These 9 jobs which you were referring totals to how much mega wattage?

A.K. Bishnoi Most of these are 2x660 MW, while one or two of them are 3x660 MW.

Pritesh Chedda So basically I should take 9 live enquiries multiplied by 2x660?

A.K. Bishnoi Yes, you can say roughly 1320x9 MW. It could be slightly more because two or three of them could be three units of 660 MW.

Pritesh Chedda Could you tell us the players who are typically bidding in the 660 MW of BoP and the 660 MW range of ash handling and coal handling right now?

A.K. Bishnoi In coal and ash handling space, in the 660 MW series all the NTPC approved parties are there which have been traditionally there in the 500 MW. In the Balance of Plant you obviously have all the key players like L&T, Tata Projects, BGR Energy, Tecpro Systems, and all the others who traditionally are there like Lanco and Essar.

Pritesh Chedda So anyone who is approved under 500 MW is a player who is bidding in coal and ash handling?

A.K. Bishnoi Yes, as far as NTPC is concerned. When you talk of ash handling I am classifying that under NTPC but in a Balance of Plant tender it will depend when the tender comes out, obviously the prequalification condition, each state has their own. So it is very difficult to make a general statement. Each tender will specify their own prequalification condition.

Pritesh Chedda So how many tenders would NTPC have issued in the 660 MW range for ash handling and coal handling.

A.K. Bishnoi I mentioned that almost 6 to 7.

Pritesh Chedda So far they have already released.

A.K. Bishnoi Yes.

Pritesh Chedda That is 6 tenders in 660 MW that they have so far released. Rest other than that it was always 500 MW and lesser.

A.K. Bishnoi Yes.

Pritesh Chedda Of 5 to 7 tenders in the 660 MW series, could you tell us what was the market share?

A.K. Bishnoi Those are still being finalized. So I won't like to give you the name and say that yes I am getting this job because some of them are opened. Till you do not have the job in hand it is too premature to make a comment. I think Amul mentioned that to you sometime back that we are L1 in about four jobs, they are both a combination of coal and ash handling jobs.

Pritesh Chedda Which means these are first sets of 660 MW coal and ash which are moving up?

A.K. Bishnoi Yes. These are part of the 6 to 7.

Moderator Thank you. The next question is from the line of Rajiv Mehra from JM Financial. Please go ahead.

Rajiv Mehra Just wanted to clarify, What is the current amount of retention money which is there currently?

Amul Gabrani That is about Rs. 636 crore.

Rajiv Mehra How much would you be expecting at the end of FY12, how much do you realize that, any number on that?

Amul Gabrani No that will be difficult because we will be realizing something and obviously we will be adding some retention because of the revenues we are going to generate in the quarter. So it will be very difficult for me to extrapolate those numbers at this stage.

Rajiv Mehra Fair enough, and if you could just tell me the receivables number again which is there at the end of this quarter?

Amul Gabrani The debtors at the end of the quarter was about Rs. 1,548 crore.

Rajiv Mehra What would you expect this number to close at the end of the year, could you give any ball mark figure for that?

Amul Gabrani Very difficult to extrapolate again. See we are looking at a revenue of about Rs. 1300-1400 crore in the quarter. But obviously the collection in this quarter is higher. So I suggest it will be very difficult for us to really give you the number at this stage.

Moderator Thank you. The next question is from the line of Pranav Gokhale from Religare Asset Management. Please go ahead.

Pranav Gokhale I just wanted to broadly understand your balance sheet. You have Rs. 700 crore of net worth, Rs. 710 crore if I include the profit based on what numbers you have disclosed last quarter in terms of balance sheet, and Rs.1,130 crore of debt?

A.K. Bishnoi Yeah.

Pranav Gokhale Out of this Rs. 1,840 crore of balance sheet size you have mentioned your current net working capital cycle is Rs. 1,840 crore?

K.B. Arora Net working capital is Rs. 1,562 crore.

Pranav Gokhale Debtors are Rs. 1,548. So if you can give me the current asset and the current liabilities?

Amul Gabrani Net current assets are Rs. 1,562 crore, our total current assets loans and advances what we have given is about Rs. 2,702 crore, the current liability is about Rs. 1,140 crore.

Moderator Thank you. The next question is from the line of Supriya Subramaniam from Kotak Securities. Please go ahead.

Supriya S. Hello, just a few follow up questions. Just wanted to clarify all the three BoP projects are going on track right, so like Chhattisgarh should be done by June 2012?

A.K. Bishnoi Yes.

Supriya S. And APGENCO - one in December 2014 and one of March 2014, I think is the scheduled date, so all those are on track? Secondly, what is the average cost of debt on the books that is the gross that you have, so what would be the average cost of debt?

Amul Gabrani Yes they are all on track. The average cost of debt is 11.5%.

Supriya S. Sir and one more quick question on advances. The interest that you pay on advances, what would be the average rate for that?

Amul Gabrani It is 11% in Chhattisgarh and 12% in APGENCO.

Supriya S. Sir, and one more question what would be this absolute amount of advances currently on the Balance sheet?

Amul Gabrani We have to work out the latest figures on that.

Moderator Thank you. The next question is from the line of Nirav Vasa from SBI Cap Securities. Please go ahead.

Nirav Vasa My question was pertaining to the orders that you were receiving in the Waste Heat Recovery segment. Sir can you tell me what is the order backlog in the Waste Heat Recovery segment?

A.K. Bishnoi In the Waste Heat Recovery segment, we have about Rs. 200 crore of orders we had booked from UltraTech for two of their projects Rawan and Rajashree, and we had booked one job from Shree Cements, which is more or less executed. I think it is getting commissioned in March or April this year, and we have just booked another order which we have announced now in this quarter which is from ACC. So currently these are the three major jobs.

Nirav Vasa Sir, if you can quantify what would be the order backlog in this section?

A.K. Bishnoi See in both the UltraTech jobs, out of Rs. 200 crore we would have hardly executed about Rs. 20-30 crore and the ACC order is a new order.

Nirav Vasa And sir second thing I am finding is that whatever orders that you are getting in the Waste Heat Recovery segment are only from the cement sector, but to the best of my understanding the potential for Waste Heat Recovery is there in multiple sectors, where the captive power is already in use? So can you comment on why are the orders coming only from cement industry now?

A.K. Bishnoi Yes, you are right. I think in our last con-call we had mentioned this that after our association with our collaborator, we were first looking at the cement sector to start with, where our collaborator is very strong and where there were many number of enquiries and we wanted to first establish ourselves, along with our collaborator in the Indian market. Having achieved that to some level of success, we have now started looking at the steel sector also. In the steel sector we have got a few enquiries, we are under the process of either submitting our offers or in the process of

negotiation. As time goes by I am sure you will find that we are not only looking at the cement sector, but we also start looking at the other sectors in the Waste Heat Recovery segment.

- Nirav Vasa** What are the advances that we have received in the first nine months?
- Amul Gabrani** We keep on adjusting it based on the revenue so I think we will have to work out the figure and then tell you.
- Nirav Vasa** Sir in this Rs. 750 crore of orders in which you are L1, I just wanted to know the difference that you are observing in the L1 and L2 bids. What my understanding is that the smaller players have becoming more and more desperate to get orders and are bidding aggressively. As a result they are also compromising on margins, so would it be possible for you to comment on the typical difference that you are finding between the L1 and L2 bids?
- A.K. Bishnoi** No here as we mentioned earlier, these are all the bids of large public sector undertakings where small players do not really come in, because there is a pre-qualification involved. So if you top off the percentage, it continues to be what it has been traditionally. I do not really see a change there. See what you are mentioning about small parties coming in or trying to take jobs are mainly in the private sector, where the bids are obviously negotiated and then orders are released, but not in the large public sector undertaking. For PSU's there is a prequalification and almost all tenders come out with a very strict prequalification condition. So only a few parties who have been traditionally operating get qualified.
- Nirav Vasa** Sir, but in certain PSU tenders, the customer has also asked the L2 bidder if he is ready to match the L1 price and are ready to give them orders. So are you not facing the problem of orders being snatched away because of these kind of issues?
- A.K. Bishnoi** No not really because in a PSU bid, especially for the large public sector undertaking which we are talking about, the L1 sanctity is very much maintained.
- Moderator** Thank you. The next question is from the line of Suryakanth Behra from Edelweiss. Please go ahead.
- Suryakanth B.** In how much of the total projects are you currently witnessing a slowdown, for jobs in hand, where you see either clients have asked you to just go slow on the project?
- A.K. Bishnoi** I think I have answered this earlier that of our current jobs in hand, we are fortunate enough that we are not having any slow down on any of these jobs.
- Suryakanth B.** Other than the L1, how much have we bid for totally in terms of pipeline?
- A.K. Bishnoi** That is a huge figure that also includes BoP, Material handling, Ash handling and Waste Heat Recovery that figure will be obviously very huge in excess of Rs. 12,000-15,000 crore or even more. The term bid has two

or three significances, one is what you bid against a regular tender, what you bid against a budgetary tender could be much more than that. What I am talking about are jobs which are serious and should get finalized in the next three to four months, could be in the region of about Rs. 10,000 to 12,000 crore.

Suryakanth B. Historically, what has been our success ratio in whatever you have ordered?

A.K. Bishnoi Success ratio in percentage is very difficult to say because in each of the classifications be it Coal handling, Ash handling or Waste Heat Recovery, there are a number of bidders and one cannot really put a percentage that if I give 3 bids I will win one. So that is very difficult to say. But I would imagine that if you see the growth of the company and if you see the order booking which Tecpro has achieved in the last four-five years, it will be a fair statement to make that in both the segments of material handling and ash handling, we are definitely one of the leaders and even in 2009 the Central Electricity Authority had recognized us as number one in the coal handling sector. That I think will be a fair statement instead of saying percentage wise, this is how much we can win jobs.

Suryakanth B. You said that you would like to improve both working capital as well as debt scenario may be to the end of this quarter, because of good collections coming in. But I just wanted to understand you would be also executing almost to the tune of Rs. 1,400 crore of execution in the last quarter which would again stand as debtors, because the payment would come in sometime. Sir, how do you reduce your net working capital because again your debtors will come into picture?

Amul Gabrani See what we were talking was about primarily the debt portion, the collection will improve. The debt portion should go down and obviously when debtors increase then creditors will also increase, that also will probably help us reducing the net working capital.

Suryakanth B. What is the average cost of debt?

Amul Gabrani 11.5%.

Moderator Thank you. The next question is from the line of Chinmay Gandre from KRChoksey . Please go ahead.

Chinmay Gandre Sir what will be your working capital debt out of the total debt?

Amul Gabrani Working capital debt will be close to 90%.

Moderator Thank you. As, there are no further questions I would now like to hand this back over to the management for closing comments. Please go ahead Sir.

Amul Gabrani On behalf of the Management, I once again thank you for taking the time to join us on this call. We hope to have your valuable support on a continued basis as we move ahead. Thanks a lot.

Moderator

Ladies and gentlemen on behalf of Tecpro Systems Ltd. that concludes this conference call.