



**“Engineers India Limited 1Q FY 2016  
Post Results Conference Call”**

**August 11, 2015**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Engineers India Limited post results conference call, hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the 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 now hand the conference over to Ms. Bhoomika Nair from IDFC Securities Limited. Thank you and over to you Madam!

**Bhoomika Nair:** Thanks Vikram. Good afternoon everyone. Welcome to Engineers India 1Q FY 2016 post results conference call. The management today is been represented by Mr. Ram Singh – Director Finance, Mr. S. K. Jain – GM Finance and Accounts, Mr. R. P. Batra – DGM Finance and Accounts, Mr. Vinay Kalia - DGM Marketing and Mr. Rajneesh Malik –AGM Marketing. I will now handover the floor to the management for their initial remarks post which we will open up the floor for Q&A. Over to you Sir!

**Ram Singh:** Thank you Bhoomika and very good afternoon to each one of you. On behalf of EIL management, I convey my sincere appreciation for your time you are taking. I think you have seen our results, which we have announced yesterday. Let me just share a brief background on these results.

Our order inflow during the first quarter was 492 Crores. The entire 492 Crores is from consultancy and the domestic consultancy is 274 Crores and overseas consultancy order inflows are 218 Crores. As far as domestic consultancy orders are there, we have got an order from BPCL for diesel hydro deep treating plant. This is basically for Euro-IV for their Mumbai Refinery then we got another order from the Numaligarh Refinery for the similar type of project. Then we have got two orders small value order from BORL and Vizag expansion.

As far as overseas are concerned we got a major break through from Middle East. We got a big order from ADCO for the gas development in Al Dabb'iya base, which is close to \$21 million. Then we got some orders from Takreer and our existing client Sonatrach in Africa. So as on June 30, our order book is 3666 Crores, which is basically a order based 74% is consultancy. So consultancy number is roughly close to 2700 Crores 2690 Crores is the exact number. Overseas consultancy is the major junk in this, it is a 1392 Crores, so our overseas business is doing comparatively much better from 200 Crores in March 2011 today we are almost close to 1400 Crores. But the domestic segment is showing lot of headwinds so almost 2400 Crores in March 2011 it has come down to 1298 Crores so

basically this is the reflection of low capex in the Oil and Gas sector in the country and I think we were hoping some major projects to come but those have got deferred now.

So this is the background. The financials we have already seen so we can start with the question answers now.

**Moderator:** Thank you Sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Kunal Sheth from Prabhudas Liladher. Please go ahead.

**Kunal Sheth:** Good afternoon Sir. If you can briefly help us understand what is the pipeline looking in the domestic and international market and what are the kind of order flows you are looking for FY 2016 as a whole?

**Ram Singh:** We are targeting something like 2300 Crores worth of orders during this year. If I can give you brief background on what are the possible opportunities. The biggest opportunity, which we are quite confident, is the expansion of Vizag Refinery by 9 million metric tonnes this is of a similar size of as we are doing presently for Kochi Refinery. Kochi Refinery we are doing 6 million ton for BPC so similar thing is expected for especially Vizag so that is the one opportunity and the timing of this opportunity could be in the last quarter of this financial year. So this is the first opportunity. The next big opportunities, I am talking of you know the probability of certainty so the probably of these opportunities are very strong. So Bina Refinery they have already given us the pre-project activities for expanding the refinery from 6 to 7.8 million metric ton and the implementation of this project will start somewhere around again in Q4. So this is the part I, phase I of this expansion. The next phase is you know they are expanding by 9 million metric ton, so this will start sometime in the middle of 2016. So both the things are in the advance stage and hopefully these orders, we have very strong relationship with BPC, so this order should come to us. The next biggest opportunity is the about Kochi Propylene derivative so pre-project here again we are doing the pre-project activities and the implementation of this project will start somewhere in the first quarter of next year. Then we have been talking to you about Bathinda expansion. Bathinda expansion there are three things one is the low cost expansion, second is the there are talks of the doubling of the capacity and the third one is on the petrochemical integration, but the timing is not very certain so this is a project which can take place in the near timeframe. Then the Numaligarh Refinery, their board has already approved 6 million tonne expansion so but this is awaiting government approval so this is also a big opportunity and because of our very strong track record, if it materializes then this could be a very good opportunity for us. Then there is a talk of Barauni refinery expansion 5 to 6 million metric tonne and Petrochemical integration. But this is in a slightly

longer timeframe. Besides this IOC is talking of the west coast refinery once they are through with their Paradip Refinery, so this is as far as the major expansion projects are concerned. Then we have done some studies on the energy conservation, how exactly to reduce the fuel loss and energy consumption in the Indian refineries, plus the residue upgradation for maximizing the distillate yield. So these studies we have given to all our clients, so hopefully some projects should materialize from these studies. Then you would have also seen in the last couple of weeks the government has announced this auctioning of fertilizer plants, so I think in the fertilizer sector there could be number of new opportunities in the domestic country. Basically there were no projects in the last 15 to 20 years in the fertilizer sector, so the government has decided that they want to be self-reliant as far as the fertilizers are concerned so there could be some opportunities in the fertilizer sector also. We are already doing the work for Ramagundam in the country and four overseas fertilizer plants Bangladesh, in Nigeria and in Indonesia. So fertilizer could give us some revenues. Then something which is slightly in a longer timeframe is the gas infrastructure, that somehow due to a number of issues on pricing, nothing much has moved in a major way, compared to what we were envisaging. If the gas consumption in the energy basket in our country is only 7% compared to a global percentage of around 24%, so a huge potential as far as the capex in the natural gas segment is concerned, but I do not know, the timing is getting delayed so this is another opportunity which could come up in the medium term. Then, we have also decided to align ourselves with the government policies so I think the government is giving lot of emphasis on smart cities so we want to be early entries into this segment, so we have done bidding for certain smart cities so the results of this will be available after sometime, may be in the couple of next coming months. So that could give us some revenue. Then water management we are doing work for Delhi Jal board as well as Gujarat so going forward this could see some new projects coming to us. So this is the, a little bit background on the likely opportunities. Now the issue is the timing, currently we are going through a very difficult phase of low investment cycle, so once I think this is going on for last three to four years hopefully things should improve and once things improve obviously you will see our order inflows again increasing.

**Kunal Sheth:** Sir any meaningful pipeline or tenders we are bidding for in the international market?

**Ram Singh:** International market we are bidding very aggressively in the Middle East. Middle East obviously their lead time is seven to nine months; Vinay is here with me he is directly in-charge of the Middle East region. I will just give it to him.

**Vinay Kalia:** Good afternoon to all of you. Regarding Middle East the major markets for our focus would be the UAE, Oman markets and Bahrain and besides Middle East we are very actively now engaged in North African markets also. In the Middle East we have already secured about

200 Crores of assignments in first quarter and going forward about 200 Crores of assignments are in the bidding stage, although yes, there has been an impact of slowdown in the crude oil prices because of which some of the projects are getting postponed and some of the expressions of the interests we had actually given those tenders may get further delayed but still we are hopeful that about 200 Crores of orders can still be secured from Middle East markets. In the North African region we have gradually started building our footprint post the Dangote Refinery assignment that we have got and about 300 Crores of assignments to 400 Crores of assignments are being targeted from the African markets. They are in the various stages of negotiation some are in the bidding stage, so as and when these projects are nearing their finalization we can give you some more details on this. Major focus would remain the North African and the Middle East markets and some of the assignments we can still cater from the upcoming regions that we have now started looking at which is like South East Asia and we are also looking at some new emerging regions by Iran where the markets are now opening up.

**Kunal Sheth:** Sir, are the margins very different in the international markets vis-à-vis the domestic markets?

**Vinay Kalia:** No margin profile is quite similar because we have similar competitors but yes there can be some variation in the fixed cost component because travel cost is slightly higher in overseas. Margin profile would typically vary from the kind of projects that we are bidding. The small size project or a simpler assignments like a pipeline or if it is a very complex or a large Greenfield assignment the margins will vary for the type of project.

**Kunal Sheth:** Sir in consultancy margins in this quarter are generally lower as compared to the trend so anything unusual there?

**Ram Singh:** See you are right. The margins basically are a function of again what Vinay has told you sometime back, the function of the complexity of the project so unless we get a grass root project or a major expansion, the margins will continue to be in the range of around 20%. Coming down to your issue of last quarter consultancy margin, see we reported around 15% consultancy margin but we were not able to account for a one of our change order, which we were expecting in the consultancy segment so this we were very confident, but the client approval got delayed so this will be accounted for in this Q2. The amount is roughly around 25 to 30 Crores. If you take this thing it will come to the normal level of margins.

**Kunal Sheth:** Thank you. That is all from my side.

**Moderator:** The next question is from the line of Arfhad Sayyed from Quant Capital. Please go ahead.



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**Arfhad Sayyed:** Thanks for taking my question. Sir my first question is pertaining to your order book. You are expecting any order inflow in this year from international segment?

**Ram Singh:** Vinay has already told you that we are targeting Middle East in a major way and the African region also in a very aggressively. So we are targeting, see, last year we got 1254 Crores from the overseas market, so we are targeting very aggressively, if we are successful in one or two major projects we can repeat the last year's performance but in the normal course itself we could get easily around 700 Crores to 800 Crores.

**Arfhad Sayyed:** Sir my second question pertains to sales when you think your business will back on track again with a strong sales growth and EBITDA margin in the level what you reported let us say three four years back, I think you have seen major drop in sales and EBITDA margin profitability got impacted so when you think your business will be back on track again?

**Ram Singh:** See there is a couple of factors into this. One is my cost structure. Cost structure is more or less fixed to the extent of around 90%. The revenues are muted the margins obviously will be not very strong, so that is point No.1. Point No.2 is if my utilization, if the investment cycle picks up then again the margins could improve, now what has happened is there has been a dramatical shift in the financial position of the oil marketing companies in the country. So because of the market determined prices for petrol and diesel now they are in a much better position to take on much higher level of capex. So I think going forward the capex of oil marketing companies in the refinery should pick up. It should pick up in the next six months. This is what we are hoping, so once that picks up it will get translated to into award of consultancy assignments to our company. So once these new jobs comes our utilization levels will increase and as I told you my cost structure being more predominantly fixed so the margins will again come back to the earlier numbers, but it is only a function of once the investment cycle picks up and we get some big projects, like I told you in the beginning this Bhatinda, Bina expansion as well as NRL expansion and Vizag expansion so once this comes then obviously things will come back to the earlier days.

**Arfhad Sayyed:** Sir last question pertaining to cash, you have huge cash of close to 25 billion do you think you see any opportunity to invest this cash into businesses?

**Ram Singh:** We have taken only one project, which was Ramagundam Fertilizer project, where we have decided to make an equity investment of roughly around 340-odd Crores. So that will be over a timeframe of next two to three years, but this is the only project, which we are having as on today. So rest I think going forward it will be paid as a dividend to the shareholders.



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- Arfhad Sayyed:** Thank you.
- Moderator:** Thank you, Mr. Sayyed. We have a next question from the line of Dhanunjay Mishra from Sunidhi Securities. Please go ahead.
- Dhanunjay Mishra:** Good afternoon Sir. What is the status of Dangote project in terms of revenue booking and what is the progress on execution, in last quarter you said that we will be booking about 150 Crores from Dangote?
- Ram Singh:** You are right. This is a good question. See Dangote one of the major project in the overseas order book, so based on our recommendation the client has started placing order for the supply of various equipments so long the lead and high value items orders are already being placed by Dangote Group, so what has happened is we have improved the monthly progress so now monthly rate is roughly around 4% to 5% so we are targeting very aggressively on this project so I think hopefully the revenue from Dangote should be much larger compared to the last year.
- Dhanunjay Mishra:** What was the contribution in this quarter in Q1 from Dangote?
- Ram Singh:** This quarter it was roughly around 23 Cr.
- Dhanunjay Mishra:** From this Oman project?
- Ram Singh:** Oman was around 7 Crores. You see the execution rate has to go up then only I can record more revenues, so the key to the whole thing is the execution rate for this overseas project.
- Dhanunjay Mishra:** So do we, I mean you are still expecting to book about 150 Crores plus in this Dangote?
- Ram Singh:** It will be much higher than this number.
- Dhanunjay Mishra:** Sir, this 2300 Crores order inflow guidance you are giving so have you included any of the biggest Greenfield expansion you just talked about like Vizag?
- Ram Singh:** I gave you in the order of probability so Vizag is very much on the top of the probability index now.
- Dhanunjay Mishra:** So what could be the size of this one of the Greenfield?



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- Ram Singh:** See it is too early to say what numbers, which will negotiate, but I can give you the idea from the past thing. See for similar size projects of BPC Kochi Refinery our order size was 720 Crores that was in 2011-2012. That was three years back.
- Dhanunjay Mishra:** So this 2300 order inflow guidance is for domestic market, you are saying?
- Ram Singh:** See, 2300 is for the including overseas.
- Dhanunjay Mishra:** Because last quarter you said that only upgrade and revamp projects will be about 1500 Crores on the order and about 550-600 Crores you are expecting from overseas market, so this time you are also including one of Greenfield opportunities right?
- Ram Singh:** Greenfield is not here in this. See there is no grass root refinery in this. These are all expansions, which can come.
- Dhanunjay Mishra:** Sir, was there any provision or write-backs?
- Ram Singh:** There is no material write-back during this quarter.
- Dhanunjay Mishra:** CPCL, coker projects any?
- Ram Singh:** I was mentioning you about the consultancy margins, we were not able to account for revenues because of one of our change orders in the consultancy segment similar is the position, you are absolutely right, for the CPCL delayed coking unit, so we have already given the change order it has been cleared by the PMC but it is awaiting approval of the owner. So hopefully during this financial year we should be able to get good amount of change orders on this project.
- Dhanunjay Mishra:** Sir lastly do you expect revenue growth in this financial year?
- Ram Singh:** See as far as consultancy segment is concerned, we could see a marginal growth in the consultancy segment. Last year we did roughly on 950 Crores so could be 5% growth in the consultancy segment. It all depends on the whether my execution rates improves and this new project also materializes much earlier, so consultancy segment I think should see roughly we could see some growth but as far as LSTK Projects are concerned most of the projects are in the final stages, so maybe there could be slight decline in the LSTK segment.
- Dhanunjay Mishra:** Slight decline may be 5%-10%?
- Ram Singh:** Yes could be of roughly around may be 100 Crores.





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- Dhanunjay Mishra:** That is all from my side. Thank you.
- Moderator:** Thank you, Mr. Mishra. We have a next question from the line of Ranjit Shivram from B&K Securities. Please go ahead.
- Ranjit Shivram:** Sir just wanted to know, can you just explain me 30 to 35 Crores is it a slip on the EBIT that means the EBIT should ideally have been 33 which we have reported plus 30 around 63 Crores?
- Ram Singh:** Can you just repeat it, I am not able to hear it clearly?
- Ranjit Shivram:** Sir is that 30 to 35 Crores that change order was that a slip in the EBIT?
- Ram Singh:** It was what?
- Ranjit Shivram:** A slippage in the EBIT of consultancy?
- Ram Singh:** No this is not a slippage, a process of getting a change order is, we put it on a record and then give it to the client so in this case client executive committee there are various committees are there they have already approved it. Only thing is it requires the approval of their Board of Directors so their board meeting which was slated for July 28 actually it did not take place so it is I think we are hoping what we have been told is it will take somewhere around August 20.
- Ranjit Shivram:** Okay, so this 30 to 35 Crores might get added directly into our EBIT once this is cleared?
- Ram Singh:** Yes, it will be straightaway addition to the bottom line without any expenses.
- Ranjit Shivram:** Sir for the full year what might be our margins for consultancy?
- Ram Singh:** Consultancy margins could be in the range of 20%, it could go up or again it is a function of execution speed, but unless I get a major order it could be in the range of around 20%.
- Ranjit Shivram:** And LSTK?
- Ram Singh:** LSTK it can vary between 6% and 9%.
- Ranjit Shivram:** Okay and any new LSTK orders in the pipeline?

- Ram Singh:** No. We are expecting a slight increase in the value of one of our LSTK order but new order I think it will take sometime.
- Ranjit Shivram:** Why is that, is all the clearances been through or is there any clearances left?
- Ram Singh:** We have already got the environmental clearance, so we are already in the advanced stages of pre-project activities so hopefully they will take the approval by third quarter and we are hoping to get the job sometime in fourth quarter.
- Ranjit Shivram:** So if Vizag is done, so probably then Barmer projects whatever that project which got cancelled so instead of that this Vizag expansion is happening is that right?
- Ram Singh:** Vizag expansion value wise it will be much lower in size, it is only a 9 million tonne expansion, so that was a refinery cum petrochemical project in Barmer.
- Ranjit Shivram:** So will there be anything else because Barmer got scrapped so they would have to put some other project to compensate for that?
- Ram Singh:** You are right. HPCL is a deficit in product so definitely I think they are going to be aggressive in their capex for refining capacity addition.
- Ranjit Shivram:** So this is largely to do with HPCL because I think they are the one who are still importing products for marketing?
- Ram Singh:** Compared to what they are selling in the country they are the greatly deficit compared to the production capacity.
- Ranjit Shivram:** Okay, so we can expect one more projects from HPCL apart from Vizag?
- Ram Singh:** Yes, HPCL should come up with the project and, see BPC has been doing lot of capex in the recent past so BPC has done very good capex additions. IOC they after they are through with their Paradip refinery may be they will also come up with a west coast refinery so let see. You are right HPC and IOC could see sizable capex in the refinery segment.
- Ranjit Shivram:** Anything which you are hearing Rathnagiri or somewhere else which had been stuck so, is there any thought regarding reviving all those projects any thing there?
- Ram Singh:** No as far as Barmer is concerned nothing. I think the there is no development.
- Ranjit Shivram:** So apart from that Ratnagiri, Ratnagiri was also stuck by clearance?

- Ram Singh:** Ratnagiri also there is no development. See the land acquisition is a big issue.
- Ranjit Shivram:** Okay, so probably that this year it might be a kind of again another challenging year in terms of revenues?
- Ram Singh:** Yes, this year, as I told you we will have slight growth in the consultancy segment and in the LSTK we could have a decline but LSTK does not give me much margins, so there should not be a cause of concern on that ground.
- Ranjit Shivram:** Thank you. I will come back for further.
- Moderator:** Thank you, Mr. Shivram. We have our next question from the line of Vivek Sharma from ICICI Securities. Please go ahead.
- Vivek Sharma:** Good afternoon gentlemen. Sir, I wanted to know what are the cash balances, at the end of this quarter for us and how much are the customer advances?
- Ram Singh:** Cash balance is roughly around 2350 Crores and customer advances could be, I will give you the exact numbers, I do not have the exact numbers right now. I can give you separately. I will ring you up.
- Vivek Sharma:** Sir as you mentioned that in most of our projects in LSTK are nearing completion apart from CPCL are there any other projects where we could potentially see cost overruns or anything like that that you need to be worried about?
- Ram Singh:** Let me address your concern. We have already recognized the losses as far as CPCL projects are concerned, although we have not incurred those losses but we have made a provision for the entire losses as far as CPCL project is concerned. Then we have another project from ONGC, which is an open book estimate, so there also I think there should not be any cost overruns. These are the two projects, which will be leftover. Most of the other projects will get over in the next one-quarter or so.
- Vivek Sharma:** So things are on track at least for the **(indiscernible) 30.49** segment we have accounted for?
- Ram Singh:** What we saw last year and in the first quarter for the LSTK segment will not happen again.
- Vivek Sharma:** Sir, broader question on the oil and gas capex in the domestic economy, do you think that current crude oil prices the oil marketing companies would be in a hurry to set up capacities or it can take its own sweet time?

- Ram Singh:** See as far as the refining capacity is concerned it is a question of value addition. It has got not much to do with the crude oil prices. Crude oil prices they have a direct impact for the exploration and producing companies so their capex obviously will get impacted if the crude oil prices are at a significantly lower level, but as far as refining companies are concerned, I think they basically look for the refining margin and the value addition and it is also a function of the growth in the domestic demand for petroleum products, so I think we are growing pretty well as far as the growth in the demand for petroleum products is concerned. I think with improvement in the liquidity position the capex from these companies should go up.
- Vivek Sharma:** Your interaction about the PSUs do you think FY 2016 or FY 2017 could be better year for most of these companies in terms capex than what you envisage?
- Ram Singh:** Definitely, it will be far better than the earlier years. That is next year I am quite confident.
- Vivek Sharma:** My next question is on the competitive scenario. We tend to have a very good market share with the PSUs now that there is competitive bidding so what is our forte in these tenders, what drives us that gives us the competitive advantage?
- Ram Singh:** See as far as I told you for big complex projects or major expansions we have a very strong competitive advantage so one is we have all the past design database with us so that gives us, we can repeat do lot of repeat engineering, so this gives us a lot of competitive strength and our competition will be with the big players. So there is no problem as far as major projects whether it is expansion or it is a grass root refinery. But if it is a small project of may be 50 Crores or so there the competition is with the back offices of all this multinational, where the competition they are quoting at very low margins, in fact they are going even below the cost, so I think it is not a good situation.
- Vivek Sharma:** Thanks for answering my questions. Best of luck for the future.
- Moderator:** Thank you Mr. Sharma. We have our next question from the line of Ankur Sharma from Philip Capital. Please go ahead.
- Ankur Sharma:** Good afternoon Sir. Thanks for your time. Sir you gave a detailed, lot of these projects that the Brownfield ones will be coming up over the new few quarters could you also talk about what are the kind of opportunity on the Euro-IV upgrade. I believe you got to see orders during this quarter as well which is very heartening so which are the other refineries where you see either in terms of an overall value which you are targeting for this year and the following year?

**Ram Singh:** I have already shared with you the likely opportunities the big opportunities which we are targeting. The foremost amongst them is the Vizag Refinery expansion by 9 million tonne so that will be a big project. Similarly in Bina, there will be an expansion in two stages one is from 6 to 7.8 million tonne and then a new grass root CTU BTU of 9 million tonnes. Similar thing can happen in HMEL. HMEL they were not announced they are taking their internal decision so once they take a decision then HMEL also in addition can also be a petrochemical integration of their refineries. So there are opportunities but it is all a question of timing of these opportunities, but the environment appears to be much better than what it was earlier.

**Ankur Sharma:** Sir, my question was specifically on does the upgrade in the eastern refineries, so are there also, I understand these are more of Brownfield expansion in capacity and all the existing capacity being upgraded, you know like two orders you won this quarter so are you seeing some more of those such orders, just for the upgrades?

**Ram Singh:** So you are talking of this Euro-IV and Euro-VI?

**Ankur Sharma:** Yes that is right Euro-IV?

**Ram Singh:** BPCL has already given both the jobs to us, see for Mumbai Refinery they have given this awarded this job to us for 125 Crores this is for the Mumbai Refinery and for the Numaligarh Refinery they have given us the order for 80 Crores so we got both the orders from the BPCL is concerned and Kochi we are already doing their work. This is the position as far as BPC is concerned. HPC they are already complied with Euro-IV both for Vizag and Mumbai, so there is no issue, and IOC has gone on tendering route so we are awaiting for the results of those tenders.

**Ankur Sharma:** How large those orders be from IOC?

**Ram Singh:** IOC those will not be very large, you know they could typically vary somewhere around 50 to 100 Crores.

**Ankur Sharma:** That would be it from all the three big refiners?

**Ram Singh:** That would be also trending route. I think for small project the competition is very, people are quoting below the cost.

**Ankur Sharma:** That is all from my side. Thank you.

- Moderator:** Thank you, Mr. Sharma. We have our next question from the line of Ruchir Khare from Kotak Securities. Please go ahead.
- Ruchir Khare:** Good afternoon Sir. Thanks for taking my question. My question is on the remark, which you made about the smart cities, so what sort of opportunity can arise for Engineers India at this space?
- Ram Singh:** Smart cities we have already given our expression of interest for this Andhra Pradesh new capital and then also we have given our enlistment for the central government initiative on smart cities, but their result has not come, so once we get the result then maybe we will be able to tell you much better.
- Ruchir Khare:** Sir, my second question is from the fertilizer segment if you could elaborate a bit more on like what quantum of projects can come in this space and overall opportunity that can arise in this space and thirdly what sort of margins can we expect in this space?
- Ram Singh:** Fertilizer we are already doing for this Ramagundam. They have given us the job for 190 Crores and there is another few Crores for the licenses election, so roughly 200 Crores plus is my Ramagundam fertilizer project which we will be executing over the next three years. See as far as the fertilizer sector is concerned, as I told you not much capacity has been added in the last five to ten years, so government is, I think the country is in deficit of more than 10 million metric tonnes of urea and they have I think invited bids for putting up new fertilizer plants. I think five or six new plants are expected to come up through the bidding route so those, once the government awards the projects to these companies then we will pitch for our consultancy services in fertilizer sector.
- Ruchir Khare:** Sir, lastly in the turnkey segment you mentioned that margins could be more stable now and probably the scenario which was there especially with respect to Chennai Petroleum project could not repeat?
- Ram Singh:** See as per my accounting standard for the Chennai Petrochemical project, I had to recognize the losses upfront but the change orders for the additional scope of work which I was doing I could not recognize till the client gets me the approval so hopefully during this in the next may be one or two quarters, we will get all the change orders and we will be able to account for the revenues in this project.
- Ruchir Khare:** So the provisions, which we made earlier could potentially could also reverse?
- Ram Singh:** Yes, it will get reversed. I cannot recognize the revenues unless the change order is approved the client.



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- Ruchir Khare:** Thank you very much Sir.
- Moderator:** Thank you, Mr. Khare. We have our next follow on question from the line of Dhanunjay Mishra from Sunidhi Securities. Please go ahead.
- Dhanunjay Mishra:** Sir just one question related to smart city you talked about, so what would be our scope of job it would be EPC or it would be consultancy more of consultancy job in the smart cities?
- Ram Singh:** It will be only our consultancy services.
- Dhanunjay Mishra:** Sir this, Numaligarh of 6 MMTA you have talked about that is also Brownfield?
- Ram Singh:** Yes that is an expansion from the current 3 million tonne to 9 million tonne. See the board of BPCL, I think has already approved it now it will go to the cabinet for approval. So once they get the requisite approval then we will get this job.
- Dhanunjay Mishra:** This Numaligarh Greenfield what is the status?
- Ram Singh:** It is not a Greenfield it's a Brownfield expansion.
- Dhanunjay Mishra:** Any Greenfield is coming on Numaligarh?
- Ram Singh:** No Greenfield, they already got 3 million tonnes so what they will do is they are planning is they will expand it to 9 million tonnes and then export the product to Bangladesh.
- Dhanunjay Mishra:** So this would be also about smaller size?
- Ram Singh:** Yes, 6 million tonne expansion.
- Dhanunjay Mishra:** No in terms of our scope of order would be smaller?
- Ram Singh:** See for last year BPC Kochi project, our order value was 750 Crores for 6 million tonne expansion.
- Dhanunjay Mishra:** So this is 6 million tonnes?
- Ram Singh:** Yes this is 6 million tonnes.
- Dhanunjay Mishra:** Thanks.

- Moderator:** Thank you, Mr. Mishra. We have a next question from the line of Vishal Singh from Religare Capital. Please go ahead.
- Vishal Singh:** Good afternoon. Sir on these project that you just talked about the Vizag and the Bina so these are the projects that you expect to come sometime through in this year FY 2016?
- Ram Singh:** First of all Vizag I was saying we are already doing the pre-project activities so hopefully that should be over in the next couple of months and once HPC takes approval these job can come to us in the last quarter. Same thing with Bina, Bina we are doing the three projects for the 1.8 million tonnes expansion and then once that is through I think the 9 million tonne project can come sometime in 2016.
- Vishal Singh:** So basically Vizag and Bina is something that can come through a fiscal 2016?
- Ram Singh:** No, Bina the only the smaller project will come in fiscal 2016 and the 9 million tonne will come in fiscal 2017.
- Vishal Singh:** Sir how should we look at this in terms of what would your scope of work be for let us say in a million tonne of capacity expansion and on a percentage basis what is your scope of work, because if you say 750 Crores of 6 million tonnes that will probably come to about 5% - 6% as your scope of work?
- Ram Singh:** Basically the project size is either 6 million tonnes or 9 million tonnes and it has to be seen what are the other secondary projects, which are coming up along with the primary distillation facilities. So typically it is a big size of project, if I get one project it will be definitely in excess of 500 Crores.
- Vishal Singh:** This is mainly the consultancy part that you are talking about?
- Ram Singh:** This is all consultancy, what I have shared with you these are all 100% consultancy projects nothing on turnkey.
- Vishal Singh:** That is it from my side. Thank you.
- Moderator:** As there are no further questions, I would now like to handover the floor to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** I would like to thank all the participants for being on the call particularly the management. Thank you so much for taking time and wish you all the very best.





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**Ram Singh:** Thank you Bhoomika. Thank you all of you.

**Moderator:** On behalf of IDFC Securities that concludes this conference. Thanks for joining us. You may now disconnect your lines.