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“Engineers India Limited Q2 FY17 Earnings Conference Call”

November 17, 2016



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MANAGEMENT: **MR. RAM SINGH – DIRECTOR (FINANCE), ENGINEERS INDIA LIMITED**
MR. R. P. BATRA – DGM (FINANCE AND ACCOUNTS), ENGINEERS INDIA LIMITED
MR. VINAY KALIA – DGM (MARKETING), ENGINEERS INDIA LIMITED
MR. RAJNEESH MALIK – DGM (MARKETING), ENGINEERS INDIA LIMITED

MODERATOR: **MR. AMIT MAHAWAR – EDELWEISS SECURITIES LIMITED**



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Moderator: Good day, ladies and gentlemen and welcome to the Q2 FY17 Earnings Conference Call of Engineers India Limited hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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 Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you, sir.

Amit Mahawar: Hello everyone. On behalf of Edelweiss Securities, I welcome you all to Engineers India second quarter fiscal 2017 results conference call. We have with us today from the management; Mr. Ram Singh - Director (Finance), Mr. R. P. Batra - DGM (Finance and Accounts), Mr. Vinay Kalia and Mr. Rajneesh Malik - DGM (Marketing).

Without further delay, I now hand over to the management for their opening remarks, post which we will open the floor for Q&A session. Thank you and over to you sir.

Ram Singh: Thank you Amit and thank you everybody for attending this call. Let me give you the brief highlights, as far as the order inflows are concerned, the order inflows in this financial year till middle of November, 2,435 crores, the breakup of this number is consultancy 1,170 crores, out of which domestic is 967 and overseas is 202 crores. The turnkey segment is 1,265 crores and the entire part is on open book estimate. The order book as on 30th September stands at 5,100 crores, out of which consultancy is 3,250 crores and turnkey is 1,846 crores. This order book is the highest in the last five years now. The business mix comprised in this order book is 64% is towards consultancy and 36% is the turnkey segment. The Board yesterday had met and recommended a bonus issue of 1:1. For every one share, one bonus share. So, we open it for questions and answers now.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ranjeet Shivram from Antique Stock Broking. Please go ahead.

Ranjeet Shivram: Sir, just wanted to know like how much was the provision write-back in this quarter, if you can help us with that and if you can give the breakup in terms of like, we have provision for contractual obligation, provision for expected losses and provision for doubtful debts, if you can give the breakup?

Ram Singh: See, first of all there is no change order amount in these numbers and as far as warranties write-back is concerned, it is 23 crores in the case of consultancy.

Ranjeet Shivram: 23 crores is the write-back under consultancy for warranties and anything in the LSTK because LSTK margins were quite high.

Ram Singh: LSTK is 17 crores.



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- Ranjeet Shivram:** LSTK is 17 crores and because last, I think FY16 we had a provision for expected losses of 60 crores, we had made a
- Ram Singh:** That is almost complete that DCU progress job. So, we are not anticipating any further losses now.
- Ranjeet Shivram:** And CPCL?
- Ram Singh:** I am talking about CPCL, coking unit. That is almost complete, is under mechanical completion .
- Ranjeet Shivram:** So, we were expecting some write-back from that CPCL?
- Ram Singh:** No, write-back will be only after the project is completed and our obligation is over.
- Ranjeet Shivram:** When will that happen?
- Ram Singh:** December, we are anticipating mechanical completion..
- Ranjeet Shivram:** So, what was these 23 crores and 17 crores, these write-backs were pertaining to which project?
- Ram Singh:** These are pertaining to number of the projects which got completed.
- Ranjeet Shivram:** Is there any project schedule to be completed in the next two quarters....?
- Ram Singh:** Yes, there will be number of projects which will be getting completed.
- Ranjeet Shivram:** So, we can expect some more write-backs in the next one-two quarters also?
- Ram Singh:** Yes, see this is on-going regular exercise... So, regularly we will be having some amounts as write-back.
- Ranjeet Shivram:** The reason I am asking is that if we adjust for this 17 crores also, still our LSTK margins are quite high. So, is there anything pertinently different in terms of
- Ram Singh:** In case of LSTK, there is a liquidated damage for MRPL which has been written back.
- Ranjeet Shivram:** So, how much was that?
- Ram Singh:** 10 crores.
- Ranjeet Shivram:** So, 10 plus 17, around 27 crores is the number which we should ideally adjust from LSTK to get the normalized.....?



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- Ram Singh:** LSTK, you won't expect these sort of margins.
- Ranjeet Shivram:** So, that is what. So, just wanted to understand the one-off in that so that we can adjust and look at the normalized margin?
- Ram Singh:** LSTK at present we have only one major project which is the ONGC's project but that project will take some time to give us revenue.
- Ranjeet Shivram:** And in consultancy, the number which we have to adjust to understand the normalized margin will be 23 crores?
- Management:** Normalized margin will be around 25% basically.
- Ranjeet Shivram:** 25% in consultancy and in LSTK, it will be around 5% to 6%?
- Ram Singh:** Around 6% to 7%.
- Ranjeet Shivram:** And sir, lastly on this HPCL, Vizag, when are we planning to book that orders ...?
- Ram Singh:** We will inform you , as soon as we finalize the negotiation and get the contract.
- Ranjeet Shivram:** So, probably can we expect something in 3Q because it is just one more month or?
- Ram Singh:** Hopefully, it should come.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Sir, first wanted to understand on the orders that we received for the consultancy for Euro VI over the last quarter, can we expect some execution to start flowing in from the fourth quarter and what proportion of the execution are you expecting in this financial year?
- Ram Singh:** Initially, we are doing the engineering aspect. So, I think from first quarter of next financial year, the numbers could become really meaningful.
- Renu Baid:** Sir, I think material coming in this financial year from those projects?
- Ram Singh:** Basically our fees is dependent upon the man hour utilization. So man hour utilization is likely to pick up significantly from next financial year.
- Renu Baid:** And sir, you were also mentioning about getting a little more aggressive in the water segment or Namami Gange. So, there are you seeing any projects under discussion pipeline on that side accelerating, what is the outlook on the water segment of the business?



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- Ram Singh:** We have done the studies as far as Namami Gange is concerned, so now the client is studying these reports and then they will take their approvals and then we can get the awards.
- Renu Baid:** So, nothing material even from this segment as well?
- Ram Singh:** Not in this quarter.
- Renu Baid:** No, then over the next two quarters, do we expect anything material to get finalized?
- Ram Singh:** Yes, it can happen.
- Renu Baid:** And what could be the approximate size of some of these projects in your view, average ticket size?
- Ram Singh:** So, it will be quite significant but let's see how the numbers work out.
- Renu Baid:** No, just trying to get sense of how large can these projects...?
- Ram Singh:** It is a large project.
- Renu Baid:** 300 crores to 400 crores or could be more than 1000 crores?
- Ram Singh:** Yes. May be 400 to 500 crores
- Renu Baid:** And on the Dangote orders if you can throw some light on how the progress has moving on those projects?
- Ram Singh:** As far as Dangote is concerned, the progress is like this, side grading has already been completed and our detail engineering is in final stages. We have completed the detail engineering. Model review has been done to the extent of 90%. Order for long lead items has already been completed, in fact we have started the inspection also. And the recommendation for major civil construction work has been already sent to the company. As far as the piling work has already started, civil work has also started and the boundary wall is completed to the extent of 4 kilo meters. So, there is one more development in this. We have almost finalized with the licensor, the expansion of this refinery from 460,000 barrels to 650,000 barrels now.
- Renu Baid:** And would it be possible for you to share the licenses name or it would be too early to comment?
- Ram Singh:** At this stage, we will like to keep it with ourselves only.
- Renu Baid:** And overall as when you look at this project, in your view this project has been going as per schedule or are you seeing some relative delays or literally slower pace of work from the customers end?



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Ram Singh: See, this is big project of 23 million tonnes, I told you 460,000 barrels per day . So we are working very aggressively and our target is to complete this project in October 2019. So, in addition to these services for the refinery, we are also training r about 50 of their engineers. They have given us another assignment from the east to west offshore pipeline. So, value of that assignment is around 45 crores.

Renu Baid: Sir my last question is on the annual order flow guidance that you had given so, now that first half the order book looks reasonably strong, how comfortable are we to meet the guidance, do you think there could be potential slippages or exceedance on those numbers, so on the guidance if you can reiterate both on sales as well as orders?

Ram Singh: So, as far as the order guidance which we have given to you last time, we will definitely achieve that guidance.

Renu Baid: And on the revenues you think we are broadly on because at least the profitability side seems that numbers are coming much better than what was initially expected. So, are we looking to revise the guidance northwards because second half probably it is a write-back, so margins probably will moderate out?

Ram Singh: Let me just give you the details. Consultancy revenues for this complete financial year will be growing at the rate of around 13% to 15% and turnkey is going to be subdued and margins in the consultancy will be around the same level or may be slightly better .

Renu Baid: Right, because largely in second half we would not have these kinds of large write-backs which you have seen in the first half, so probably the profitability numbers could be relatively weak?

Ram Singh: No, we are confident of maintaining the numbers rather improving the numbers.

Renu Baid: So, you are probably comfortable at these kind of margins could be supported by similar levels in second half as well?

Ram Singh: Yes, right.

Moderator: Thank you. The next question is from the line of Vivek Sharma from ICICI Securities. Please go ahead.

Vivek Sharma: Sir, wanted to get an update on the West Coast refinery, the mega refinery of 30 million tonnes and Barmer refinery, are things moving forward, when can we expect the ordering to be done so, can you give some colour on that?

Ram Singh: Yeah, see, as far as Maharashtra refinery is concerned, Phase I comprises of 40 million tonnes with the CAPEX of roughly around 120,000 crores. So, in this we were examining various sites



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for land selection. So, we have finalized the site for the refinery and they are in the stages of forming the company for implementing this project. So, hopefully once the company is formed and get the requisite approvals, I think sometime in next year the project can start.

Vivek Sharma: Sir, will it be fine to assume that if as and when the order materialized, it should be to the tune of 4000 to 5000 odd crores for us?

Ram Singh: It will be a big order, so the exact quantum will depend upon the scope of work which is given to us.

Vivek Sharma: And on the Barmer refinery?

Ram Singh: Barmer refinery, we have done lot of work in the recent past and hopefully something should happen.

Vivek Sharma: Because I was reading the news that HPCL is asking for tax concession from the state government and things are in advanced stages.

Ram Singh: Yeah. I have also told you the same thing. So it is in the final stages so, hopefully something should materialize.

Vivek Sharma: Sir, my second question is on the Dangote refinery, has that project achieved financial closure?

Ram Singh: I think so.

Vivek Sharma: Because we heard from some of the contractors that financial closure for that project has not been achieved, so things are going on the slower side.

Ram Singh: No, actually as I was mentioning in the earlier question, the order for long lead item has already been placed and we have sent the recommendation for the construction work also and we are targeting it to be commissioned by October 2019.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, how much revenue we have already booked in Dangote orders till date?

Ram Singh: See, we have done billing for about 50%.

Dhananjay Mishra: So out of 850 crores, you already booked 425 crores?

Ram Singh: Yes, we have already done the billing..



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- Dhananjay Mishra:** So, out of 800 crores worth of consultancy orders we have, Dangote and Oman contributes about close to 500 crores?
- Ram Singh:** Yes, the billing has been reasonably good.
- Dhananjay Mishra:** No, I am saying balance order is about 500 crores from Dangote and Oman in the order book.
- Ram Singh:** Yes.
- Dhananjay Mishra:** And sir, any development on this Euro-VI order we have expected to get from this Kochi MRPL refinery worth 200 crores.
- Ram Singh:** Yeah, hopefully something should happen in the next quarter.
- Dhananjay Mishra:** And sir, lastly have we started acquisition in this CPCL OB order, which we received in last quarter?
- Ram Singh:** See, last earning call also we have informed you that the progress on the CPCL OB order will start sometime in early 2017.
- Dhananjay Mishra:** So may be Q4...
- Ram Singh:** Because lot of site activities, relocation has to take place. So, while those jobs are completed, may be another 3 to 4 months' time the work will start.
- Moderator:** Thank you. The next question is from the line of Ruchir Khare from Kotak Securities. Please go ahead.
- Ruchir Khare:** Sir, my first question is with regards to the 23 crores of warranty which you said that the company has made in the consultancy business, so what was the corresponding number in the last year like 2Q of FY16?
- Ram Singh:** 2Q of last quarter, it was around 6 crores.
- Ruchir Khare:** And similarly for LSTK?
- Ram Singh:** LSTK, , .
- Ruchir Khare:** And sir, just to give a perspective, on the CPCL order if you could just recap like what was the provisions or losses that we have booked earlier and I think there was some component which was supposed to, I think come back which could lead to some kind of provision write back, I am talking with respect to the Coker project.



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Ram Singh: We are targeting the commissioning of this project some time in December 2016. One year is the defect liability period. So after the defect liability period is over, then we will be reviewing whatever provisions we have created for warranty, guarantees and accordingly, those adjustments will be passed on.

Ruchir Khare: This would also include the change orders which you have mentioned earlier, I think last year you have mentioned....

Ram Singh: Yes, one change order we already received from them of 21 crores.

Moderator: Thank you. The next question is from the line of Pawan Parakh from HDFC Securities. Please go ahead.

Pawan Parakh: Sir, I just have one question, could you please explain your provisioning policies on an annual basis?

Ram Singh: Based on the contractual terms and conditions, we create provision on the turnover of each quarter. So once the project gets complete, the provisioning is in the range of around 5% to 10%. This is for the consultancy jobs and for LSTK jobs, the provision is around 1% and this provision if there is no expenditure incurred, then we will reverse this provision after defect liability period is over.

Pawan Parakh: So, this is 5% to 10% under contractual obligation.

Ram Singh: Under consultancy assignments.

Pawan Parakh: So, this is provisioning for contractual obligation and this is straight away to the extent of revenue that we book.

Ram Singh: Yeah, that is right.

Pawan Parakh: And the defect liability period in PMC and LSTK both is one year.

Ram Singh: Around one year.

Pawan Parakh: And that one year from the date of commissioning right, complete commercial operation because sir these numbers have been very high and if I look at your historical quarters, it has never been consequently so very high. So it has been high for last 2 quarters and we are guiding some more write backs.

Ram Singh: Yes, we will be having, as number of projects are in the final stages of the contractual closures. So these will be taking place at this level in the near future.



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- Pawan Parakh:** Sir, indicatively, what could be the amount of write backs we could see in the second half?
- Ram Singh:** It could be at least of the same level.
- Pawan Parakh:** As in H1?
- Ram Singh:** Yes, that is right.
- Moderator:** Thank you. The next question is from the line of Rohit Natarajan from IDBI Capital. Please go ahead.
- Rohit Natarajan:** Sir, there was a news about the Engineers India and Gazprom blueprint for laying gas pipeline. So if you could throw some color on what exactly is this all about?
- Ram Singh:** See, government has taken a decision to collaborate with Russians for this project and EIL has been made the leader in this particular project. So we are doing the study and then based on the result of the study, further action will be taken.
- Rohit Natarajan:** Sir, is there like is it techno-economic flexibility that has been studied and then it could turn out to a prospect order?
- Ram Singh:** Yeah, it will take some time, basically we are studying the feasibility of this line itself. So let us see once the feasibility is established, then further action will take place.
- Rohit Natarajan:** My second question was on Maharashtra refinery part, earlier we had some plans like, I mean, the news that was going around was saying something like Engineers India would be an equity partner into this project, is there something of that is on in the cards?
- Ram Singh:** See, we have various probabilities, we are trying all those opportunities but as and when they materialize, then we can share those developments with you.
- Rohit Natarajan:** I had the small doubt on this provision write back part. If I am not mistaken, we have close to 2.8 billion in terms of opening balance for contractual obligation. With all those write backs that you have been talking about, what could be the end FY17 closing balance that you see for contractual obligations?
- Ram Singh:** We can share it definitely with you.
- Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** Sir, two questions. One is for CPCL project including the Coker unit, what is the total amount of provisions including change of work order we had taken up till FY16?



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- Ram Singh:** We have received only one change order for 21 crores.
- Viraj Kacharia:** No, I got that. We have received change in work order of 21 crores but up till FY16, what are the total provisions and the change in work order we had accounted, the impact of which we have accounted in the previous year?
- Ram Singh:** Now the work is almost complete.
- Viraj Kacharia:** What will be the quantum of that?
- Ram Singh:** It is basically expenditure incurred and the provisions which we had created..
- Viraj Kacharia:** Yeah, so, how much would be the quantum?
- Ram Singh:** Quantum, I think now it is only 6 crores to 7 crores.
- Viraj Kacharia:** So, bulk of it is already accounted for in H1?
- Ram Singh:** That is right.
- Viraj Kacharia:** And second when we talk about OB project, from a margin structure, how different it is from LSTK project?
- Ram Singh:** See, OB is the open book estimate, under which the entire plant and machinery cost whatever is the actual numbers, those are passed on to the owner and on that number, we get a certain percentage of our fees with our cost and profit margin.
- Viraj Kacharia:** Right, what will be the percentage fee?
- Ram Singh:** See, the benefit of this is the risk is totally mitigated. See, in a turnkey project, in a typical turnkey project, there is a risk of cost overrun resulting into a loss as what had happened in DCU, but in open book estimate, that risk is totally mitigated.
- Viraj Kacharia:** So, you have the EBIT margin unlike an LSTK where the EBIT margin is in the range of 4% to 7%, it would be roughly..
- Ram Singh:** Here also, the margins will be in the similar range, 6% to 7%.
- Viraj Kacharia:** So, by you said that the risk is quite a lot mitigated and we ...?
- Ram Singh:** Yes.
- Viraj Kacharia:** The EBIT margin would still be in the range of 6% to 7%?



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- Ram Singh:** Yes. But that is assured margin. In EPC that margin may be negative.
- Viraj Kacharia:** And from a broader sense, we have quite a healthy order book as of H1 FY17, in terms of incremental order book, bulk of our focus is more towards consultancy or we still open to waiting for LSTK or OB projects?
- Ram Singh:** We are open to all opportunities to ensure the growth of the company. So, whether it is a consultancy or it is an EPC assignment, we are accepting both the assignments.
- Viraj Kacharia:** So, the reason I asked is because from a book to bill ratio, we almost close to probably three times of book to bill ratio. Incrementally when you are looking for more order, are we focusing more on consultancy or LSTK because there is quite a decent difference on the margin structure between the two?
- Ram Singh:** See, the first choice would be consultancy assignment because the margin profile is good. .
- Viraj Kacharia:** And given the kind of consulting order book we have at the moment, what would be the annual consulting revenue we can book given current employee base?
- Ram Singh:** Annual consultancy revenues can be much higher than the current numbers. So, we have recently got good orders and then some new Greenfield projects are also coming in the near future.
- Viraj Kacharia:** So, what I meant is, given our current employee base and the utilization we have, what is the maximum order annual in consulting order book we can...?
- Ram Singh:** There is no constraint as far as execution of the new orders will be concerned.
- Viraj Kacharia:** So, with the peak we can go with the current...?
- Ram Singh:** We can go. Peak is still to come.
- Viraj Kacharia:** And that would be roughly?
- Ram Singh:** We can achieve much higher numbers, may be 20% higher than these numbers.
- Moderator:** Thank you. The next question is from the line of Arfad Sayyed from Quant Capital. Please go ahead.
- Arfad Sayyed:** My question on international business, just wanted to confirm your outlook on that how it is moving, I think last year we have seen a strong jump in the revenue from the international business, so what the future look like for this current year?



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Ram Singh: As far as order inflows are concerned, in the first nine months, the first that till middle of November, we have secured foreign orders of 202 crores as against 386 crores which we got last year. What has happened is because of the slide in the international crude oil prices, the CAPEX of most of the countries in the Middle East have come down drastically, , so there is a slowdown in the overseas order inflows. , This has definitely impacted the overseas order inflows, but since we are executing some of the big projects domestically , so I think the impact on the revenues will come after sometime.

Arfad Sayyed: So, basically you are looking decline in revenue, right?

Ram Singh: No, overseas for the coming few quarters, it will be pretty robust. See, like in the first half, we have got 178 crores as the overseas revenues compared to 155 crores earlier, 15% growth. So, you will continue to see good numbers as far as the overseas revenues are concerned, but order inflows will get impacted.

Arfad Sayyed: I just wanted your outlook on let us say, next three-four years from which segment you are looking very aggressively although it from HPCL, BPCL but if we can quantify the amount of order you will be getting in next three, five years?

Ram Singh: See, there are very good opportunities. What has happened is currently the demand and supply situation is more or less in balance. So, since our demand is growing at a good pace, obviously refineries will either have to expand or new Greenfield refineries will have to be put up. So, we foresee expansion of two, three refineries in the domestic segment and another similar number of Greenfield projects. I think the order inflows should be robust now.

Moderator: Thank you. The next question is from the line of Amit Mahawar from Edelweiss Securities. Please go ahead.

Amit Mahawar: Sir, I just have one question. We have pretty robust order book now and if you see couple of OMCs have re-visited their CAPEX pipeline specifically like IOC in last three months have upgraded one of its refinery CAPEX. In a scenario where the Maha refinery, the mega refinery could be delayed, do you see a possibility of OMCs basically upgrading their current targets in their existing brownfield expansion plans and I also wanted basically a broad assessment of how do you see the pipeline in the next 12 to 15 months in the domestic market? That is it, thank you.

Ram Singh: Domestic market, the opportunities could be very bright. Maharashtra refinery I think a lot of work is happening on that project. In addition to that, we are working on the expansion of Bina refinery, then there is a Numaligarh refinery which is contingent upon negotiations with the Bangladesh. So, these are two big projects then Rajasthan refinery also work is happening. So, this plus there is a talk of petrochemical project, Greenfield petrochemical project and we are also talking for new fertilizer plants coming up at Talcher, Barauni, Gorakhpur and Sindri. So,



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there are bright opportunities in the domestic segment and once we do Dangote Greenfield project, obviously the big projects will also start flowing from overseas market.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Most of the questions are answered, just couple of questions. In the Maharashtra refinery and Barmer refinery, what would be the proportion between the LSTK and the consultancy?

Ram Singh: See, it is too early to indicate any numbers.

Dixit Doshi: But it would be more of LSTK?

Ram Singh: No, we will be targeting predominant portion of consultancy assignment, PMC..

Dixit Doshi: In both the refinery?

Ram Singh: Yes.

Dixit Doshi: And apart from the Kochi refinery for Euro-VI norms, anything else can come up?

Ram Singh: MRPL is still there.

Dixit Doshi: MRPL is still there, okay. And rest all have been completed, I mean order...?

Ram Singh: There is one more refinery of IOC but let us see.

Moderator: Thank you. The next question is from the line of Vivek Sharma from ICICI Securities. Please go ahead.

Vivek Sharma: Sir, just one more question from my side. You mentioned that there is a possibility that the Dangote refinery could see an expansion, so will that also lead to increase in our order size?

Ram Singh: Yes, definitely. That value has not been incorporated in our order book.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, I have missed the order inflow and the backlog number, if you would have given at the beginning of the call?

Ram Singh: See the order inflows till 15th of November were 2,435 crores, order with consultancy was 1,170 crores and turnkey is 1,265. The order book as on 30th September is 5,100 crores which is



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basically comprising of 3,250 of consultancy and 1,850 crores of turnkey segment. So, the businesses mix in the order book is roughly around 64 to 36..

Pritesh Chheda: So, the inflow is 2,300 right?

Ram Singh: Inflow is 2,435 crores.

Pritesh Chheda: So, between quarter one and quarter two, there is not much movement in the inflow numbers? Quarter one was 2,175?

Ram Singh: Yeah, that is right.

Pritesh Chheda: So, there were these lot of projects, any movement in any of the project that you?

Ram Singh: It will happen in very immediate future.

Pritesh Chheda: Which one you would be most hopeful on?

Ram Singh: We will tell you, just wait for some more time.

Pritesh Chheda: And thus your guidance for three and a half thousand?

Ram Singh: Yes, guidance will be achieved.

Pritesh Chheda: It remains intact?

Ram Singh: Yeah.

Moderator: Thank you. The next question is from the line of Ranjeet Shivram from Antique Stock Broking. Please go ahead.

Ranjeet Shivram: Sir just wanted to know, what can be the quantum of the order in case you mentioned that Dangote is planning to expand the current capacity so from the current, I think it is from this to what percentage they are planning to expand the order book?

Ram Singh: See, it is too early. We are still working on this. So, as and when any firm commitment is materialized, we will inform you.

Ranjeet Shivram: But you mentioned some numbers, so I just missed on that?

Ram Singh: Number is basically 23 million to 32 million tonnes.

Ranjeet Shivram: And that will be another additional LSTK order for us?



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- Ram Singh:** Yeah, it will be another additional CDU.
- Ranjeet Shivram:** Sorry, additional consultancy quarter four?
- Ram Singh:** It is a 10 million tonnes expansion, 23 to 33 million tonnes. In terms of barrel, 460,000 barrels to 650,000 barrels.
- Ranjeet Shivram:** So, that can probably come in the next year?
- Ram Singh:** That is right.
- Ranjeet Shivram:** And sir, just in this HPCL, Barmer because previously this order got completely cancelled and that is the reason?
- Ram Singh:** No, it never got cancelled, it never materialized.
- Ranjeet Shivram:** So, that is the reason why I think they had gone for the Vizag expansion? So, then and also the Ratnagiri got into some environmental issues?
- Ram Singh:** So, it is very simple. See, HPCL has got two refineries at Bombay and Vizag. So, Bombay there is a limited scope for increasing the capacity significantly. So, till they work on a greenfield refinery, Vizag is the most optimum way of increasing their capacity because they have also have to meet their demand supply, otherwise they will be dependent on other players.
- Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** Sorry if I am repeating, sequentially there is a good improvement in your consultancy margin despite the sales in consultancy being very similar to last quarter number, is it because of mix and is there improvement in margin you are seeing?
- Ram Singh:** See, we are confident of improving the margins what we have reported in the H1.
- Madan Gopal:** So, you are saying in the past our commentary had been like since the size of the projects has come down and generally competition is there....?
- Ram Singh:** The new projects, their execution will pick up. Once the execution picks up in the new projects, obviously you will have higher turnover.
- Madan Gopal:** The margins also can move back to, we used to even 35% to 40% sort of numbers?
- Ram Singh:** At that time, the times were very good. Still now we do not have any Greenfield project in our order book so far. Once the Greenfield project comes, may be then we will see better margins.



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- Madan Gopal:** For the full year, you should be doing what last year's sort of margins.
- Ram Singh:** Whatever we have reported in the H1, we are improving upon that.
- Madan Gopal:** And whatever emission norms related orders that you got in Q1, what is the current status, sir on those?
- Ram Singh:** Which project you are saying?
- Madan Gopal:** IOCL, you got the BS VI related norms, right?
- Ram Singh:** The work has already started and we are doing a good progress. So, these are in the initial stages, so this I think it has contributed around 20 odd crores in the turnover for this quarter. It will go up in the subsequent quarters.
- Madan Gopal:** You have taken the consultancy here and the portion of say on the EPC front ordering to the subcontract and all, it is something which has already started for those projects?
- Ram Singh:** Yes, ordering, we sent recommendation to Indian Oil. So, they are in the process of ordering them.
- Madan Gopal:** So it is there to start you are saying?
- Ram Singh:** Yes, it has already started.
- Madan Gopal:** And what is the timeline by which it will be finished?
- Ram Singh:** See, the whole as per the Supreme Court, the product with BS VI specifications has to be rolled by April 2020 all over the country but the refineries have to complete their projects sometime in September 2019. So, they have got roughly a window of another three years.
- Madan Gopal:** So, the consultancy order that we booked, what time frame you think you will be complete in three years?
- Ram Singh:** Yeah.
- Moderator:** Thank you. The next question is from the line of Apurva Kulkarni from Nine Rivers Capital. Please go ahead.
- Apurva Kulkarni:** I just have one question. You mentioned that there are some new fertilizers facility coming up at Barauni and Gorakhpur, could you please tell us the quantum of the same and by when would they be coming and also the CAPEX for the same? Thanks.



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- Ram Singh:** See, CAPEX could be in the range of around 6,000 crores for each of the plant and the methodology of implementation is most likely going to be like it is called LEPC **Inaudible** **[00:42:35]**. This is on **[inaudible]** LEPC mode.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Amit Mahawar for closing comments.
- Amit Mahawar:** Thank you. Sir, do you have any closing remarks please?
- Ram Singh:** No, thank you everybody for their time. Thank you very much.
- Moderator:** Thank you. On behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.