"Engineers India Limited Q3 FY2018 Earnings Conference Call"

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ANALYST:

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ENGINEERS INDIA LIMITED MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the EIL Q3 FY2018 Earnings Conference Call, hosted by IDFC Securities. 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 the 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. Thank you and over to you Madam!

Bhoomika Nair: Thanks Lizaan. Good afternoon everyone. On behalf of IDFC Securities, I would like to welcome you to the Q3 FY2018 earnings call of Engineers India. The management today is being represented by Mr. R. P. Batra, Additional GM (Finance & Accounts), Mr. Vinay Kalia, DGM Marketing, and Mr. Rajneesh Malik, DGM Marketing. I will now handover the phone to Mr. Malik who will give his opening remarks post which we will open up the floor for Q&A. Over to you Sir!

Rajneesh Malik: Thank you Bhoomika. Thank you so much. On behalf of IR team, Mr. R.P. Batra, Additional GM (Finance & Accounts), Mr. Vinay Kalia and myself. We welcome you all to this call. We would like to give you a brief update on the results that were declared yesterday. As you are aware that there is some kind of lumpiness always associated with the hydrocarbon business, so the third quarter has not been good in terms of securing new orders as compared to second quarter. We have secured orders for Rs.114 Crores in the third quarter, important ones being preproject activities for Rajasthan Refinery and independent services for development and construction of Greenfield International Airport at Goa. The order intake for the first nine months now stands at Rs.2066 Crores. The order book is at Rs.8301 Crores and the breakup in consultancy is 55% and turnkey segment or EPC is 45% and further breakup in consultancy with respect to domestic and foreign is 81% and 19% respectively.

As far as the turnover is concerned in the consultancy side, there is an improvement owing to the two change orders that have materialized during this quarter, over the nine months period turnover has increased by more than 25% from Rs.814 Crores to Rs.1042 Crores and the profit figures improved predominantly because of these two change orders that have been received for which we had been following up with our clients rigorously for the past three to four years. The orders with respect to emission norm and other projects are moving well in the consultancy side and as far as the EPC side is concerned, we anticipate the revenues shall pickup well from the turnkey segment with the projects in hand that is ONGC, HPCL Vizag Utilities & offsites and CPCL Emission Norm. Because of the fact that EPC projects were more or less residual in nature in the last couple of years and there was hardly anything coming up. So it is only for past one year that we have started receiving these orders from the EPC segment again.

The other income has declined because of the drop in interest rate and buyback to the extent of Rs.658 Crores that was carried out in the month of August 2017. With this backdrop, we open the floor for question and answers.

Moderator: Thank you. We will now begin the question and answer session. We will take the first question from the line of Sujit Jain from HDFC Securities. Please go ahead.

Sujit Jain: Good afternoon gentlemen. Sir what is the average execution period for this entire order book and what is the contribution of Petrochemical orders in the total order book?

Management: Usually the order backlog takes anything from 2-1/2 to about 4 fours, so the bigger Brownfield expansions that we normally do or the Greenfield projects, their schedule is normally from 36 months to 48 months. The smaller one likes feasibility studies etc can be carried out in six months also, but the average size considered in order book for this size should be about 3 to 3-1/2 years and as far as the petrochemical is concerned, the main order that is under execution is with respect to HMEL i.e. HPCL Mittal Energy Limited for Bhatinda Refinery that we got in the second quarter of this financial year.

Sujit Jain: So which is about Rs.1150 odd Crores?

Management: Rs.1015 Crores.

Sujit Jain: But apart from that any other orders that are coming from petrochemical complexes with the oil refiners or this is the only order in the total order book?

Management: This is one of the biggest orders that is there, then we are doing some feasibility studies for some petrochemical complexes that are likely to come up in coming two, three years.

Sujit Jain: Can you give us a broad percentage of what percent of the total order book would be from petrochemicals rough estimate?

Management: Out of the consultancy domestic portion, I think it should be about 20% or so from the domestic side.

Sujit Jain: Okay, the reason we were asking for the average execution period what kind of revenue guidance you can give for FY2019?

Management : FY2019 basically we are expecting 25% increase in the turnover. Primarily that will be coming from the turnkey segment.

Sujit Jain: Okay and the muted order inflows was that the same even for the sector or have we lost some orders to other players during this quarter?

Management: There is nothing lost as such, the only thing is that there are certain ones which are under evaluation and there are some projects of which the results are likely to come in this quarter. So it was just that it was a slowdown in this particular quarter.

Sujit Jain: So do we maintain the Rs.2500 Crores of order inflow guidance for FY2018 and what could be the guidance for FY2019 in terms of inflows?

Management: It is around Rs.2300 odd Crores for FY2018 and we are already at Rs.2066 so I think we should be having the guidance to the same level only. It should be having the same run rate unless and until Rajasthan Refinery happens to be in our kitty in this quarter, then it might be slightly on the higher side, otherwise it will be to the guidance that we have been given previously and for the next year also the guidance would be similar to last year i.e Rs.2000 to Rs.2100 Crores

Sujit Jain: Sure Sir. Thanks and good luck to you.

Moderator: Thank you. We will take the next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Regarding this change orders where do you book in P&L once you receive the money or once you get approval from client?

Management : We got the approval from the client, so we book in the revenue.

Dhananjay Mishra: Secondly this regarding overseas pipeline given the oil prices gone up, so have you seen any improvement in terms of pipeline in overseas ordering environment?

Rajneesh Malik: For the past three, four years since the time the oil prices have been benign, so capex have been announced by all these oil marketing companies, so I think as far as the demand supply scenario for the country is concerned, we need to have plan for the long term, so we have to decide which projects have to come on in the next one or two years so that we are able to keep abreast with the kind of demand that is likely to come up in coming r 10, 15 years for the country.

Dhananjay Mishra: Okay and Sir in LSTK segment we have two major orders like Vizag and this Manali refinery right in our order book, so how you are seeing in terms of execution in FY2019, you will be booking major part of revenue at least 20%, 30% of these order book?

Management : We will be booking fairly good amount of revenue, because first year as you know for most of the projects like these its only 10% or 15% at the most that we can possibly book, second year and third year are the most prolific as far as the generations of revenue is concerned, so yes we are likely to book better revenues from both these projects in the coming year.

Dhananjay Mishra: So if I take 20% in FY2019 that should give at least Rs.700 Crores kind of revenue for LSTK segment, even if I am not counting any other order we may receive?

Management : In fact that is what Mr. Batra was just mentioning showing 25% overall revenue and in fact major contribution of that would be from the LSTK side because these are the two big orders which would be getting under execution.

Dhananjay Mishra: Okay and Sir lastly if you could talk about the domestic pipeline which may not occur going to…

Management : Yes, in the domestic pipeline most important one is the Rajasthan Refinery which is either let us say we are able to book it in this quarter or perhaps it might slip to the next quarter. So that is big, it is capex of about Rs.40000 Crores plus kind of a project, it would be a fairly good opportunity even if the client splits it into various EPCs units and gives a PMC role to us and followed by that the Numaligarh Refinery is again one of the major expansion which could be there for the next year, it is an expansion from 3 MMTPA to 9 MMTPA.

Dhananjay Mishra: Okay.

Mangement : And besides that we are doing some feasibility study for some petrochemical complex in southern part of India, so we hope something could emerge say by the end of FY2019 or in FY2020, then there are certain projects with respect to you can say propane dehydrogenation and Butene-1 for GAIL and HPCL etc that is there in the pipeline and they are likely to come up in the next financial year.

Dhananjay Mishra: Okay, so all the order you are talking about may come in FY2019 or maybe FY2020?

Management: Yes.

Dhananjay Mishra: All these Numaligarh also may come in FY2019?

Management : Perhaps, yes.

Dhananjay Mishra: Yes, you talked about Rajasthan refinery then Numaligarh, then this petrochemical complex in this southern part and…

Management: Okay and then there is one more grass root refinery that is coming up in Nagapattinam that is for CPCL, that is a 9 MMTPA refinery for which initially work for feasibility studies and selection of process licenser is being tendered out by IOCL. We have submitted the offer, let us see what happens once the offers are evaluated and then probably this is an opportunity which is likely to come in FY 2019 or latest by 2020 most likely.

Dhananjay Mishra: So we are targeting PMC services order for all these projects right?

Management : We are targeting either EPCM that is Engineering Procurement Construction Management orders or PMC orders, because these are predominantly the consultancy based orders that we usually get from the oil marketing companies.

Dhananjay Mishra: Okay, Sir, that is all from my side. All the best.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from IDBI Capital. Please go ahead.

Rohit Natarajan: Thanks for this opportunity. Sir what is the situation with Mathura, Panipat and two Gujarat Brownfield expansion plants?

Management: Gujarat, we have already submitted the offer and it is under evaluation.

Rohit Natarajan: And for Panipat and Mathura?

Management: Panipat basically the expansion now being talked about is from 15 to 25 MMTPA, earlier it was an expansion of 5 MMTPA that was in talks. Now it is a 10 MMTPA expansion.

Rohit Natarajan: And Sir Mathura continues to be 8 to 11?

Management : Yes, Mathura right now there is no traction as such so we will not be able to say anything for that.

Rohit Natarajan: If I go by the earlier plants that is Numaligarh 3 to 9, Mathura 8 to 11, Panipat 15 to 20 and Gujarat 13.5 to 18.5 and assuming all of the RPMC, theoretically this should have been 40 million kind of TP right Sir, Rs.4000 Crores kind of – what was the quantum of order inflow that you expect from this, what was it earlier and what is it now?

Management : The point is that IOCL does not go for negotiated settlement all the time, sometime they go for the selection through a tendering process, so that only if we turn out to be competitive as compared to our competitors , we get the orders, otherwise if we are not competitive, we would not get it.

Rohit Natarajan: Okay and you are adding this CPCL, this Kaveri basin refinery also that is…?

Management: This is basically a grass root refinery that is being conceived in Nagapattinam, this is a 9 MMTPA grass root refinery for which they have already floated the tender for process licensor selection and detail feasibility study. So we have already submitted the offer, they are evaluating it and probably this is going to be finalized in this quarter.

Rohit Natarajan: So just if I have to just quote a number to this in terms of order inflow for the next fiscal I think that should be big number right I mean rather than conventional 2500 odd something or if you add even Maha Refinery that could be another big number?

Management : Maharashtra Refinery will take some time to materialize because of the fact that it is a huge refinery and even the detailed feasibility etc by the time the owners are able to take a decision, it will take at least a couple of years.

Rohit Natarajan: No even if I exclude the Maha Refinery, this Brownfield is…

Management: There is certain probability because we do not expect everything to be given to us so we just assign a probability of you can say 50-50, so out of let us say Rs.4000 Crores that you are saying even if we have these three big orders to the extent of about Rs.1500 Crores, remaining could be from the smaller orders that we get in any case from throughout the year from various clients with respect to upgrades or revamp or studies or something else that is specifically required by the clients.

Management: Okay Sir that is it from my side. Should there be any other questions I will get back into the queue.

Moderator: Thank you. We will take the next question from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Thanks for taking my question. How should we look at the margins in LSTK projects because if I look at about seven, eight quarters, margins have been quite fluctuating at EBIT level, can you just throw some light on that?

Management: Margins for LSTK are expected which between the range 5% to 7%.

Sagar Parekh: So if I look at your nine month number your turnkey projects…

Management: Then there is exceptional item in this period . There is Rs.37 Crores write back in the last quarter plus most of the old orders are at the verge of the completion. So certain provisions are being written back. In the normal scenario, the margins will be in the range of 5% to 7%.

Sagar Parekh: Okay Sir Rs.37 Crores out of Rs.63 Crores of EBIT is one-off?

Management: Yes, you are checking about the LSTK margins.

Management : Yes , wewe told you between 5% and 7%.

Sagar Parekh: So if I remove Rs.37 Crores from your Rs.63 Crores of EBIT for nine month FY2018 then that would be the right picture right?

Managment : No, most of the old projects are being completed. So there are certain adjustment with respect to provision etc that is why the margins are more than the 5% to 7%. Going forward for the new projects, the margins will be in the range of 5% to 7%.

Sagar Parekh: In FY2019, when we are talking about majority of the revenue coming from LSTK, so then we can expect overall blended margins to be lower than FY2018?

Management : Yes, definitely.

Sagar Parekh: Got it and in consultancy…

Management : Consultancy between 25% to 30% ….

Sagar Parekh: Okay, but with the topline growth with majority of the cost being employee cost, do you think 35%, 38% which you used to do earlier that is possible?

Management : Could you just repeat what you said last?

Sagar Parekh: So earlier we used to do about 40% kind of EBIT margins about two to three years back?

Management : That is not possible in the past , we were executing big projects simultaneously and now we were executing small assignments, where the margins are less. In the coming year maybe when we gett the Rajasthan Refinery and Maharashtra Refinery we may go above 30%, but anyway we are not expecting to go to 40% in the near future.

Sagar Parekh: Okay, but 30% above 30% looks likely.

Management: In case we get the Rajasthan Refinery and the Maharasthtra Refinery these are big projects, likely margins shall be better compared with small projects.

Sagar Parekh: Okay, in Rajasthan Refinery for the Rs.40000 Crores capex how much would be for the PMC that we can expect for…?

Management: The revised capex is about Rs.42000 Crores, PMC portion could be anything between 600to 800. In case it is EPCM it could be slightly higher because in that case engineering will also be carried out by EIL, so that gives us broader range of services which could be provided to the client.

Sagar Parekh: And for the Numaligarh?

Management: Numaligarh also should be around 600 odd for the PMC services. .

Sagar Parekh: Sure and EPC, if we get the order?

Management: Hello.

Sagar Parekh: And if we take EPC also into consideration and how big can that order be?

Rajneesh Malik: If we consider?

Sagar Parekh: EPC as well I mean LSTK turnkey project for that?

Management: Actually, if we are the PMC , we cannot be the LSTK contractor because of the conflict of interest.

Sagar Parekh: Okay, sure. Got it. That is it from my side. All the best.

Moderator: Thank you. We will take the next question from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

Dhiral Shah: Good afternoon Sir and congratulations for the good set of numbers. Sir my question is regarding this just rising crude oil prices hits you in a certain way?

Management: Rising of oil prices you are saying, crude oil prices?

Dhiral Shah: Yes.

Management: As informed earlier considering the fact that all these capex have to be planned for quite some time earlier because cyclical ups and down keep happening and we think in the long run, this is not going to have a material impact on the capex for the most of these OMCs.

Dhiral Shah: Okay, it does not matter you some or the other way.

Management: Yes, not much. On the other hand it drives our business in the Middle East region because they are all oil based economies and once the oil prices are high because of the fact that they have been restricting only to the essentials right now, so they go for some other projects which they can possibly do if there is more cash in hand.

Dhiral Shah: Okay and Sir, out of your outstanding order book how much is the international order book?

Management : International is about Rs.1000 Crores.

Dhiral Shah: Okay. Thank you Sir. That is it from my side.

Moderator: Thank you. We will take the next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: Good afternoon Sir. Just a couple of questions more on the numbers. If you see the domestic consultancy revenues adjusted for this variation order in the current quarter where at about 2.5 billions about Rs.250 Crores against the last three quarterly average of anywhere close to Rs.270 to Rs.290 Crores. Over this period, your backlog for that business is up almost 70%. So what sort of led to this quarterly drop in revenue recognition is that some major order got over and the other ones are slow in ramping up and by when do you expect to at least reach back to that quarterly run rate of Rs.290 Crores, Rs.275 odd Crores, would it be Q4 for sort of Q1 next year, if you can highlight that. Secondly are there any further such lumpy claims that are still pending in the form of variation orders either for the consultancy business or for the turnkey business that you would like to sort to preemptively highlight to us, because these are sort of ad hoc one time inflows and if this become difficult for us to sort of make a steady state expectation building in terms of our models, so that will help.

Management : Our turnover depends on the execution part, we have large order in past that are on the verge of the completion, so less the revenue being recognized in those jobs with the new order like HMEL received, we expect that the revenue recognition from these order will increase from the FY2018-2019 may be in 2018 – 2019 and 2019 – 2020 substantial revenue will accrue from these orders then there will be increased in the domestic turnover. Regarding the change order basically in the construction business always they are all change order basically. So you cannot predict when the order will be settled normally after the completion of the project, these are being taken by the clients. So we also cannot predict when the change order will come, but certainly change order is a part and parcel of the business which we are doing.

Jonas Bhutta: But what are the outstanding change orders that you requested for as in whether the client passes that or not is a matter of the base but…?

Management : Part and parcel of our industry in the normal circumstances will be the change orders, so as such I do not have any figure regarding what our change order we are doing with the client, but I told you that that is a part and parcel in every case in construction industry that happens and we cannot predict when it will happen.

Jonas Bhutta: Okay, so putting it in another way Sir. If given that you have all these projects that you won in the last 12 months and probably will win in the next quarter or so. Would FY2019 be a year where you would have a net provision write back or a net provision creation?

Management : That I cannot predict right now. That I have to work it out and right now I cannot give you figure that whether it will be a net write back or net provision that I have to work.

Jonas Bhutta: Got it. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.

Nitin Bhasin: Good afternoon Sir. In the call you mentioned that you will have major revenues from LSTK in FY2019. So 4000 odd order book that you have right now, what is the visibility is it like 24-month completion, 30-month completion?

Management : Actually for CPCL it is about three years and for Vizag, it is about 44 to 46 months.

Nitin Bhasin: Okay and…

Management : Almost a year has gone, where we got Vizag in the beginning of last year i.e.January 2017.

Nitin Bhasin: Okay, because I am trying to understand today Rs.4500 Crores or roughly about Rs.3500 to Rs.4000 odd Crores order book and you recognition is very low in that, so but next year you are saying that recognition rate will be much faster?

Management : First year recognition is pretty low because of the fact that there is a certain activities which are associated in getting the project wherein client and the consultant have to be on-board. Once those are carried out projects goes on stream faster that is why recognition in the second and third year is usually between 25% to 30%.

Nitin Bhasin: So easily from this present book forget the new LSTK order coming in, Rs.1500 Crores is possible for each of the next two years roughly?

Management: How much you are saying?

Nitin Bhasin: Rs.1500 Crores each?

Management : Each year for LSTK, no.

Nitin Bhasin: Okay.

Management : We are running order book of around 3700, 3800 divided by three years, may be Rs.1000 Crores in 2017-2018, 2018-2019, thereafter there may be…The range of Rs.1000 Crores.

Nitin Bhasin: Okay, great. In terms of the consulting margins, you saw a sequential quarter, small decline in topline, but margins were down to about 30% to 25% here and there. So just trying to get a sense in terms of the visibility that you have right now, are you looking to hire more employees in the next six months or you still playing it cautious?

Management : We will be hiring more employees, but directionally we will be taking outsourced employee for managing the Projects , so that our cost structures are optimal. We will be definitely hiring because our utiliziation rates are quite high now.

Nitin Bhasin: So what could be the utilization rates today Sir in India for consulting?

Management : Typically the peak levels are 88 to 90% .We have touched 85% to 88% ..

Nitin Bhasin: Okay and what sort of requirement do you see for next year, is it 15%, 20% availability of more capacity which could be all outsourced?

Management : Around 10% or so.

Nitin Bhasin: 10% more.

Management : It depends, sometimes it is in engineering currently it is in engineering. Next year onwards it will be more in construction that will be required. So we may need about 200 odd people in construction side in near future rather than in Engineering.

Nitin Bhasin: Okay, basically it is for LSTK then?

Management : Not just LSTK because we manage the consulting assignments also, construction supervision where we give our manpower services.

Nitin Bhasin: So we were discussing about employees and what sort of an employee cost increase do you expect in next year in FY2019 roughly base level increase, one can be a function of new jobs yet to get, but today’s visibility what sort of number should one think off for overall cost?

Management : As far as wage revision, the employee cost of the regular employee we have already shared the impact for that, it can be range of 15% to 18% in the wage revision plus you will also have sourcing of additional people from next year onwards for about 250 to 300 odd people, but these will be sourced from outside agency, so they will be much cheaper. The additional wage cost will not be more than 50% of year’s wage cost for these employees.

Nitin Bhasin: Okay and today's employee base is roughly about?

Mangement : It is around Rs.2900.

Nitin Bhasin: So roughly we are talking about 10% people getting hired next year by outsource and they will cost 50% of what your base cost will be, so roughly this is how we can arrive at that number plus 15%, 18% for the regular employee's growth.

Management: That incremental increase has already been taken care since January of last year.

Nitin Bhasin: Ok Sir. Your LSTK orders, how are they protected against the steel price increase?

Management: They are all pass through . Actually , currently all the orders are cost plus orders in which the cost of plant and machinery is all pass through on the actual basis.

Nitin Bhasin: You mentioned that your international order book is about Rs.1200 Crores and I think your running quarterly execution rate is roughly about Rs.55 Crores to Rs.60 Crores for international consulting revenues right now. So we are talking about Rs.200 Crores to Rs.250 Crores of annual run rate. It appears to be little longer like four times to five times book to bill right now compared to otherwise in India consulting. So any reason for that?

Management: No actually, some of the projects were very long gestation projects that we were doing overseas and we have a rate reimbursement projects . The typical nature of the projects that we got, Dangote project for instance was a five year contract ..

Nitin Bhasin: Okay, this is a consulting business and we say today is about 25% to 30% margins roughly international and India, is the difference still very large because the international business has now become stable, so is the margin is very similar there?

Management The expense is still subdued because the oil price increase is still not substantial for them to go in for immediate investments, still there is lot of competition in the overseas projects. Yes typically if you talk about then these profiles are quite similar in the overseas and the domestic that we were earning but as of now we are not getting the large size opportunities obviously they are all mid size or small size of revamp jobs, so margin profile in those will is also subdued.

Nitin Bhasin: Okay and the last one is equity needs for any new projects being considered because like the fertilizer project in which you contributed equity what is the state of that where have we reach in terms of investment and in new projects that you would be taking up?

Management: In the Ramagundam basically our investment was around Rs.340 Crores out of that Rs.215 Crores of approximately we have already contributed.

Nitin Bhasin: Okay and any more expected next year to take new projects?

Management: Yes , we have given an expression of interest for the acquisition of PDIL , a PSU unit(Government of India undertaking) primarily in the fertilizer sector.

Nitin Bhasin: And if that happens what sort of equity investment are you thinking broad range Sir?

Management: Right now we are in the process of basically compiling the figures we are taking consultant help, so right now we do not have any figure regarding that.

Nitin Bhasin: Okay. Thanks a lot Sir. That is it from my side.

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

Ashwini Sharma: Good afternoon Sir. Can you give us update on the Vizag Refinery Sir?

Managemnt : Vizag Refinery . We have got two orders for the Vizag Project. One is the consulting order for their main refinery process units for about Rs.500 Crores and the second is cost plus OBE LSTK contract for the utility and offsite packages of Vizag Refinery.

Ashwini Sharma: What is the size of that Sir?

Management: About Rs.2145 Crores.

Ashwini Sharma: Rs.214 Crores?

Management: Rs.2145 Crores.

Ashwini Sharma: Okay and Sir what is your outlook on the EBITDA margins Sir, I think for nine months the EBITDA margin has been pretty strong, what is the guidance for full year and FY2019 as well Sir?

Management : Basically our segment margins are between the range of 25% to 30% for the consultancy segment and for the turnkey segment it is between 5% to 7%.

Ashwini Sharma: Okay. Thanks a lot.

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

Management: Sir, are you expecting any incremental orders from the BS-VI side?

Management: No, we have almost all BS-VI projects and we are not expecting any new BS-VI Projects.

Sagar Gandhi: Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Sujit Jain from HDFC Securities. Please go ahead.

Sujit Jain: Sir just to clarify, this Rs.70 Crores variation is in the PMC revision for the third quarter right?

Management : Yes in the consultancy.

Sujit Jain: Okay and just one clarification also on the Numaligarh and the Rajasthan Refinery, if the orders were to be EPC in both cases then what could be the quantum?

Management: EPC as far as the capex costs are concerned for Numaligarh it would be anything above between 20000 crores plus...

Sujit Jain: So what kind of within that that we can address in terms of potential order?

Management: We will be addressing either EPCM or PMC consultancy role in the Numaligarh Refinery.

Sujit Jain: Rs.600 Crores but if you…?

Management : It is a truncated role in the sense basically EPC contractor is doing the work and we are overseeing everything right from initial stages to the commissioning till the time the guarantee runs are demonstrated at site whereas for EPCM, its engineering procurement, construction management is carried out by us, so our role becomes much bigger, so for instance it is a PMC fees about Rs.500 Crores could become about Rs.650 Crores for an EPCM job.

Sujit Jain: And what could be the similar order size if it were to be an EPC in Rajasthan Refinery?

Management : EPC Rajasthan refinery would be a bigger junk, but then considering the fact that the way Vizag has gone wherein the client has split it into two parts. One is PMC portion and other is LSTK portion? So if they proceed on these lines probably PMC fees would be smaller.

Sujit Jain: Can we quantify the EPCM portion in year?

Management : PMCs should be in the range of about 600 to 800 for Rajasthan.

Sujit Jain: And EPCM if that were to be?

Management: 1000 plus depend on the scope of work, because right now the scope of work is not clear, but most likely the way that we have done for Vizag we anticipate that most likely they are going to go for PMC role.

Sujit Jain: Sure. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: What is the cash on your books?

Management : Rs.2100 Crores.

Sagar Parekh: Okay and how do we look at other income going forward, because you said interest rate price led to other income going down, so initially we used to do about Rs.45 Crores, Rs.48 Crores of quarterly run rate now, we are at 39…?

Management: For this current year around Rs.170 Crores of income.

Sagar Parekh: Okay and then next year going forward?

Management : Next year it will be lesser than this maybe Rs.140 Crores or so.

Sagar Parekh: Okay. This is purely because the interest rates are coming?

Management : Because of the decline plus buyback has been done, so around Rs.658 Crores has already been bought back by the shareholders.

Sagar Parekh: Right, but we will also throw a lot of cash balance for next year as well, so how do you plan to utilize that, so basically your cash balance will keep on increasing?

Management: Probably our cash balance will be around between Rs.2600 Crores to Rs.2700 Crores, now it is around Rs.2100 Crores, there is a cash outflow of around Rs.650 Crores. Whatever we will be earning during the current fiscal substantial chunk will go to for the dividend. So whatever available surplus with us, we are expecting around Rs.140 Crores…

Sagar Parekh: Sure, got it. Okay. Thank you.

Moderator: Thank you. We will take the next question from the line of Rohit Gupta an Individual Investor. Please go ahead.

Rohit Gupta: Thanks. All my questions have been answered.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Thank you everyone for being on the call particularly to the management. Thank you so much for taking time out and answering all our questions, and giving us an opportunity to host the call. Thank you very much.

Management : Thank you.

Moderator: Ladies and gentleman on behalf of IDFC Securities that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.