"Engineers India Limited
Q1 FY2020 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Engineers India Limited Q1 FY2020 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 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. Bhoomika Nair from IDFC Securities. Thank you and over to you!

Bhoomika Nair: Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q1 FY2020 earnings call of Engineers India. The management is being represented by Mr. Sunil Bhatia, Director (Finance), Mr Suvendu Padhi, Company Secretary, Mr. R. P. Batra, Chief General Manager, Finance and Investor Relation and Mr. Vinay Kalia, Chief General Manager, Marketing & Investor Relations. I will now hand over the call to Mr. Bhatia for his initial remarks post which we will open up the floor for Q&A. Over to you Sir!

Sunil Bhatia: Good morning all. We have embarked on the new financial year on a very positive note. You can see from our financial results that there has been a upswing in the turnover as compared to previous year by around 28%. The major increase has come from the receipt of change order from one of our client with respect to pay revision, which was due with effect from January 1, 2017. Because of that there has been increase in revenue by around Rs.90 Crores and operating profit by around Rs.84 Crores.

During the current quarter, we have also provided for impairment of exploration expenses of around Rs.26 Crores. We see current financial year as an opportunity for us to complete majority of our OBE projects, which are in the process of execution, so leaving aside Rajasthan Refinery our other OBE projects will be in the third year of execution so we envisaged that major chunk of the execution will come up in the current financial year and for Rajasthan Refinery also major orders will get placed and the construction activities will commence at the site, so all these things will improve the revenue in the current financial year.

In addition to that another major opportunity that came to us in the current financial year was award of a new refinery, new PMC job for first refinery in Mongolia, which came to us in June 2019 at a value of around $72.8 million. We see this as a very good opportunity for us to showcase our capabilities at international level and since this is going to be the first refinery in Mongolia we are also seeing other opportunities along with this contract, which will come in our way in due course of time, so all these things happening on a positive note and we envisage to improve upon financial performance in the current financial year as compared to the previous year. With these opening words, now the house is open and we are here to answer your queries.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Good morning. Congrats on good set of numbers. Sir in between we read in some press that one of the major orders have been won by one of our competitors so which order was that, which we had lost and was that a big value and do we still subscribe to the Rs.1800 Crores of order intake?

Vinay Kalia: I am not very clear in this year. I do not think in this year there is any major order, which has gone to our competitor as of now.

Renjith Sivaram: IOCL?

Sunil Bhatia: IOCL came to us.

Vinay Kalia: It has been awarded to EIL. BPCL project at Rasayani as well as Chara LNG terminal has been awarded to us.

Renjith Sivaram: There was a Panipat expansion?

Sunil Bhatia: Panipat expansion has been won by EIL on competitive basis. It has already been awarded to EIL.

Renjith Sivaram: So it might be a very small project?

Sunil Bhatia: That is P-25, which came to us.

Vinay Kalia: 15 to 25 MMTPA the major expansion has been awarded to us.

Renjith Sivaram: So this Rs.1800 Crores of order intake, which we are targeting so how much we have won till now and what is your outlook?

Vinay Kalia: Around 900 we have achieved in the Q1 including the change order from one of our clients.

Renjith Sivaram: So that this Mongolia will be?

Vinay Kalia: Around Rs.500 Crores.

Renjith Sivaram: Rs.500 Crores of Mongolia and then the change order?

Vinay Kalia: One change order from one of our clients of around Rs.200 Crores.

Renjith Sivaram: Of this Rs.200 Crores of change order Rs.90 Crores we have already booked?

Vinay Kalia: Yes.

Renjith Sivaram: The rest we will be booking?

Vinay Kalia: Over the period of the remaining contract to be executed.

Renjith Sivaram: The remaining Rs.200 Crores was small order?

Vinay Kalia: Yes.

Renjith Sivaram: In terms of the larger orders where do you see this Numaligarh we were expecting in Q3 what is the outlook there?

Vinay Kalia: Still the bidding process has not started for Numaligarh. They are yet to come out with their philosophy for tendering, so we are still waiting for the outcome of that, so it is still expected in Q3.

Renjith Sivaram: We still expect this finalization in Q3?

Vinay Kalia: Right.

Renjith Sivaram: There was an expansion of BPCL and petrochem expansion of HMEL, so these two what is the status of these two projects?

Vinay Kalia: I will go one by one then. If you want to look at the order outlook the first project, which has been awarded under an umbrella contract, which we shared in the annual results conference also was the Panipat Refinery expansion, which was expected. Under the umbrella contract the initial first phase of award of around Rs.30 Crores has been awarded to us. The balance awards will come in the subsequent phases.

Renjith Sivaram: How much will be that?

Vinay Kalia: The total order value is around Rs.675 Crores out of which Rs.30 Crores has been awarded. Then there are two more phases. One for Rs.27 Crores and the main project where we have the PMC role will be Rs.617 Crores, So it is an umbrella contract where IOCL will place orders under three separate phases. As and when the orders for each phase are being awarded we are recording it in the order secured although the umbrella contract has already been committed to EIL. The second umbrella order is the BPCL order for RFCC unit and polypropylene unit at Rasayani and Mumbai Refinery. The first phase of the order is Rs.56 Crores, which has been recorded in the orders inflow in the Q1. The second phase of that project there are multiple contracting options client has taken it could be around Rs.200 Crores to Rs.300 Crores, which will come probably in Q2 of FY2021, so the entire umbrella contracts are with us. Phase wise we are recording the order inflows, so this gives us a visibility of about Rs.1000 Crores of orders, which we will record subsequently in various phases. We have also secured an LNG terminal project, which we shared earlier with our investors of about Rs.80 Crores and we are also expecting one or two petrochemical projects small size petrochemical expansion projects for putting up polypropylene unit. The bigger one, which we can expect in the coming year, is the HMEL petrochemical expansion. The current project is ahead of schedule and subsequent to commissioning of it they are looking at further expansion of the petrochemical unit. We are also looking at Numaligarh, (information of which we have already shared with you) in Q3 and Q4 of this year itself and by the end of this year or next year we can also look at the Cauvery Basin Refinery at Nagapattinam, this will be Greenfield Refinery of 9 MMTPA, which they are targeting. We are currently in the early pre-feasibility stages for Mangaluru refinery expansion as well. They are looking for a refinery expansion from 15 to 25 just like Panipat. This could be a probable project in the coming year. Bina refinery had been planned for 7.8 to 15 MMTPA expansion, but BORL have postponed it considering the BPCL commitment for Kochi and Mumbai, so they are planning to take up this project in 2021-2022. We are also looking at a few pipeline projects from Numaligarh Refinery Limited as they are putting up the product and crude pipeline facilities for the refinery that is to be expanded, so those projects are also in the near visibility. We are also looking at the crude oil terminal as well as strategic storage reserves. They are putting up new storages at Chandikhol and Padur, so these are some of the projects in the near visibility of the next two years that would materialize.

Renjith Sivaram: The last time you had mentioned this GAIL midsize upgrade of Rs.300 Crores to Rs.400 Crores?

Vinay Kalia: I just shared with you petrochemical expansion projects. They are putting up polypropylene units. Internationally we have secured one change order, which we have already recorded in this inflow. We could also secure another variation order internationally in near future. It could be a smaller change order about $5 to $7 million, so these are the upcoming projects as of now, so going forward we look at a visibility of Rs.1800 Crores majorly from consulting side in this year and similar numbers for the subsequent days.

Renjith Sivaram: Sir if I adjust for this Rs.90 Crores of change order and Rs.84 Crores in PAT still our consultancy margins is at 34%, so is that just a quarterly aberration or do you see the margin should be better compared to the last year because last year the margins were a bit lower?

R P Batra: No it is basically due to the change order we recorded the 54% margin in the consultancy segment. Going forward whatever guidance we have given our margins will be in the range 25% to 30%.

Renjith Sivaram: But Sir even if I adjust for that Rs.90 Crores of topline of this order and Rs.84 Crores?

R P Batra: Net margin comes to around 26% for this quarter after excluding this change order impact the margins works out to be around 26%.

Renjith Sivaram: Sir I am referring to the segmental EBIT margin?

R P Batra: No I am also talking about the segmental information. If you exclude the margin for this particular change order net margin works out to be around 26% during this quarter.

Renjith Sivaram: I will get my calculation right and any thoughts on our revenue growth guidance of 15% given this 28% growth in 1Q do we believe that we can achieve more growth than what we had projected?

R. P. Batra: As Director Finance already told you basically we are expecting the increase in the execution in the Turnkey OBE projects, So going forward definitely there will be increase in the turnover. For this fiscal our estimate is that turnover will increase by 15% to 20%.

Renjith Sivaram: The margin guidance you are maintaining 25% to 30% for consultancy and 7% to 8%?

R. P. Batra: No, around 5%.

Renjith Sivaram: 5% for the lump sum turnkey?

R. P. Batra: Yes.

Renjith Sivaram: Sir lastly if you can just throw some light in terms of execution, which all projects you are seeing has HPCL Barmer started what stage it is at and HPCL Vizag these are the two major orders, so what stages of execution are they in?

Sunil Bhatia: HPCL Barmer substantial revenue will be coming in the next financial year although limited revenue will be recognized during the current fiscal. The VRMP project HPCL Vizag definitely we are recognizing the substantial revenue during the current fiscal.

R. P. Batra: Sir I will joint for further questions thanks.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir firstly for the turnkey project, part you told that we should work out with a margin of 5%, for this quarter Sir we were low at 2.5% so this is one of quarter only margins are going to improve going forward?

R. P. Batra: Absolutely. See on quarterly basis there are some aberrations in the margins. On annual basis we still maintain 5% to 6%.

Saket Kapoor: 5% to 6% and Sir I missed your earlier commentary about the write back part if you could for the benefit of reputation also can you explain Rs.26 Crores, which you told?

R. P. Batra: We have not written back anything. Basically we have provided for the impairment loss. We are expanding two oil blocks so there is impairment in the explorative phase that we have provided in the current quarter.

Saket Kapoor: And that is provided in the other expenses?

R. P. Batra: Yes. It is part of other expenses.

Saket Kapoor: It is to the tune of Rs.26 Crores?

R. P. Batra: Yes.

Saket Kapoor: So this is nonrecurring?

R. P. Batra: That is nonrecurring yes.

Saket Kapoor: Sir how much investment we made in those blocks Sir?

R. P. Batra: We have taken 20% interest in the two oil blocks, so over a period of time we have invested in that. Some have been written off in the previous fiscal, some basically are being further dwelled, so exploratory phase expenditure has been impaired during the current financial year.

Saket Kapoor: Sir further details, where are these wells and how much total investment have gone into it?

R. P. Batra: It will be around Rs.70 Crores to Rs.80 Crores.

Saket Kapoor: Where are these wells are located?

R. P. Batra: Somewhere in Gujarat.

Sunil Bhatia: Near Ahmedabad. Out of two blocks three wells are under development stage, so two wells have already been approved by DGH for field development, so going forward we may see some revenues coming out of these two blocks i.e. these three wells.

Saket Kapoor: Our stake is 20% Sir and other partners if you could name them?

R. P. Batra: GAIL, BPRL, Monnet Ispat & Energy Limited (**MIEL**), **Bharat Forge** Infrastructure Ltd (BFIL)

Saket Kapoor: Sir now coming to this part about you are guiding us for a revenue growth of 15% for this fiscal on a topline of say Rs.2475 Crores we did we are envisaging a 15% growth that is first point and a blended average margin for our consultancy part at 25% and turnkey at 5% that should give you the ballpark with which we should be working our numbers for this.

R. P. Batra: The consultancy between 25% to 30% and in the turnkey around 5%.

Saket Kapoor: Sir for this CPCL Refinery Sir the new refinery, which had been also elaborated in the annual report you must be doing DPR for that what is the update on that Sir and what kind of business opportunity are we going to get from there Sir?

Vinay Kalia: Cauvery Basin is a Greenfield refinery project and we can expect somewhere in the range of Rs.800 Crores to Rs.900 Crores for that project.

Saket Kapoor: We are doing the DPR for them Sir the new 9 million tonne refinery, which they are envisaging?

Vinay Kalia: We have done that DPR study, doing another for Mangaluru as well.

Vinay Kalia: For Cauvery Basin DPR has already been completed and submitted to client.

Saket Kapoor: On that account Sir what kind of revenue and profits have already been booked, what is the fee collected on account of that Rs.800 Crores?

Vinay Kalia: It was a very small order. It is a sort of feasibility report, so going forward whenever we will be getting the main project definitely there will be a substantial revenue.

Saket Kapoor: Sir I will come in the queue. Thank you Sir for answering.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: Sir just wanted to understand whether this umbrella contract concept is it particular to just to BPCL or the IOCL projects or this would from now on get implemented on other projects as well case in point CPCL Nagapattinam we could get initial order maybe in FY2020 and the main order comes in FY2021 or FY2022 this umbrella concept is just very particular to BPCL and IOCL that is my first question?

Vinay Kalia: First time we are utilizing this concept so I cannot say as CPCL is a different group. NRL is a different group. MRPL is separate entity. The kind of projects, which we are envisaging, these are the three major client . I cannot say they will repeat. It could be a possibility for IOCL and BPCL, but I cannot say for sure for NRL and MRPL.

Vinay Kalia: As of now it is only specific to IOCL and BPCL and that too they have introduced this for the first time.

Jonas Bhutta: Why was this sort of concept brought in?

Vinay Kalia: It prevents retendering for each phase again and again, so conceptually it gives them benefit to avoid multiple tendering cycles, but the difficulty is how the evaluation is to be done for each and every phase. How the schedules are committed because each phase is partly independent of each other. Only when one phase gets completed the second phase will begin so contracting became complex for them.

Jonas Bhutta: Even delayed their advances so for Panipat for instance even though it is like Rs.600 Crores of opportunity for EIL they have to make a progressive advance payment otherwise they would have had to sort of put a lump sum 10% so Rs.60 Crores or Rs.70 Crores upfront to EIL for which benefits would accrue only maybe one year down?

Vinay Kalia: That is not an issue. First of all they do not give advance payment they give milestone payments. Yes some milestone payments are quite early like immediately on project start. The issue is each phase is independent, one phase will complete, then second phase will begin and then third will begin. So in this kind of an umbrella contract we have to keep an understanding that one phase gets delayed how compensation will be adjusted, so those kinds of clauses become complex. Then how these compensations will be paid, what escalations will be acceptable, then evaluation of all bidders on those basis, but they have tried this for the first time and they were able to evaluate and award, after a lot of negotiations , So now it avoids them going for retendering again and again.

Jonas Bhutta: Sir my second question was on the Vizag refinery turnkey project how much of that is still pending given that we booked Rs.700 Crores order?

Vinay Kalia: It is 50% to 54% in the current progress in the Vizag, so Vizag is under peak execution phase. Rajasthan Refinery is yet to pick up because we were doing early project activities majorly the licensor selection and basic design preparation activities going on. Real inputs are less majorly it is the licensors role, so now once the bidding activities are finished our activities will pick up very fast. I still expect another six months before Rajasthan will start picking up, but the project will continue to be in peak execution.

Jonas Bhutta: My question was regarding Vizag what is the escalation contract that we signed in Q4 last year that is still under negotiation in terms of whether you should book margins on the same or not and just wanted to sort of get clarity on will this uncertainty be around till the project is fully complete or you expect that midway through we would start recognizing the OB margins that are 5% to 6% on this quarter?

Vinay Kalia: Currently they are giving pass through cost for all additional escalations and increase in the plant and machinery cost, They have already started giving the same because these payments are to be made to the vendors and contractors. We are already making the payments of increased escalations and increased cost , which are pass through. Regarding settlement of any escalation claims on EIL fees, normally it happens in the end, so it is difficult to say as of now.

Jonas Bhutta: Sir this 1% margin that we have booked in turnkey is resultant of that particular lack of clarity?

Vinay Kalia: The margins were around 3%

R. P. Batra: Basically because the plant and machinery cost has gone up our services fees is still fixed value on that. If you see the cost based contract it is very clear. If the plant and machinery cost is less they will pay less so my fees component as a percentage of plant and machinery cost in that case would be higher and if the plant and machinery cost goes up then obviously it gets reflected in the turnover and as my percentage fees that I am charging for my efforts will appear to be less on the base value although my efforts remain the same and my profit contribution out of my efforts remain the same.

Jonas Bhutta: Got it and my last question if I may Sir you mentioned the Barmer project would pick up pace maybe by end of this fiscal Q4 this year and would this be particular to the consultancy part will it proceed turnkey?

Vinay Kalia: It is for both because both are going on currently.

Jonas Bhutta: Got it. Fine. That is all from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

Ashutosh Mehta: Sir my first question is related to the petchem order the HMEL Bhatinda order so what would be the overall capex and the opportunity for EIL there?

Vinay Kalia: It is close to Rs.30000 Crores and consulting scope could be in the range of Rs.700 to 1000 Crores.

Ashutosh Mehta: What is the capacity, which is planned there is it two or three MMTPA?

Vinay Kalia: Adding one MMTPA cracker along with downstream units the polymer units and probably PVC plant as well.

Ashutosh Mehta: Sir which are the other petchem orders in the pipeline, which we could expect over the medium term over the next two to three years?

Vinay Kalia: One or two small petchem units of GAIL, which they are planning and one petchem we have already secured for BPCL at refining, which is RFCC and a polypropylene.

Ashutosh Mehta: So there are no other major apart from GAIL from other three OMCs any petchem orders?

Vinay Kalia: Not as of now.

Ashutosh Mehta: That is it from my side Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Arfat Sayyed from Reliance Securities. Please go ahead.

Arfat Sayyed: Sir my question is I want to understand how the business model has changed in the last eight to 10 years if you look at and we have seen strong growth between FY2008 and FY2012 and the revenue grew by every year 30% to 40% then after that from 2012 to 2017 we have seen some decline so just wanted to understand where we in terms of business cycles and how we look if you look at the next two to five years?

Vinay Kalia: It is difficult to say for the next three to five years. The feasibility assignments that we mostly get from our refinery and oil marketing companies indicate for the next one to two years, what projects are planned for execution. However unless the feasibility gets through and gets financial approvals, it is difficult to predict the timing of those projects. Like for the West Coast Refinery if you ask us we do not give any commitments on the possible debts unless we get some clarity at the ground level, so yes these projects are in the visibility, but overall if you want to look at the macro factors you can look at the demand supply gap and the growth rate in the demand for petro products from the statistics published by MoPNG. So for instance if you look at domestic demand of 150 to 180 MMTPA and our growth of 4% to 5% in petro product demand so that accumulates to about 6 to 7 MMTPA of refinery expansion requirement every year which culminates into 35 MMTPA for a five year cycle. Most projects will take about four to five years for commissioning so we go on a five year cycle, so that is the kind of incremental demand, which will have to be necessarily met by the oil marketing companies. Then this is only for refineries and similarly most refineries are now going for petchem integration because most refineries have now expanded to a very large scale and as a results, they can be easily integrated into petchem. The third opportunity when these refineries expand, you have cross country pipelines, crude oil terminals, which come up. The fourth opportunities are linked to the gas supply chain with companies like GAIL. Then you have LNG terminals, which are coming up like one project we have just secured Chhara LNG terminal, so there are different segments across the value chain where we get projects.

Arfat Sayyed: My next question is beside hydrocarbon is there are any plants for expansion when we are already sitting on huge cash long time and investment also looking for expansion in the hydrocarbon Sir?

Vinay Kalia: Excuse me can you repeat your question please.

Arfat Sayyed: I am asking besides hydrocarbon you are looking for expansion in other segment as well because if you look at your huge cash and investment of course with the growth and we are sitting on since a long time so besides this main your core business of hydrocarbon are you looking to expand into other segments as well?

Vinay Kalia: We will continue to be a knowledge based organization So, our focus will be consulting services. In order to diversify, we are looking at select segments of infrastructure like airports, green buildings, and data centers. We were also looking at water segment. We have also started taking projects under government to government initiatives and line of credits, for the first time we have entered into line of credit facilities of Exim Bank. For instance this Mongolia project is being funded by LOC of Exim Bank it is the largest ever LOC given by Exim Bank to any foreign nation for putting up the project, so we have secured that. We are also looking at new strategic areas of investment basically into technology research and design into bio fuels, into waste to fuels and energy efficiencies, which are related to our core area of design in consulting, so we could be making some strategic investments in these areas as well. We could also look at the emerging areas like EV, fuel cell technologies. We have a strategy group in EIL who is looking into these initiatives, but majorly focusing on technology.

Arfat Sayyed: Fine Sir. Thank you. That is it from my side.

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

Renjith Sivaram: Just on the Barmer Refinery when can we expect the awarding of the subcontracts for the overall refinery jobs will that happen in the next two to three months or will it be longer?

Vinay Kalia: First of all engineering for procurement will begin. Engineering for procurement begins after the design packages are ready. It will take about six months at least. Afterwards subcontracts will start getting awarded. Initially subcontracts will be for site preparation activities and then subsequently subcontracts for site work will start getting awarded. First you will see procurement cycle picking up and then construction activity.

Renjith Sivaram: The other projects, which you had mentioned in that there was one previously we used to talk about one GAIL project in Kakinada?

Vinay Kalia: I will give some clarity. There were two petrochemical projects, which we were looking regarding HMEL expansion, I think I gave wrong figures earlier. The expansion is from 1.2 to 1.5 MMTPA, 0.3 MMTPA cracker expansion is sanctioned along with downstream units. Project cost is about Rs.25000 Crores and consulting scope is around Rs.700 to 1000 Crores. Second project was for 1 MMTPA cracker of GAIL and HPCL at Kakinada where they had gone in for site selection also. They were also discussing with the state for incentives, but somehow the project went on hold because of non-commitment from both sides (from the state government and the oil companies) on the final incentives and tax schemes. So the project is still on hold, but yes it is a visible active project for both GAIL and HPCL. Going forward HPCL is also looking at entering into petrochemical space, so they wanted to make entry through this project plus through Rajasthan Refinery where it is an integrated refinery in petchem, so they are also very keen to enter into this petrochemical business, so we can look at revival of this project because this project was in a very advanced stage.

Renjith Sivaram: What is the current status now you are hearing anything in that?

Vinay Kalia: As of now we feel it has gone to next year. With the change in government at the center and the state let us see there is a possibility it might get revised. It is available because the land acquisition was progressing smoothly what was shared with us that then gas linkages were also to be committed.

Renjith Sivaram: This will be how big?

Vinay Kalia: Rs.31000 Crores. This is 1 MMTPA cracker with PVC, HPDE, LLDPE.

Renjith Sivaram: Okay sir thanks.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: In your presentation page number 10 you have mentioned about the business secured under the consultancy overseas to the tune of Rs.749 Crores, overseas means, which geographies are you seeing?

Vinay Kalia: Saket the overseas is majorly Middle East and Asian region.

Saket Kapoor: Sir what are the geopolitical risks associated with since Middle East region is always in the news for wrong reasons so how are we insulated or when we take a project or what are the criteria we keep in mind?

Vinay Kalia: First of all as a policy we have committed not to take up EPC projects in overseas because of reasons we have shared earlier as well. We have seen how EPC companies in Middle East made huge losses, so we have consciously not entered into EPC. Then if you look at our geographies that we are serving, we are majorly into Abu Dhabi, Kuwait, Bahrain, Oman, partly in Saudi, which are very mature markets in terms of oil and gas. We are working with Fortune 500 companies like Saudi Aramco or KNPC. Their payment has never been an issue and since we are in consulting business and our payments in consulting are mostly related to milestone progresses, so the maximum risk that you would probably get is delay in some of the milestones during the work and for a period of two to three months.

Saket Kapoor: Sir the last point I missed somehow.

Sunil Bhatia: Some delay in the milestones payments like first milestone has come, second milestone gets delayed for whatever reasons then that is the amount of risk you have and for such kind of risk.

R. P. Batra: But that is not a major issue.

Sunil Bhatia: That is a very small risk. For these risks also we keep some contingency provisions and liability provisions. Another for exchange rate since we are quoting in foreign currency we are protected from exchange rate variations.

Moderator: Thank you. The line from Mr. Kapoor has dropped. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Sir thank you very much for giving IDFC an opportunity to host the call. Wish you all the very best and also thanks to the participants for being on the call. Thank you very much Sir.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.