



“Power Mech Projects Limited Q1 FY2020 Earnings Conference Call

August 05, 2019



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Moderator: Ladies and gentlemen good day and welcome to the Power Mech Projects Limited Q1 FY2020 Earnings Conference Call hosted by Nirmal Bang Equities Private 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 will now hand the conference over to Mr. Chirag Muchhala from Nirmal Bang Equities. Thank you and over to you!

Chirag Muchhala: Thank you Steven. On behalf of Nirmal Bang Equities we welcome you all to the Q1 FY2020 results conference call of Power Mech Projects Limited. The management is represented by Mr S. K. Ramaiah, Director, Business Development and Mr. J. Satish, CFO. I will now hand over the call for their opening remarks post which we can take questions, over to you Sir!

J. Satish: Dear friends. This is Satish, CFO of Power Mech. Good afternoon. We are happy to share Q1 FY2020 results. As you would have seen during Q1 FY2020, we did total revenue of Rs.493 Crores as against Rs.465 Crores of revenue last year. The erections business did close to Rs.177 Crores as against last year Rs.181 Crores. There is a dip of Rs Rs.5 Crores due to contribution from the international business has slightly come down especially from Oman business and the revenue from civil is Rs.135 Crores whereas last year it was Rs.142 Crores and there has been dip of Rs.7 Crores because of AMTZ project, which was in Andhra and that has substantially contributed during last year, and has been closed successfully. So there has been dip in the civil business and O&M it is around Rs.141 Crores as against last year it is Rs.129 Crores, there has been a growth of 10% and electrical it is close to Rs.37 Crores as against last year it is Rs.10 Crores, so there has been a growth of almost Rs.27 Crores, this has mainly come from the railway Sadulpur electrical business. This has contributed a growth of almost 6% in revenue and EBITDA is close to Rs.66 Crores whereas last year it was Rs.64 Crores, there is a growth of 4% and PAT, is Rs.28.4 Crores whereas last year it was Rs.24.4 Crores, so there is a growth of almost 16%. Our internal targets are in line with the Q1 figures.. Q1 and Q2 comparatively will be low as compared to Q3 and Q4, so the traction is inline with our business plan and if we see the revenue from the domestic business is 84% whereas from international it is 16%, whereas last year Q1 the revenue from the domestic, it was close to 74% and from international, it was 26% of total revenue.

Similarly the revenue from power business is close to 63% during Q1 of this year and from non-power business is close to 37% whereas last year Q1 FY2019, the revenue from power business was 77% whereas from non-power business was close to 23%. In terms of balance sheet, the numbers are more or less in line with March 31, 2019, the net current assets continue to be around 123 days whereas March 31, 2019 it was close to 128 days, so there has been a slight improvement because of the change in the business mix, whereas FY2018 it was 139 days, so it has come down in FY2019, and in terms of the debt utilization, there has been increase of Rs.20 Crores because of expansion in the business.

Similarly in terms of order book, there has been good traction. We have a plan of Rs.4000 Crores plus during FY 20 and during Q1 we did close to Rs.748 Crores and during Q2, we are targeting close to Rs.1200 Crores plus, of this Rs.250 Crores we have already secured up to date and close to Rs.1000 Crores, which are in L1 status and we are expecting this to materialize maybe in another 15 to 30 days, so with this, order book seems to be very healthy. There is some development in Andhra Pradesh because of the change in the government, out of two packages of Sarva Shiksha Project regarding development of infrastructure for the school, one package was around Rs.512 Crores, which was canceled by the government. Though we had started some activities for the 50 schools in terms of survey, recruitment, material mobilization etc but the real construction activity was not started, so government took a decision to cancel that project and the same is being eliminated from the order book. The second package for the development of infrastructure for the school project close to Rs.875 Crores is going on. Another project regarding lift irrigation including pump supply which is of Rs.1235 Crores, the A.P government has put it on hold as of now, and they have called Power Mech team for discussion and negotiation, so we are waiting for the clarity and direction from the government.

This is from my side. Now I request Mr Ramaiah to add on the business development side.

S. K. Ramaiah:

Morning Chirag and team. The update what Satish has given, a few more aspects on the way the company is taking forward is that, as far as the basic numbers are concerned, I think we are on the sound footing. I think on the ordering side also even after discounting the Sarva Shiksha be on package of 1 Rs.513 Cr, our order backlog stands as on March 31 at Rs.6895 Crores and with the additions which has happened in the Q1 for Rs.748 Crores and then additional Rs.269 Crores so far in the YTD for the Q2. The total order booking has come up to Rs.994 Crores. With this the present backlog is about Rs.7399 Crores. Therefore, we have more or less adjusted to the cancellation of order thing, which has happened on the Sarva Shiksha Abhiyan that is after all linked to political aspects of the change in Government, which has to be faced and it does not affect much on our operations.

Now going forward likely what the focus is that the measures what we have shared with you continuously for the last couple of quarters that continues to be our focus on various diversification measures. The focus will be consolidation of the diversification measures in various respects of business be it international operations, for example, today there is a slight growth in the backlog of the international business that has happened and then today we are about Rs.1100 plus Crores and O&M is a positive story from Rs.984 Crores it has gone up to Rs.1130 Crores as on today with a growth of 15% with a backlog. Regarding the ETC, which is a combination of the power sector, non-power sector and the international business has gone up from Rs.2221 Crores to Rs.2397 Crores a growth of 8% in the backlog and then civil has also grown with the addition of jobs we have taken in the power sector mostly both in the domestic and international business that has gone up from Rs.3244 Crores to Rs.3463 Crores and electrical we did not have much of addition in the Q1, but a lot of opportunities are coming up. The backlog now stands at Rs.407 Crores, so that sums up the present on order backlogs, that gives a visibility of more than two years for us.

Now going forward, the positive story, coming back to the O&M side, where we have done a lot of further diversification and change in the product profile, but the important aspect is that we have logged more than Rs.270 Crores of order booking and the positive aspect is that NTPC is playing a role in this growth, in fact in five of the projects of NTPC, Solapur, Khargone Lara, Gadarwara, Meja around 10 units of 660 megawatt, nearly 6000 plus megawatts, we have got processed now, nearly up to Rs.100 Crores of O&M business and the Telangana job we have got the renewal with CR Rs.62 Crores and a major breakthrough in the O&M had been the non-power segment, NMDC, iron ore material handling around Rs.52 Crores. Apart from that there has been some breakthroughs in the O&M, monthly shutdown jobs in the Middle East and then we have taken about Rs.14 Crores there, that gives us a positive feeling that the growth in the O&M is to be on a continuous basis and we are quite positive that we will be to achieve the last year's target to more nearly around plus Rs.700 Crores that should be a possibility in order booking in this year.. Then coming to a few other developments, Bangladesh has been a positive story. We had an order backlog of Rs.500 Crores and three opportunities in the coal handling plant, ash handling plant both in the mechanical side, ETC side and civil side we are the L1 including the turbine installation and the piping side, around Rs.406 Crores, we are in the L1 status as Satish said and these orders we are expecting in the Q2 that should take us the total order booking in Bangladesh to plus Rs.900 Crores. That is a very positive development and with the backlog of order in the Nigeria \$76 million for the Dangote job where the work has already started and some of the jobs, which we are doing in the Middle East totally 11 projects at different places. Therefore the international business is going to have a positive outlook and it will contribute to the revenue much better than last year.

Now coming to the non-power sector, the breakthrough had been continued in the case of Jindal Steel, JSW particularly both in Bellary for their expansion and in Dolvi for their expansion, totally we have taken about Rs.191 Crores so far in this current year possibly last year it was about Rs.125.5 Crores, so the total order booking with the Jindal Steel is nearly Rs.316 Crores and today we are targeting opportunities of Rs.750 Crores in JSW for their expansion plans, mainly in the Bellary steel plant. Apart from that, the electrical side there are some developments perhaps you know we are looking at opportunities in Nepal and the ongoing opportunities in the distribution sector and then rural electrification systems where the substantial opportunities are there and our team working on that. Therefore, in an overall nutshell what we can say is that plus Rs.4000 Crores of order booking should be a possibility and another milestone or opportunity, which we are tracking is that, you know the O&M side, there is a huge opportunity, which we are very much positioned there for 2x125mw Akrimota Lignite Power project owned by Gujarat Mineral Development Corporation Project, only issue is that their PPA is coming to an end by 2022 and we are awaiting the outcome of the board meeting about how the PPA gets extended accordingly this order will materialize based on that and another opportunity, which we have shared with you earlier is on the NMDC job that is a huge opportunity, which we have tied up with Thyssenkrupp and most of the technical aspects of the bid have been sorted out now including the qualification requirement and we had certain issues about the equipment supply from the Thyssenkrupp, who is our technology partner that is getting sorted out and now all the things are cleared up and perhaps we expect the results should be out maybe with the revised

bidding in August or September that will contribute substantially. Therefore as on day apart from the L1 position opportunities are there are plus Rs.1000 Crores, therefore, a vision of Rs.3000 Crores of opportunities in L1 status are near L1 status, we are looking at least in the Q2 and in the early part of the Q3. Therefore, that should easily carry forward for our goal of getting the order booking of Rs.4000 Crores with the domestic component of Rs.3600 Crores and international component of Rs.600 Crores and with power sector can be of Rs.2727 Crores and non-power sector of Rs.1465 Crores, so that I think we should be pretty sure, this is mainly because the consolidation which we have done, and the diversification we done in the non-power sector, which consists of the steel side, cross-country pipelines and then the petrochemical sector and the other related works particularly associated with civil works also and then the international segment particularly in the Bangladesh and Middle East and apart from that the O&M side further expansion, which has happened in the state sector, particularly in the NTPC and some of the state government opportunities also. Therefore, this is a positive thing. Therefore, opportunity are continuously coming as I had said earlier also I have shared NTPC policy of additional 4000 to 5000 megawatts of annual capacity addition, operation maintenance will be done in a packaging philosophy by subcontracting on a long-term O&M basis and we have taken five or six contracts as on today and we will continue to strive to get more of projects, perhaps as on today O&M, which was there traditionally IPP domain, we have now broken into the state sector also that is a positive development, so this is what I can say, therefore, with this plus Rs.4000 Crores the opportunity, we have mapped opportunities of plus Rs.25000 Crores to look at these goal and the opportunities are already tracked and a lot of offers have been given on continuous basis and a monthly basis and this we are quite positive. Thank you.

Moderator: Shall we open the floor for Q&A Sir?

Chirag Muchhala: Yes, please.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pratiksha Daftari from Aequita Consulting. Please go ahead.

Pratiksha Daftari: Good afternoon Sir. Sir I have two, three questions, first if you could give some light on the Bhusawal project and the railway project in Telangana, which was a new orders this year, key orders this quarter. Secondly I wanted to know a little about the execution in Q2 for FY2020, so if we see the new order inflow from June to August and also the order book pile up in the same period it more or less matches, I wanted to know how the execution has panned out in Q2 so far and thirdly on the AP project, so the Sarva Shiksha Abhiyan total two parts right, Rs.512 Crores and Rs.872 Crores, so how much has already been spent on these projects and also the same about the irrigation about Rs.1200 Crores, how much have we spent and what amount of investment is already gone by in these projects?

J. Satish: The railway project is close to Rs.77 Crores order and is mainly construction of COPs pit lines, service buildings, parcel shed, lathe shed, balance floors etc near Secunderabad-Cherlapally-

Ghatkesar station This project is expected to be completed in 18 months, it has started now, the traction may start from next month onwards. The first railway project of Rs.360 Crores, which we took by way of JV, because we didn't had the credentials and now this project has been awarded to us directly based upon our own credentials a. And the second project is the Bhusawal is from BHEL, that is a civil package that is expected to be completed in 40 months, mainly the 1 x 660 megawatts in Maharashtra and the scope includes civil, structural and architectural works for main plant area and BOPS including FGD, SCR & other related to MOEF norms.

- Pratiksha Daftari:** If you could mention something about the margin profile that we expect in these projects?
- J. Satish:** For the railway, it will be in the range of 11 to 11.5%, whereas Bhusawal BHEL project will be around 12% to 12.5% **Pratiksha Daftari:** Thank you.
- J. Satish:** Regarding Sarva Shiksha Abhiyan Andhra Project out of two packages the Rs.512 Crores, which we discussed that has been canceled now, we did not start the construction activity and whereas the second project of Rs.873 Crores the work is going on. We have spent close to Rs.10 Crores plus that includes advances which we have given to some of the contractors and also include some of materials, which is lying in the form of inventory, steel and cement. . In respect of the irrigation project which is of Rs 1235 crores, presently it is on hold, Government has to give clarity, they have called for discussion, but still direction in terms of execution and all is yet to come, so may be another one week to 10 days, we should get some sort of clarity from the department for the the irrigation project which is of Rs 1235 crores .
- Pratiksha Daftari:** But how much have we invested so far in this project, the irrigation project?
- J. Satish:** No, it's a new project, the work has not started yet, and we have not spent any money on this project.
- Pratiksha Daftari:** Okay and this Rs.512 Crores, I think this was a subcontract portion right, there we had some back to back arrangements, so do we expect any calculation penalty that comes back because of...?
- J. Satish:** No, since the Government has taken call to cancel, and there was no issues from the Power Mech side, so there will not be any penalties or LDs on Power Mech from the department. .
- Pratiksha Daftari:** So no monetary penalty or any financial loss because of this kind of...?
- J. Satish:** Yes
- Pratiksha Daftari:** Okay and Sir execution in Q2?
- J. Satish:** Yes, the traction will be better than Q1 because if we see Q1, Q2, Q3, Q4, in Q3 and Q4 there will more tractions happening and the projects like Maitree and the Bhusawal, these are the new projects where we will add quick turnover in terms of the volume, so Q2 will be better than Q1

and Q3 will be better than Q1 and Q2, Q4 is the month where we do more turnover in terms of high volume execution.

Pratiksha Daftari: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Muchhala from Nirmal Bang Equities. Please go ahead.

Chirag Muchhala: Sir on the O&M side it is heartening to see good order inflow for two successive quarters, so Sir just wanted to know the addressable opportunities in O&M from two accounts, one is obviously the non-IPPs where we are starting to see traction from NTPC, SCP etc., and second from the non-power sector both in domestic and international markets?

S. K. Ramaiah: As I said there are five projects of Solapur, Khargone, Lara, Gadawara, Meja and recently we have taken a Rs.26 Crores job from Meja also and Lara we are L1 for Rs.10 Crores job, then Khargone, then Solapur is there, Gadawara is there. Therefore this can be the forecast of NTPC continuously going for outsourcing the O&M works for the projects which are getting commissioned, all these projects are get commissioned in 2018-2019, they are in the course of tendering into five packages each of the plant and their policy is to select one contractor per each of the five packages and they do not want to keep the same contractor in any of these five packages. Therefore, there is a very clear opportunity. In fact our portion of the O&M business in NTPC is almost 100 cr at present. Now coming to the non-power sector, the major development had been the material handling, O&M package of the iron ore handling at the NMDC and that is around Rs.52 Crores. Recently this has been awarded. Therefore, in terms of the operational characteristic and the management of this contract, there is not much of difference from what we are doing in the power sector because similar jobs we have done in many of the projects in the power sector, so that fits into our bill. Therefore with our diversification efforts our operational staff we can re position our resources easily in these new jobs, that is a breakthrough we are taking it and as far as other opportunities what I can say is that Acrimota in Gujarat 2 x 125 megawatt as I said, which is nearly a very long contract about 10 years and we are very favorably positioned, but the issue is that this is around Rs.700 Crores, we are not straightway taking as a done thing and expect that it will happen, we are in a very favorable position there. In fact, we are positioned L1 there, but unless the issues of the PPA is sorted out between GMDC and the Gujarat State Electricity Company, we have to see how this contract will be take forward accordingly will take into our books. Therefore we are waiting for that. Apart from that, the total opportunities leaving alone these we have clearly mapped about Rs.1200 Crores in the O&M, mostly in the power sector, IPP sector, NTPC, non-power and also to some extent captive sector, recently we have taken some jobs from Hindalco and also Vedanta. This is what I can say is O&M is getting further diversified internally for the growth, the 15% growth what we have seen is a clear case of diversification into state sector in NTPC and other utilities and also to some extent relating to the non-power sector and also the captive sector. For that we will catch on and continue to see how we can expand this opportunity.

- Chirag Muchhala:** Sir coming back to NTPC, so for the older projects where they themselves are doing O&M so is there a thought process within NTPC that even those older projects could eventually in two or three years be tendered out for O&M to third parties private sector?
- S. K. Ramaiah:** As a policy as I feel from the NTPC angle perhaps they may not immediately do it because these are some of the projects as old as 30 years, started 30, 35 years, 20 years, 25 years, therefore, there is an established organization, O&M philosophy and maybe the local setups are there and local entities are there, they would not like to disturb that equation drastically because it is a set of operating and maintaining a plant and getting business out of that. Perhaps NTPC feels for new project they can change that philosophy and their policies that is why this is coming up but we cannot rule out anything, maybe we have to see the success of this growth may be in another two to three years down the line maybe they will change it also for the old projects, but even otherwise in the old projects also we are not doing the long-term O&M contracts, but we are doing short-term repair maintenance, contracts that already is there but as on today I do not think they will take that call. Perhaps, they will wait for this new policy to succeed and then they can go back on that success to apply the same policy for the Old plants.
- Chirag Muchhala:** How is the competitive intensity in this NTPC projects in terms of let us say...?
- S. K. Ramaiah:** Competition as I said basically they are dividing the entire plant into five packages. One is on the main plant side and the balance is plant side then in the electrical side, then there is electrical side, there is a coal handling and ash handling and then the water systems and all. So what happens the opportunities available, there are about 7, 8 parties. Therefore, five packages are there, therefore obviously all of them will be bidding for each of these packages and at least one package we will be get it that is how the success rate in the NTPC O&M tenders are quite high in the last six months.
- Chirag Muchhala:** So coming to the ETC side, so basically in the domestic market in the past few months, a lot of tenders have been given out for the FGD orders in the NTPC segment tender. So I mean of the projects that have been given out, are we in talks or have we already received orders with any specific EPC vendor and how do you see that part of our business shaping up in next FY2020-21?
- S. K. Ramaiah:** Yes, you are correct, the investment is going to happen there because , 1,66,000 megawatts have to be converted to FGD and SCR business and we had head start in Vindhyachal 500mw unit that is the first NTPC unit to be commissioned and we had a contribution there working with GE, and as on today our policy is like this, where we are doing ETC business of the traditional boiler and turbine and this is an add on package of FGD and SCR, we are interested in that, accordingly we are executing a job in Harudauganj FGD 660 megawatt and SCR system for the Doosan and recently BHEL has tendered as part of the mechanical package and power package in Bangladesh the Maitree project which is 2x660 megawatt. . Standalone FGD we do not say it is an issue, what we are looking at is the quantum of work is what we are looking at we should be reasonably should be able to sustain our method of operation, therefore, as on today out of

31,000 megawatts tendered by NTPC we are discussing with GE for two major projects, one at Simhadri that is 4x500 megawatt, another is near Chattisgarh 3x660 megawatt where the scope will be substantial which is a combination of civil, structural, mechanical and equipment and ETC along with electrical C&I for we have shown our interest to these and in rest of the projects on a standalone basis we will pick and choose it based on quantum of work that is our policy as such.

Chirag Muchhala: Sir coming back to some financials, so Satish Sir, can you please repeat what is the working capital position after Q1, how many days you had mentioned?

J. Satish: The net current assets is around close to 123 days, which was 128 days as on March 31, 2019 and 140 days as a March 31, 2018, so there is improvement because of the change in the business mix. We are seeing good working capital cycle due to better payment terms from IOCL, Railway, Bangladesh Maitree, International & other non power business. BHEL domestic the payments days for last three years in the range of 80 to 95 days, but at Maitree this is a fast track project where there is lot of pressure for them to complete the project on time, so there we are seeing quick payment happening as compared to domestic projects.

Chirag Muchhala: Okay and Sir what would be the retention money that is still yet to be...?

J. Satish: Retention money more or less it is close to March 31 number, i.e. Rs 300 crores plus, and the good part is in spite of huge growth in our business this number is not going up which means the realization in terms of retention money especially the final bills from BHEL and all is happening quite well.

Chirag Muchhala: Okay and Sir last question I mean the overall revenue outlook for FY2020, now considering Q1 results and L1 position as well as the fact that within civil works this one school order is canceled and another irrigation is on hold, so how do we basically see FY2020 revenue growth panning out and if it is possible, can you individually for the three segments if you can give out the revenue outlook?

J. Satish: We have taken a complete review of all our projects including fast track, domestic, international, so seeing the order book on hand and other factors we are expecting that comfortably we should have 18% growth by year end by ignoring projects at Andhra Pradesh and we will see more traction happening in Q3 and Q4 and in terms of the business mix, this year may be close to 25% will come from the O&M business which is close to Rs.660 to Rs.670 Crores, close to Rs.970 Crores of revenues, can be generated from the erection business and we see like as a percentage the civil pie may slightly come down because the O&M traction is good and the mechanical both power and non-power, domestic and international is expected to go up to 37% of our total revenue and the civil pie if we see in FY2019, it was close to Rs.842 Crores, maybe FY20, we are expecting close to Rs.730 Crores and in electrical, Sadhalpur railway electrical project which is a fast track project, for Rs.350 Crores plus, so with this and other electrical projects on hand we have put together, we may achieve close to Rs.280 Crores to Rs.290 Crores of revenue by year end. So with all these combinations assuming that not much traction

happening even in Andhra Pradesh, we are confident that we should cross 18% growth and in terms of margin more or less the EBITDA we will try to maintain at the same level, because the O&M traction is happening quite good and secondly we are seeing good amount of margin contribution from the IOCL project being fast track projects and even international business is doing good, so there might be slight improvement though there may not be significant, but in terms of margin more or less will be maintained.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Good afternoon Satish Ji and congratulations for good set of numbers. I just had one question; most of my questions have been answered. What is our general outlook for the order book going forward in the year looking at how the things have moved as of now post the election and stuff like that?

J. Satish: This year we have set a target of Rs.4000 Crores plus, which is quite comfortable because Q1 we have already secured orders close to Rs.748 Crores and Q2 we have already got close to 250 Cr plus and Rs.1000 Crores plus in L1 status, which is going to be materialize may be in 15 to 30 days . So with this we are confident that Q2 will be crossing close to Rs. 1200 Crores plus. We are confident that by year end we will be crossing Rs.4000 Crores and this year the mix could be close to Rs.1300 Crores plus will be from the O&M and mechanical will be close to Rs.1200 Crores and civil will be close to Rs.1100 Crores and electrical will be close to Rs.500 Crores and in terms of mix of power and non-power, 65% will be power including O&M and international and close to 35% will be non-power including petrochemical and others. International, we have kept a target of Rs.580 Crores to Rs.600 Crores..

Ankit Kanodia: And what would be the debt level and cost debt?

J. Satish: Debt level is close to Rs.390 Crores excluding the equipment loan which is around 300 crores plus is the working capital, the rest is in the form of equipment loans. The average borrowing cost at present is close to 9.8% to 9.9%, which used to be 9.6%. There has been slight increase because we are seeing since six months, there has been increase in the lending rates from most of the banks which may be due to liquidity issues.

Ankit Kanodia: Olay. Thank you so much.

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

Dhiren Shah: Good afternoon Sir. You mentioned that overall opportunity in business is around Rs.25000 Crores right?

S. K. Ramaiah: The opportunity?

Dhiren Shah: Yes overall?

S. K. Ramaiah: Yes.

Dhiren Shah: If you can split between the segments?

J. Satish: We have taken, this as a combination of both the domestic and international and power and non-power mechanical. In the domestic itself close to Rs.8,000 Crores of opportunity apart from that civil, we have identified more than Rs.2,000 Crores of opportunity. O&M both domestic and international there is close to Rs.3000 Crores of opportunities and on top of that electrical both railway, OHE, etc there is close to Rs.5000 Crores. In International, we have identified close to Rs.3500 to Rs.4000 Crores and that is mostly from Bangladesh, Saudi, Oman, Qatar and Kuwait.

Dhiren Shah: Okay Sir and the total order book till date is around Rs.7400 Crores right?

J. Satish: As of now, Yes.

Dhiren Shah: And Sir this excludes the project cancelation okay of Andhra Pradesh?

J. Satish: Yes you are right.

Dhiren Shah: Of Rs.512 Crores right?

J. Satish: Excluded from the backlog.

Dhiren Shah: And this also includes irrigation also or irrigation has included right now in order book?

J. Satish: As of now it is on hold, so this is the part of the order book..

Dhiren Shah: Okay and Sir overall EBITDA margin of our outstanding order book would be how much?

J. Satish: This should be in the range of 13% to 14%.

Dhiren Shah: Okay and you are going to likely to maintain this range?

J. Satish: Yes. because the fixed cost like staff cost and the contract execution expenses we could slightly fine tune. This is not in proportionate to revenue growth probably there could be a small probability that the EBITDA margin may slightly improve, we are working towards this and secondly for the projects like IOCL, petrochemicals, railways & other non power, these are the projects where we did not have the credentials earlier and we had to borrow the credentials for which we used to pay fees towards royalty in the range of 2% to 4%, and now probably one year forward we may not incur this type of cost since we will have our own credentials and we can bid for the projects with our own qualifications. So this may also help us slightly in improving the EBITDA margins.

- Dhiren Shah:** Okay and Sir lastly where you want to set on these networking capital days, so currently it is 123 days, so where are you looking, let us say next two years?
- J. Satish:** Next two years it should be in the range of 95 to 110 days.
- Dhiren Shah:** Okay 95 to 110 days?
- J. Satish:** Yes.
- Dhiren Shah:** Okay. Thank you Sir. That is it from my side.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Chirag Muchhala from Nirmal Bang Equities for closing comments.
- Chirag Muchhala:** Thanks Steven and I would like to thank the management for giving us the opportunity to host the call and to all the participants for their presence. Sir would you like to make any closing remarks?
- J. Satish:** **Thanks to all the participants for joining the call and**thank you Chirag for hosting this call.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.