



“Larsen & Toubro Limited Q1 FY19 Earning Conference Call”

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**MANAGEMENT: MR. ARNOB MONDAL
VP - CORPORATE ACCOUNTS & HEAD - INVESTOR
RELATIONS, LARSEN & TOUBRO LIMITED**

**MR. MANISH KAYAL - ASSISTANT GENERAL MANAGER
(INVESTOR RELATIONS), LARSEN & TOUBRO LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Larsen & Toubro Limited Q1 FY19 Earning Conference Call. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arnob Mondal. Thank you and over to you, Sir.

Arnob Mondal: Good Evening, Ladies and Gentlemen, once again a very warm Welcome to our Q1 FY19 earnings call. The format that we will follow will be our standard format where my colleague Manish Kayal will make a presentation that should take around 20 minutes or so, after which he will hand it over to me, and I will give few comments of my own and then we will open the session to Q&A. Just before we begin, I presume that all of you would have downloaded our Analyst Presentation from our website which was ready for download at 4:30 today. Over to you, Manish.

Manish Kayal: Thank you, Sir. Good evening everyone. I will go directly to the disclaimer slide. This is a standard disclaimer slide, which I will consider as read. However, we would like to highlight few points here. As mentioned, we may make some forward-looking statements which may or may not materialize and there are risks and uncertainties related to these forward-looking statements, which could go in directions that we may not have anticipated. It is in this backdrop that one should read all the comments that we will be making on the call.

Moving to the next slide, Slide #3 titled "**Presentation Outline**".

This presentation is broken into four parts. I will take you through the first three and Mondal Sir will share his views on environment and outlook. We also have some tables in the annexure, which I would request you to have a look.

I will move to the next slide of **Performance Highlights**:

This slide shows key financial and operational metrics for Q1. We believe it was a strong quarter on various parameters. I will take you through these numbers and further details in the next few slides.

Just want to highlight that we are progressing well on our journey of ROE improvement and for the trailing 12 months ending June 2018, the ROE stood at 14.6%.

I will move to the next slide 5 titled "**Key Financial Indicators**".

- Order inflow for the quarter grew by 37% on YOY basis from Rs. 264 billion to Rs 361 billion.

- Our order book currently stands at Rs. 2717 billion, which is around 3% growth on YOY basis.
- Revenue for the quarter stands at Rs. 283 billion, 19% growth on YOY basis from the last year Rs. 238 billion.
- EBITDA has grown by 40% at Rs 29 billion from Rs 21 billion last year.
- PAT is Rs 12 billion which grew by 36% on YOY basis from Rs 9 billion.
- Our net working capital stands at 20% to sales, and as I said earlier, the ROE is around 14.6% on TTM basis.

I will move to the next slide, Slide #7, which gives you an overview of order inflow and order book:

Order Inflow: Q1 witnessed strong ordering activity from both domestic and international markets. During the quarter, the domestic market inflow growth was higher. International prospects were also good. In domestic market, public sector continues to drive capex whereas the private capex is still muted and is on wait & watch mode. It will take some time for the private sector to revive. Sector wise Infrastructure, Heavy Engineering, and Hydrocarbon were the main driver for the Q1 growth.

Order Book: International jobs contributes around 23% versus 26% last year. Order book is primarily constituted by public sector clients. Our large order book is reflective of diversified sectoral presence and it provides us hedge against cyclicity.

I will move to the next slide, Slide #8, on “**Group Performance - Sales & Cost**”: Here you will see the movement from Revenue to EBITDA.

The revenue grew by 19% in Q1 from Rs. 238 billion to Rs 283 billion this quarter. Both domestic market and international market contributed to the growth. Infrastructure, Hydrocarbon, and Services businesses witnessed higher growth. International revenue contributed 34%.

The growth of **MCO expenses** was lower than the revenue growth and it was basically due to cost optimization and operating efficiencies.

Next is **Finance Charge** charged as **OPEX**. This item is the finance cost which are charged at operating expenses for our Financial Services business and the Finance Lease activity, which is our Nabha Power plant.

Staff cost expense is in line with headcount increase and higher scale of operations in services business.

SGA (Sales & Admin) increase is on account of cost provisions and business development expenses.

I will move to the next slide 8 titled “**Group Performance - EBITDA to PAT**”:

Our EBITDA grew by 40% in this quarter and this was mainly on account of our Services business. More color on these business specific EBITDA margin movement will be presented in their respective segment slides.

Finance cost (this is apart from the OPEX finance cost that I mentioned before) is in line with our debt levels.

Other income mainly comprises Treasury earning, which got adversely affected by rising interest rates.

JVs and subsidiaries and associates PAT share where we have a slide, Slide #31, which gives a breakup of components. You can refer to that slide. As you all know these businesses are consolidated under equity method and not consolidated line by line.

Non-controlling interest rise is mainly on account of higher profits in our subsidiaries.

I will move to the next slide, Slide #11 titled “**Segment Composition**” which gives you overview of the segment that L&T group operates in. During the quarter, we have made few changes and I would like to highlight that.

1. First is we have created a new reportable segment called “**Defence Engineering**”, which includes Defense and Aerospace (earlier part of heavy engineering) and Shipbuilding (earlier part of **Others** segment).
2. Second is we have business called Metallurgical and Material Handling (MMH), which has moved from **Others** segment to Infrastructure segment and consequently the **Others segment** now looks less crowded now with **IPM (Industrial Products and Machinery)** and **Realty** business.
3. As you all know, the transfer formalities of our **Kattupalli port** was completed in Q1 and hence port has been removed from the **Developmental Project** business.

With these changes, the number of externally reportable segment now stands at 10 and you can also see hashtag marks which are made in front of Roads, Forgings, and Power Equipment manufacturing businesses. These businesses are consolidated under equity method as per IndAS accounting standard and not consolidated line-by-line.

I will move to the next slide, Slide #12. Next three slides are mainly for reference purpose and I will highlight few key points from these slides.

Slide #12 on order inflow composition, one thing I would like to point out here is that the revenue of services business and other product businesses are grouped under order inflow and this is due to sales arising from short cycle orders. These businesses do not

appear in our order book. Domestic order inflow share is 74% and international is 26% for the quarter.

Slide 13 on order book composition. As you all know, infrastructure is our largest segment and that contributes 78% of the total order book. Domestic contributes 77% of the total order book.

Slide 14 on revenue composition. International revenue share in Q1FY19 contributed 34%, which is similar to last year.

Now, I will move to the next slides, which will start with segmental overview and I will start with Infrastructure segment on Slide #15:

As I mentioned earlier, MMH is now included here in Infrastructure based on IndAS accounting standards methodology. Infrastructure segment revenue grew by 10% Yoy and this growth was mainly led by Heavy Civil, Water, and Transportation Infrastructure businesses. Execution pickup led to a revenue growth. During the quarter, we received decent orders under rural water supply and lift irrigation schemes in water and effluent treatment business. Margin variation during the quarter was mainly due to job mix and stage of completion and Expected Credit Loss provision on contract assets under the newly introduced accounting norms (IndAS 115).

I will move to the next Slide #16 on Power Segment. Power sector as you all know is going through difficult period, which is also impacting us as we do Power EPC as well as Power Equipment Manufacturing under various JVs. Revenue for the segment declined by 39% this quarter and this is obviously result of high competition and lower order intake for the segment. Execution of international jobs are on track and that is visible from the growth that we had from Rs 2 billion to Rs 3.5 billion on YoY basis. Margins for this business benefited on account of ECL write -back on better working capital management. As I said earlier, we have few JVs, MHPS and other JVs for power equipment manufacturing and these are consolidated at PAT level under equity method. These are our high margin manufacturing businesses, which is not consolidated line by line and hence not reflected in the above numbers. The profits from these are included at the PAT level.

I will move to the next slide, Slide #17, on **Heavy Engineering**: As mentioned earlier, Heavy Engineering segment will now include PPN (Process Plant and Nuclear equipment). This segment witnessed good revenue growth of about 29% during the quarter mainly due to Oil & Gas and Nuclear Power equipment business. We cater to fertilizer, refinery, petrochemical, chemical, oil and gas, thermal and nuclear power, in Heavy Engineering segment for their equipment requirement and provide other services. Segment benefited from stage of execution and settlement of claims.

One other business that is part of heavy engineering segment but is not consolidated line by line is a Special Steel and Forgings business, and that is consolidated under equity method. Though we received a few orders in Q4 FY18, the forging business is still facing low capacity utilization and impacting profitability.

I will move to the next slide, Slide #18, which is **Defence Engineering** segment: Segment includes Defence, Aerospace business, and Defense Shipbuilding. During the quarter, revenue growth of 37% on YoY basis was mainly on account of growing order book. Shipbuilding as you all know is still underutilized and that is impacting the financial performance of the segment. Margins during the quarter are better as last year we had inventory write-down.

I will move to the next slide, Slide #19, on **Electrical and Automation**: On a like-to-like basis, E&A business grew by 13% in Q1 and this quarter was primarily driven by products business. Operational efficiencies and improved realization in product business, led to margin improvement. As you all know that we have entered into a definitive agreement with Schneider for which we are awaiting regulatory approval.

I will move to the next slide, Slide #20 on **Hydrocarbon**: Hydrocarbon sector has witnessed strong ordering activity in both domestic and international market and during the quarter we had good wins in the domestic market. Higher order book and efficient execution led to revenue growth of 39% during the quarter. On margin front, the variation is due to operational efficiencies and job stage mix. As you all know, this segment has seen complete turnaround in FY17 and has shown good order inflow momentum and profitable execution since then.

I will move to the next slide, Slide #21 on **Developmental Project (DP)** segment: DP segment constitutes Power Development, Hyderabad Metro, and Kattupalli port. Transfer formalities for Kattupalli Port were completed in Q1. On the Power Development side, Nabha power revenue growth was higher and that was mainly on account of higher PLF whereas last year we had non-accrual of washing charges and that was one of the reason of getting higher revenue growth for the quarter. Regarding Hyderabad Metro, we have included financials for three months as we have achieved partial COD in November 2017.

On the margin front, margins were positively impacted by value monetization of Kattupalli Port. During the quarter, we also successfully launched our InvIT, which consisted of five road assets . This was the first private InvIT listed on Indian stock exchanges and have seen marquee investors subscribing to it. Our other developmental projects such as Roads portfolio and transmission line (Kudgi) are being consolidated at PAT level as we have private equity CPPIB as the participating partner there.

I will move to the next slide, Slide #22 to, IT and Technology Services segment: These are separately listed entities and they have announced their results separately.

Detailed presentation of both the companies are available on their website. I would point out some key points from their results.

L&T Infotech witnessed decent growth from BFS, Hi-tech, Media & Entertainment, and CPG Retail and Pharma verticals

L&T Technology Services witnessed revenue growth from Telecom & Hi-tech, Transportation and Process Industry verticals.

Both the companies are focusing on client mining, product offerings, based on digital and other new technologies. For more details, as I said, one can visit their website for detailed overview.

I will move to the next slide, Slide #23, which is **Others Segment**: Lower offtake in IPM business has continued to impact this business performance. Revenue and margin growth for this segment was mainly contributed by the Realty business due to adoption of completed contract method under new IndAS 115. EBITDA margin excludes provision for a disputed project in realty business.

I will move to the next slide, Slide #24, **L&T Finance Holding**: Again, this is separately listed company and they have come out with their results last week. L&T Finance Holding has also transitioned from IGAAP Accounting to IndAS accounting from this year onwards. On this slide, we have mentioned few points from their results. They have achieved strong growth in rural and housing segment and asset management businesses is also growing fairly well. The focus for L&T Finance Holding has been on increasing retailization, stable NIMs, increasing fee-based income, and low credit cost with an overarching goal of delivering top quartile ROE. They have also made a detailed presentation and that is available on their website. I would like to request you to have a look.

With this, I hand over the call back to Mr. Mondal.

Arnob Mondal:

Thank you, Manish. Now, we will move to the Environmental & Outlook slide. As usual, this is a very complicated slide which all of you would have seen similar variants in the past as well. Suffice to say that everything that you see in the inner circle is geared around our overarching goal meeting of increasing ROE. These components are the essential levers that we are trying to pull in order to achieve our ROE goals. The components outside the circle are the various external factors that do tend to affect our functioning primarily because we are so large and are considered proxy for India's infrastructure and hence we are dependent on the economic growth.

I would like to touch upon the macro first before pointing out a few company specific things and then I will open it to Q&A.

As far as the macro is concerned, we still see very strong ordering momentum, investment momentum from the public sector in the area of roads, water, power transmission and distribution, metros, and hydrocarbon. The funding's for these projects are coming from four sources 1) Central Government, 2) State Government 3) cash-rich PSUs, and finally you have got 4) Bilateral and Multilateral lending agencies like JICA and World Bank who are lending increasing amounts at very soft coupons. There are some concerns, which I think all of us are aware of and those would center around oil price movement, currency, twin deficit, possible fiscal slippages, and of course something which is unknown at this point of time is a potential trade war that is brewing on a global stage. We don't have a clear idea as how the trade war would affect us directly or indirectly.

As Manish mentioned, private sector capex is still muted. At one point of time, I think all of you know the roads and power were the poster boy of Infrastructure PPP and both of them fell off the cliff. Today, there is a fair bit of interest that has been exhibited by new set of private sector players in HAM (hybrid annuity projects) project.

Real estate private sector which was booming at one point of time is very depressed. Industrial capex as far as private sector is concerned will depend on capacity utilisation. Today utilization levels are not so high and in addition to it the IBC resolution have to be completed before it is likely to come back in a strong way. Of course, capex from consumption segment is happening, but we tend to be late cycle beneficiaries, for example, if some car company sells more and more cars, at some point of time they will put up another factory and that is where we come into business, but typically that does not really swing the needle very much for us in terms of order inflows.

One under reported fact is that a lot of rural development has happened. Our sense is that a lot of rural development has happened. For example: the road connectivity has gone up from 55% to 82% in last four years. Infact 55% was achieved over 70 years post independence, so it is a significant development. Intensive rural electrification through Saubhagya program has also seen quite a bit of traction. Last year, we got some significant orders under Saubhagya and in the current year as well, we have got some orders under Saubhagya Scheme and that is the thrust government is trying to ensure that any person sitting in rural house can witness a scenario where his children read under lights and not under smoky lamp, but ultimately, we tend to benefit from the electrification capex. There are other things like Swachh Bharat, 7.5 crores toilets have been built, rural housing over one crore houses, Jan Dhan, Aadhaar & DBT troika has quietly happened, not much fanfare is being made but the fact that 330 million new Jan Dhan accounts have been opened in the last four years, four lakh crores of subsidies have been transferred to bank accounts replacing the leaky public distribution system. Anyway we do not get traction from all of these, but things like rural electrification give us some traction, so that is the macro situation, which is bit of a mixed bag in the

sense that private sector capex is yet to come back, but we expect that it will come back at some point of time maybe in the medium-term.

Now, I think there are some company specific matters that are worthy of mention.

Firstly, in new Accounting Standard IndAS 115 was introduced from 1st of April this year, so our financials had to be compliant with that standard and it has affected realty business as far as our business are concerned in the sense that most of the realty projects have now moved to completed contract method and hence part of the past profits have been debited to opening results and now it is unlikely that you will see a very smooth trajectory of revenues and margins since we have adopted a policy that we will account for revenues at handover of flats. We did handover some flats in Crescent Bay project in Q1, so there is some revenue.

Kattupalli divestment I think all of you are aware that we consummated the transaction finally and that has led to around Rs 350 crore profit. We managed to sell the asset as it is our business model as far as developmental assets are concerned. We have all along maintained that as far as concessions are concerned, we would like to develop quality assets and sell it to a long term player.

We also consummated the Infrastructure Investment Trust (InvIT) transaction where Manish mentioned that we divested roads into the InvIT and we got a profit of around Rs 400 crores from that, which we have also accounted for.

This year there has also been one other change in which is on Expected Credit Loss (ECL) model. What has happened is that under IndAS 115, they linked it to IndAS 109 where earlier we used to provide for Expected Credit Loss (ECL) on Financial Asset, essentially Accounts Receivable / Debtors which were overdue. Under the new dispensation, we also have to account for Contract Assets, which means that if I have Contract Work-in-progress which are not yet billed, I also need to apply the Expected Credit Loss model instead of the incurred Credit Loss model on contract assets. Now, this has also been applied and few outcomes is that the current year charge is relatively negligible, but there are some debits and some credits. For example, Infra and Defense Engineering segment have landed up with additional charges and because of reduction of WIP in Power and Heavy Engineering, they have landed up with a credit, but overall its negligible. We have debited slightly over Rs 450 crores post tax ECL on contract asset to opening reserves.

Another thing that has happened is as far as opening reserves are concerned, financial services have also adopted IndAS 115 and they have not just adopted IndAS 115, they have changed their accounting policy on provisioning. They have gone beyond the RBI provisioning of 90 days DPD. They have also started provisioning on assets where regulatory forbearance is available like SDR or CDR, etc. In addition to that even under normal assets where you are not forced to make provision, they assess every debt and

they define any incipient stress in that category, they are providing for that as well. So what has happened is that on a post-tax basis, they have also debited approximately Rs 1100 crores to opening reserves of which some has gone to non-controlling interest and balance to net worth. As far as the consolidated net worth is concerned, we have seen a total debit of around Rs 1900 crores in the consolidated opening reserves of net worth.

One last thing, Shankar Raman also briefly mentioned that we ran into dispute in a particular realty project and it is sub-judice at this point of time. But as a measure of prudence, we have also provided a fairly large chunk of provisions against that particular realty project. It is currently pending in the Supreme Court level. We have not waited for the outcome and provided for it.

With that I would like to hand it over to Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Arnob, my first question is on the realty business, which project has really contributed in first quarter and what is the quantum of provision write-off that we have had in this business and if you could elaborate on what is the nature of the same, whether everything is being accounted for, could there be something more which could come later?

Lastly, how should we be looking at this quarter going forward given that revenues are going to be lumpy, what should our expectations be for this year?

Arnob Mondal: I think I will answer your last question first, revenue recognition in realty will be lumpy, and it will be entirely be based upon handover of flats. So if for example, one tower say, Emerald Isle in Powai is given to flat buyers, the entire revenue for that tower on handing over to individual buyers will get recognized in one shot. That is the law of the land now, there is no way in which we cannot follow that, so I will not be able to give you any idea of what sort of lumpiness will be there, suffice to say that in the current quarter, we handed over a fair number of flats in Crescent Bay and hence we also managed to accrue revenues on that front. We do not guide on individual asset / project. We knew that this IndAS 115 was coming way back in February when we knew that the earlier guidance of Institute of Chartered Accountants will no longer be applicable when IndAS 115 comes, so we have factored in completed contract method basis on accounting for realty budgeted in our budget, so whatever guidance we have given you in terms of sales and margins includes booking of the revenues and margins on completed contract method.

Secondly as far as the realty project under dispute is concerned since it is sub-judice it would not be appropriate for me to mention the project even though I do know that there will be some amount of speculation. There are some work done and whether the

amount related to that work done is actually recoverable or not we are not sure of that, but more than that we had also given an advance of Rs 485 crores and we completely provided for that primarily because it is sub-judice. If we manage to get the title back and we manage to start work on that project then obviously that will become recoverable at that point of time, so that is the provision that we made.

In addition to that as a normal business operation, we have impaired the Work-in-progress may be to the extent of around Rs 250 odd crores, which would be a normal business expense in any case.

Aditya Bhartia: In relation to Kattupalli port, what would be the revenue and EBITDA that we would have recorded on monetization in Q1?

Arnob Mondal: We received major part of the compensation earlier itself from which debt was paid off. We have booked now is only the profit element around Rs 350 crores net of expenses reflected in both in top line and bottom line.

Aditya Bhartia: Even when we look at Profit from Associates, IDPL essentially shows a profit, is it on account of InvIT that we have done and if that is the case then how is the accounting being done out there?

Arnob Mondal: You are correct, IDPL does show a profit. Essentially that many components in the IDPL profit, what is that approximately Rs 400 crores of gain that we have booked. Then we have also provided for some warranty provision, there are road assets that have a recurring loss and two projects Deccan tollways and Sambalpur Rourkela also was not commissioned in last year Q1 which have got commissioned which is leading to additional losses. There is a residual element of the roads which divested on InvIT, because the InvIT fructified on 10th of May, so for part of the quarter almost half of the quarter the losses are still booked. All that together gives a Rs 255 crore profit at a PAT level after accounting for around Rs 400 crores on InvIT.

Aditya Bhartia: How exactly is this accounting taking place, if you could just briefly explain?

Arnob Mondal: It is recorded at IDPL level. Every IDPL SPV gets consolidated, and Rs 400 crores has also got consolidated as one single line share of PAT.

Moderator: Thank you. The next question is from the line of Venugopal Garre from Bernstein Investment. Please go ahead.

Venugopal Garre: Firstly, on the realty provision - I am sorry I did not get the total number because you said there were several parts to it including advances and some write-off?

Arnob Mondal: Advance provision, it was not a write-off because one other thing I must also tell you that we have provided around Rs 485 crores of advances and even if we have not taken

any DTA credit yet. If we execute a project and we make profits then business houses could get carried forward, but because we have taken a bit of a conservative view, we have not created any DTA on that Rs 485 crores. We have also impaired the WIP of around Rs 250 crores approximately.

Venugopal Garre: In the other segment when I see that Rs 400 odd crores of PBIT loss, from a really perspective it will be the provision on account of advance of Rs 400 crores and 350 crores of WIP Impairment...?

Arnob Mondal: The principle of accounting is that whatever you show on your balance sheet should be realizable. If your estimated realizable value is lower than your carrying cost, you will have to impair the carrying cost.

Venugopal Garre: Rs 700 crores plus is the one which sits there in the others PBIT as the other number?

Arnob Mondal: Correct.

Venugopal Garre: The second question is related monorail newsflows. Can you give us the summary of the issue and also are there any potential provisioning required to be done on that?

Arnob Mondal: Whatever potential provisioning are required to be done is already done. We had an arrangement whereby we would put up the Monorail, Scmi would supply the rolling stock, and we would maintain it for three years. Now, the three years period is already over. It is unfortunate that the stretch from Wadala to Jacob Circle got stuck in the initial years for a very long period of time. If you remember that during the terror attacks in Mumbai and the prisoner Kasab from Pakistan was lodged in Arthur road jail and immediately after that, they implemented a No-Work zone around that, which means that we could not progress on that. Now that was obviously a force majeure clause and lot of time went in getting that resolved, so there was a big delay on that count. Now, what is happening is that portion is also likely to get commissioned, but our O&M period is over, so the State Government is asking us to continue maintenance of that, of course, we are still negotiating, so that is the sequence of events and the current status.

Moderator: Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.

Inderjeet Bhatia: My first question is on the guidance and particularly on the margin guidance, so does our margin guidance of 25 basis points odd expansion, how does it work now with this real estate accounting change, is it including these losses or you want us to kind of exclude this one-time write offs. In that context if you could give us some idea in ballpark terms where the real estate is going to be on a full-year basis dramatically different from run rate basis or is it going to be kind of fairly in-line without getting into specific numbers, that would be helpful?

Arnob Mondal: This was an unanticipated event because we lost a High Court case in Q1 and that was the event that triggered this provision. It was unanticipated to that extent. If you take the entire accounting loss as reduction of margin then it may so happen that we may not meet our guidance. However, if you do exclude it, we are well on track to meet our guidance.

One thing which you could take as a business thing would be the WIP impairment as a business loss not the Advance provisioning, so if you take the WIP impairment as business loss in Q1 still shows I think it was Rs 70 basis points improvement in core business margin.

Inderjeet Bhatia: In terms of the revenue number on the real estate, any broad sense without getting into specific numbers, because real estate margin profile is very different from other parts of the core business, so if you could give us some color on whether it is going to be dramatically different from usual run rate?

Arnob Mondal: I do not think it will be dramatically different. Earlier POC method of accounting also meant the regular accrual of revenues and margins provided you reach a 25% threshold which all our projects would have crossed in any case in the current year. , I do not think it will be dramatically different, but it would mean that from quarter to quarter you will see volatility. For example, in this quarter we booked around Rs 700 crores of revenue on account of realty. If we had booked on POC method, it would have been lesser by around Rs 450 odd crores. To give another point here: as far as realty is concerned the profits that we have booked earlier have got reversed and debited to opening reserves. The post-tax profits that we have debited to opening reserves is around Rs 225 crores on account of realty, which means that whatever we had recognized on POC without completion as a net profit of Rs 225 crores. Now, that will play out over a period of time when those projects that we had recognized in the past get recognized once again under the new accounting norms. Maybe Rs 100 to Rs 125 crores of additional profit would also may have been recognized in this quarter because of handover of flats in Crescent Bay.

Inderjeet Bhatia: My second question is on Heavy Engineering, we have some claims which have been settled which has contributed to margins sharply higher, can you just give us a rough sense as to what is the amount of the claims and what is ...?

Arnob Mondal: What happens is that whenever there is a delay in delivery, the delay could be on our part, it could be on the customer's part. If it is on the customer's part, we make sure that we document the reasons for delay, but at the same time we may have to face the penalty, the customer will just deduct the LD from payments and not pay us and we start negotiating. At some point of time, we may recover those deductions, that would be the claim. I must also tell you that in case of Heavy Engineering also landed up with the ECL credit on contract assets which boosted margins. I had mentioned that heavy

engineering has landed up with the ECL credit earlier when I mentioned about the change in accounting norms like infrastructure landed up with due to which their margins would probably not have gone down by 30 basis points if they had not incurred that ECL on contract assets.

Inderjeet Bhatia: If you can just share, is that a very meaningful number, this claim?

Arnob Mondal: The total ECL on contract assets is offsetting, charge in Q1 is barely Rs 3 crores.

Inderjeet Bhatia: Just the claims in the heavy engineering?

Arnob Mondal: Including ECL on contract assets would be around Rs 40 odd crores or so. What is happening is that if businesses manage to reduce the level of unbilled revenue or contract WIP, they will end up as credit, just like in power they have collected loan outstanding, so they have got credit on the ECL for on accounts receivables.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Sir, your services business have done pretty well, infrastructure is still at about 10%, are we looking to enhance that growth and are there projects which are closing in terms of revenues booking momentum?

Arnob Mondal: You would notice that the growth has come from domestic, if you just look to Slide #15, the yellow shaded part is the international revenues and the grey one is domestic, so domestic execution is doing fairly well. Internationally we have been very cautious in what we have been bidding for and as you would recollect during the last couple of years when oil was at a low of \$ 40 a barrel, a lot of the investment momentum and opportunity basket had also shrunk and we have become very careful bidding in the Middle East due to number of reasons 1) number one it is a very volatile region and 2) it has been becoming increasingly difficult to operate there due to issues that localization and restriction on Visa, etc .

We are also looking to diversify in geographies outside Middle East, which I mentioned earlier. Domestic execution seems to be picking up, now it all depends upon some of the orders that we have got internationally. For example, Dhaka Metro and a few others. When their revenue starts kicking in, so we do think that the execution will go up.

First quarter is always a difficult quarter for execution. Firstly, after Q4 when all customers are in a hurry to release payments and fulfill their commitment budgets and hence we can also execute in full swing. Q1 tends to be a bit of a dull quarter. On top of that Q1 is also the hottest quarter of the year, Q2 wettest quarter of the year because of the monsoons, Q3 artificial holidays from Dussehra to Diwali to Christmas, Q4 no such

man-made or natural seasonality, so there will be bit of seasonality in our revenue growth, so when you are looking at 10%, I would like to say this over and over again that please do not interpolate or extrapolate quarterly numbers to arrive at a judgment on what could happen at the end of the year. We have guided for a 12% to 15% growth in consolidated revenues and we maintain that.

Abhishek Puri: Sir, secondly on your, slide mentions that there are still enough number of domestic opportunities, maybe if you can talk about some of the segments and specifically we are hearing from some of the other competitors that the payment terms have been getting worse across the clients, do the Government contracts also see these kind of changes recently in any of your contracts?

Arnob Mondal: I do not think we have seeing anything different from what we had seen in the past. It was our stated philosophy that if customers do not pay on time, we will slow down execution and if it reaches an extreme case, we will demobilize, and we continue to follow that policy, so I do not think there has been much of a difference. Prospect base is fairly large, in fact Infrastructure excluding Power T&D prospects are Rs 2,90,000 crores. If it is Power Transmission & Distribution, that is another Rs 80,000 to Rs 85,000 crores, Power Generation capex is another Rs 45,000 crores, MMH would be Rs 17,000 to Rs 18,000 crores, Hydrocarbon would be around Rs 85,000 crores, so these are fairly significant opportunities. The total EPC business opportunity base is more than Rs 5,40,000 crores, so that is a very large opportunity base and I am talking about the opportunity for the remaining nine months of FY19 financial year and not next one year.

Abhishek Puri: Sir, out of this base in last year FY17, how much materialized for you overall, I think last year also you were talking about somewhere around Rs 5,80,000 crores?

Arnob Mondal: No, but that was for the full year. For the full year, in the beginning of the year, this year prospect was Rs 6,50,000 crores, which is now around Rs 5,40,000 crores.

Moderator: Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is on the Defense Engineering segment that you have reported, our understanding is that on a full-year basis, shipbuilding which would be one of the bigger contributors here is loss-making at the EBITDA level, so I know this is just a quarter, but has anything changed there given that you reported 11% margin, or it is just a function of mix?

Arnob Mondal: It is just a function of mix.

Sumit Kishore: Nothing has changed on shipbuilding, it continues to be loss-making at the EBITDA level?

Arnob Mondal: Yes.

Sumit Kishore: The second question is on the core business tax, I am referring to the slide in the annexure, if I look at L&T and Others, the tax for the quarter is about Rs 530 crores which appears to be more than the PBT of the segment at the core business level, so how should we interpret this?

Arnob Mondal: I mentioned earlier that all the provisions that we took on realty, we have not created a DTA because of prudence. If we had created that, the tax rate would have come down dramatically. Secondly, we also got a fair amount of increased dividends on which we have had to take the DDT charge and the credit would come next year, these are the primary reasons why the tax rate seems to have gone up.

Sumit Kishore: Gain on sale of Kattupalli, the related tax would be coming in the developmental of project segments or in the section of your P&L?

Arnob Mondal: Nothing on that. No tax on that.

Sumit Kishore: Finally, your business development expenses that you talk about in your S&A expenses, is it specifically related to any particular business segment where you are looking for future growth opportunities?

Arnob Mondal: No, it is a normal business development that we do on across segment. One thing I must mention that Rs 485 crores provision is sitting in SG&A because that is the provision against advance.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, two questions from my end, A, on the depreciation side both for developmental projects and in L&T have seen depreciation being a bit higher, so would the developmental project largely be related to the Hyderabad Metro proportionate work or there could be any one-off element there?

Arnob Mondal: We have impaired CWIP of Hydel projects that we are executing where DPR is completed. At this point of time tariffs across the board have fallen, so it may not look remunerative anymore to go ahead. We may have to surrender and so on a prudential basis we have depreciated couple of WIP that we are doing for Hydel power projects, so that is the essential reason for the increase in depreciation charge.

Renu Baid: Sir, what could be that number if you can share, so that we know what is the non-recurring item here?

Arnob Mondal: That would be around Rs 100 odd crores.

Renu Baid: But otherwise the depreciation for the rest of the core business is broadly ongoing. There are no one-offs or any other item related to that?

- Arnob Mondal:** Nothing very much, I think if you take out that Hydel Power thing it would be pretty much in line.
- Renu Baid:** Sir, in the opening remarks made by Manish, some comments were around the cost provision also, which we have made in other expenses, so any specific business towards which this loss cost provisions were done and what could have been the number?
- Arnob Mondal:** The depreciation Rs 62 crore was on one and on the other it was 37 crores, so it is around 100 crores increase on the Hydro power depreciation projects and the cost provision that we are talking about are essentially ECL contracts as well ECL provisions.
- Renu Baid:** So this number is the similar number which you had mentioned earlier?
- Arnob Mondal:** Yes.
- Renu Baid:** Sir, in the previous question you had briefly mentioned of the market prospects, if you can elaborate a little more with respect to the different segments, how are we seeing the prospects for the next nine months and does the view remain that the orders inflows that we are seeing are essentially front ending of orders and not a much wider broad-based pick up in the domestic market?
- Arnob Mondal:** Firstly, I do not think I will be able to give you so much granular details. Suffice to say that Rs 5.40 lakh cores is prospect base which we hope will get converted to awards and as far as infrastructure is concerned it is almost evenly spread out between Building & Factories (including Smart World & Communication), Heavy Civil, Transportation Infra and Water. It is likely to be less skewed than in earlier years.
- Moderator:** Thank you. The next question is from Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Sir if you can elaborate on updates in in 'Namami Gange and the water related projects which we were expecting because till now we have not seen any signs from those kind of large water projects.
- Arnob Mondal:** When you talk about 'Namami Gange essentially it encompasses both sewage treatment plant as well as effluent treatment plant. Now while the total program size & fund allocation may appear large, actual ordering happens on a much smaller scale. For example, Sewage treatment plant single order could be Rs 150 crore size. So it is not that you will see blockbuster orders being tendered in one shot and that is why you do not get to hear about it. If you go by our press releases we have got significant orders in lift irrigation this year.
- Renjith Sivaram:** Now we have got that InvIT money, will there be any change in thought process regarding bidding for HAM projects in road or other areas?

- Arnob Mondal:** It is up to IDPL to decide whether they want to bid for HAM projects or not. I guess it would make some sense because the remaining ten projects in IDPL have revenue risk embedded whereas HAM projects are more annuity type. So it is up to the them, but the philosophy is that L&T would not like to invest any more equity in this portfolio. So if they want to churn their capital and bid for projects, they will have to do it through whatever cash they have and if they require any additional cash they have to flip assets to generate that cash.
- Moderator:** Thank you. The next question is from Venkatesh Balasubramaniam from Citi Research. Please go ahead.
- Venkatesh B.:** Sorry to ask the same question just to clarify for one last time. Sale of Kattupalli Rs 350 crores is part of both revenues and part of EBITDA, correct?
- Arnob Mondal:** Yes correct.
- Venkatesh B.:** And on the InvIT sale which is around Rs 400 crores profit that would form part of Share of Profit of Associates.
- Arnob Mondal:** Yes correct.
- Venkatesh B.:** Then the real estate provisions of Rs 735 crore that is Rs 485 crore plus Rs 250 crores that would be part of I can see there in the segmental you have to adjust in the other segment, but in the number, this is the main result part is it part are S&A cost because that number looks very high.
- Arnob Mondal:** Rs 250 crore would be part of Sales & Admin cost, but the WIP impairment would be part of MCO expense (Manufacturing Construction and Other expenses).
- Venkatesh B.:** Now you also mentioned that the ECL basically balanced out whatever was a higher ECL in infrastructure was balanced out with lower ECL in Heavy Engineering am I correct?
- Arnob Mondal:** ECL in Infrastructure and Defense where they took a bit of hit but balance out with Heavy Engineering and a bit of Power as well. This is on Contract Assets under IndAS 115.
- Venkatesh B.:** Now the Heavy Engineering, the slide also mentioned that there were certain claims which you got in this quarter. So, is it possible to quantify that or you do not want to quantify it?
- Arnob Mondal:** I will have to disappoint you on that Venky.

- Venkatesh B.:** Now last question on the Others segment has seen a decent jump in revenues from say Rs 942 crores to almost Rs 1373 crores, is there a onetime lumpiness in that and any particular reason for that and this should be real estate led.
- Arnob Mondal:** It essentially real estate led.
- Moderator:** Thank you. Next question is from Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** Just doing the bridge I think Venky did that most of it. If you adjust for the negative, if you add back a negative on reality, reduce the Kattupalli one-off and the HE one off that you mentioned that the EBITDA is more or less equal to Rs 13.5 billion on a recurring basis is that a correct assessment on the L&T and others?
- Arnob Mondal:** I would not like to comment on that.
- Bhavin Vithlani:** We are seeing a significant drop on the reported basis in a negative number on L&T and Others if you give multiple on that so that is where was emphasizing if you could help on a recurring EBITDA on that?
- Arnob Mondal:** I have given all the levers that you can pull to arrive at your conclusions.
- Bhavin Vithlani:** Not future we had these one off not been there.
- Arnob Mondal:** I have given you all the information on what it is up to you whether you treat it as a one off or recurring.
- Bhavin Vithlani:** Second if you could share what would be revenues and EBITDA over the Metro part and also and how do we see going forward what is the full commissioning happen by November?
- Arnob Mondal:** Full commissioning I am not sure whether it will happen by November or not. Probably not but some part would be happening in FY20 maybe June/ July but that is speculation at this point of time. We applied for time extension because as you know a lot of time was wasted in things like state partition, realignment, etc.
- Bhavin Vithlani:** What would be the revenue for metro in the current quarter revenue in EBITDA in the current quarter?
- Arnob Mondal:** Revenue is slightly over Rs 100 crore wherein half is external construction revenue which is booked on no profit & no loss basis. At PAT level, it is somewhere around negative Rs 30 crores to Rs 35 crores.
- Bhavin Vithlani:** What would be the EBITDA if possible to share?

- Arnob Mondal:** EBITDA is slightly positive at around Rs 10 crores.
- Bhavin Vithlani:** Lastly, we saw slight uptake in the working capital is it like more or less quarterly variation which you mentioned 19% or 20% would be the moment and we stick by 19% guidance for the year?
- Arnob Mondal:** We have not given any guidance on working capital to sales number. We have achieved 19.2% at the end of last year and we said that it may be difficult to reduce it any further in fact you may see anything around 20% odd. See what happens in quarter one lot of payment that are held back by everybody like also vendors are also paid off in quarter one so there is a bit of seasonality there as well and business are fully aware of the importance of this, so we will try to hold it to these levels. We said is that it could vary between 19% / 20% and there could be quarterly spikes you could also see some quarter where it is exceeding 20%. Certainly not expecting a blowout.
- Bhavin Vithlani:** Taking back memory to the last time when the interest rates start moving up and we had to lend a helping hand to our vendors because their interest rates went awry. We are seeing similar signs because about 12 odd PSU banks being in PCA regime. There is some amount of lending curb to the SME companies, are we seeing that getting little bit adverse on the supply side payment terms and that is the reason why the working capital moved up a bit or if you could give more color on the supply side creditor related part?
- Arnob Mondal:** At this point of time I do not think there is anything very much different but going forward it is anybody guess whether vendors will start seeing the stress or not.
- Bhavin Vithlani:** As of now its business as usual what we saw it last year.
- Arnob Mondal:** But working capital is notoriously difficult to predict.
- Moderator:** Thank you. The next question is from the line of Rajesh Majumdar from Stewart & Mackertich. Please go ahead.
- Rajesh Majumdar:** On order inflow can you give you a percentage of how much you have got from government and how much private, we have seen the private capex has not been that much, so just want to get an idea?
- Arnob Mondal:** Around 75%-80% would be from public sector and rest 25% from private.
- Moderator:** Thank you. The next question is from Shirish Rane from IDFC Securities. Please go ahead.
- Shirish Rane:** Just a small question is there any material impact of any forex loss or gains in the quarter?

Arnob Mondal: On the consolidated level there is no impact. It was just marginally Rs 2 crore negative versus Rs 7 crore negative in Q1 last year.

Moderator: Thank you. The next question is from Amar Kedia from Nomura. Please go ahead.

Amar Kedia: My first question is about the Infrastructure segment wherein now you have MMH and when I look at the last year same quarter number that you have restated what I see is the MMH business made a loss of about Rs 60 crores at the EBITDA level and despite that the Infrastructure segment margins have dropped 30 basis points. I understand the ECL part as well, but what I wanted to understand is has the MMH business continue to remain in EBITDA negative zone or has that improved then what that essentially means that the infrastructure margins have gone down.

Arnob Mondal: That is correct it was around Rs 60 odd crores.

Amar Kedia: Rs 60 crore was the loss in MMH last year has that changed has that increased any idea?

Arnob Mondal: See let me put it this way MMH has improved, but I cannot give a granular level details of every single business verticals within infrastructure segment and all as you know that as policy we talk about infra as a whole yes MMH has improved somewhat definitely.

Amar Kedia: Second is basically if I look at the infra segment again based on the commentary that you have been giving in the past many quarters that water has been a growing segment in terms of order inflow, so this is something that it would be helpful if you could give more clarity in terms of which are the states which are really active in the water space, how is the funding whether the states are funding it themselves or it JICA or World Bank related funding, is there any payment issue, color on execution timeline on this segment?

Arnob Mondal: We do not like to talk about individual states as it becomes too region specific, but it is sufficed to say that whether it be bulk transmission, water treatment, conversation of raw water to portable water or sewage treatment plant or effluent treatment plant or lift irrigation, all of these are seeing significant traction and obviously some parts of water are externally funded either from Central Government budgetary allocations or from external agencies like JICA, etc.

Amar Kedia: The reason why I asked this question is because long time ago water was very heavy sector at least for Andhra based companies and we have seen what has happened to them. What I wanted to understand is that is the situation very different from those times and to get a sense on how confident are you in terms of these states honoring these contracts and its impact on margin and payments.

- Arnob Mondal:** See when we bid for a contract we consider all that. I would not like to comment on other companies whether they were prudent or whether seen stress or whatever, but when we bid for a project we consider financial capabilities of the client to pay as well. So we think that from whatever we are bidding for and whatever we are getting is good and history bears it out that we hardly have any provisions against credit risk in water segment at least.
- Amar Kedia:** Just last question that I had was on the cash flow, could you help us with operating cash flow or free cash flow that you could have made in this particular quarter?
- Arnob Mondal:** Cash flow part is a bit complex in the sense that what we have to do that, because of debit to opening reserve that could reduce the working capital on paper but actually it will not lead to cash inflow. So, we see working capital has gone up to some extent.
- Moderator:** Thank you. The next question is from the line of Salil Desai from Premji Invest. Please go ahead.
- Salil Desai:** ECL provisioning on WIP, now this I am assuming is a one quarter phenomenon when you start provisioning for the first time when the transition happens, beyond this there should be only incremental provisioning which should happen on the WIP that is very much similar to what happened when the IndAS came in for financial assets ECL.
- Arnob Mondal:** We have debited around Rs 450 crores to opening reserves which is a post tax effect of ECL on contract assets. So, incrementally it will depend on movement in WIP ultimately going forward quarter-to-quarter. So, if WIP shoots up in a one quarter you will find an ECL charge to come-in in that quarter depending upon the ageing. If some old WIP gets reduced, you will find that ECL credit in that particular quarter. So, it will operate just like debtors So, what you say is correct.
- Salil Desai:** On Defense Engineering it is possible to give what was your order backlog at the beginning of the year.
- Arnob Mondal:** We will not be able to give that but at this point of time it is around Rs 11,000 crores.
- Moderator:** Thank you. The next question is from Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** So, most of my questions have been answered just harping again on the infrastructure segment margin. So, can you share the number what the margin would have been had there been no ECL provision in this particular quarter?
- Arnob Mondal:** The margin would have been higher by around Rs 32 crores.

- Pulkit Patni:** Rs 32 crores for the infrastructure segment had there been no ECL provision.
- Arnob Mondal:** In absolute terms it has gone up by around Rs 43 crores it would have been higher by around Rs 32 crores.
- Pulkit Patni:** And secondly since we are seeing the orderbook on the Power deplete quite quickly just wanted to check what would be the extent of fixed cost overheads in that business assuming orders do not come through given the current scenario what is the kind of fixed cost that business today is incurring?
- Arnob Mondal:** Fixed cost is essentially manpower cost because heavy fixed cost like depreciation and factory overheads and all are sitting in the Power Equipment Manufacturing JVs.
- Pulkit Patni:** Any number that you can approximately share for fixed cost for the power business So, that we know what could be the worse-case margin here?
- Arnob Mondal:** I will not be able to give you that level of granular information. Sorry to disappoint you.
- Moderator:** The next question is from Nishant Chandra from Temasek. Please go ahead.
- Nishant Chandra:** I was looking at the L&T excluding ITTS and FS from last year's numbers and this year. I was trying to understand why the tax number have substantially gone up for this balancing entity which is L&T excluding these three entities. In fact, as percentage of EBITDA it has substantially gone up, So, I am trying to understand why that is the case?
- Arnob Mondal:** Nishant I already mentioned is there are two main reasons. One is that we have not taken any DTA credit for the provisions that we have done for Realty and second is accounting treatment of Dividend Distribution Tax paid by subsidiary where we have charged it in this year, but since it comes from profits of the current year, we will get the credit when L&T pays dividend next year in FY20.
- Nishant Chandra:** But the same thing did not apply last year in Q1?
- Arnob Mondal:** Last year we hardly got any dividend in Q1. There was Rs 20 crores dividend versus Rs 370 crore in the current year.
- Nishant Chandra:** The second one I had was around just other income number, there has been a sharp reduction in other income. So, net-net interest expenses less other income has seen sharp reduction I am trying to understand if that is the case?
- Arnob Mondal:** Treasury income has gone down by around Rs 120 crore primarily due to rising interest rates.

Nishant Chandra: Because the consequence of all that turn on a flow through level to PAT is that the L&T and other including elimination is actually becoming a negative PAT business. It seems too sharp a reduction in the context of the top line growth that we have seen.

Arnob Mondal: But just keep in mind one thing that all the elimination will sit in that last column.

Nishant Chandra: It is true which is like-to-like year-on-year, right? I am comparing it with a previous year presentation for the same chart So, it should be like-to-like I am trying to understand that.

Arnob Mondal: Yes, okay.

Nishant Chandra: The second point I had is just in terms of the cash flow statement I did not find it current year presentation any reason why that is not uploaded?

Arnob Mondal: We are still working on it. It has become incredibly complex because this quarter there is a new accounting norm IndAS 115 which have kicked in which requires a huge amount of adjustments.

Nishant Chandra: Is it possible for you to give me the cash flow from operations number alone because that something that we track in terms of business.

Arnob Mondal: We will try to give it next quarter.

I will give you a simple example of what sort of complexities exists. Suppose one business vertical provides for ECL on contracts assets in opening reserves now that will reduce the working capital, but cash does not come in. So, it is a not a direct one-to-one correlation that we can say do a mathematical derivation. So, all these adjustments are being done. So, we will see whether we can provide it.

Nishant Chandra: ECL in not a a new concept which is introduced this year?

Arnob Mondal: Nishant I do not know whether you listen to every part of call I clearly explain the new ECL provisions that have come in contract assets not financial assets. After introduction of IndAS 115. I also. mentioned that in opening reserves under net worth we have approximately accounted for Rs 1900 crores if you take financial services as well in net worth. In non-controlling interest we have accounted for another Rs 400 crores of reduction that is from all business across the group.

Moderator: Thank you. The next question is from Charanjit Singh from B&K Securities. Please go ahead.

- Charanjit Singh:** Sir like what we have been trying to understand is regarding the payment terms. So, if you can give some color in terms of the order backlog how much would be our exposure to the states and central governments?
- Arnob Mondal:** Exposure would be close to 80% Central Government, State Governments and PSUs.
- Charanjit Singh:** So, within that how much would be the state government?
- Arnob Mondal:** I would not be able to give you that level of information, but the largest portion is PSU.
- Charanjit Singh:** So, the other thing is like on the Defence segment we have been seeing all these news regarding LPD maybe there are some issues going on and on the submarine part also, there has been not a lot of clarity, is there any update you can share in terms of how we see these orders shaping up?
- Arnob Mondal:** Last time we met I think I told you that we do not speculate on timelines of Defence since we have been disappointed so many times in the past as far as award decisions are concerned. Stand remain unchanged.
- Charanjit Singh:** But apart from these two larger opportunities in the Defence phase anything else is building up for us in the near-term in the prospect?
- Arnob Mondal:** Quite a few large stuff floating around on horizon but how distant or close that horizon is anybody's guess, there could be 52 Caliber Towed Gun which may get decided today or it may get decided two years later, it is difficult to say. There are many opportunities.
- There has been a change in 'Make' program. Make-1 has become Make-2. So, some opportunities that we thought would come seems to have receded in the background now. So, in the changing landscape, it is difficult to predict any sort of timelines.
- Charanjit Singh:** In the presentation in the order inflow front you have said that international opportunities are improving. So, you can just give some color like which market you are seeing and in which segments where these improvements are happening?
- Arnob Mondal:** I mentioned earlier that we are looking at international opportunities not just in the Middle East, but in other countries as well. So, it is a broad-based opportunity basket, fairly decent both in terms of hydrocarbon as well as infrastructure and of course power transmission distribution where we get a significant amount of traction in international market both in the Middle East as well as in part of Africa, Algeria and Egypt.

We are exploring Africa you would have read that we have got a Mauritius contract as well. We entered Africa in transmission & distribution, Algeria and Egypt as well. Plus, we are looking at Asia countries like Sri Lanka, Bangladesh, Myanmar, we got the Dhaka Metro, we are doing power projects in Bangladesh. We got some jobs from Sri Lanka as well. We got the Defence orders from Vietnam. So, we are broad-basing our geographical presence.

Moderator: Thank you. The next question is from Jay Kakkad from Haitong Securities. Please go ahead.

Jay Kakkad: This is just related to the net working capital that you mention so this 20% number is it like-to-like, or this will also. have some accounting changes the ECL provisions?

Arnob Mondal: This is like-to-like but this is after taking ECL provisions, but I think I mentioned that current year ECL has not affected, this is the opening reserve which has affected the ECL part.

Jay Kakkad: So, when the opening reserves get affected your receivables will come-off, but for Q1 it is not the case?

Arnob Mondal: Q1 is not the case.

Moderator: Thank you. The next we have a follow up question from the line of Inderjeet Bhatia from Macquarie. Please go ahead.

Inderjeet Bhatia: If you look at our guidance especially for order inflows and revenues, given that on overall revenues we had a very strong start at 18% and outlook on order inflows still remains robust, is there any revision that you are looking at for a full year guidance or is there more confidence that now we can reach may be to the upper-end to our existing guidance range?

Arnob Mondal: Inderjeet, I am sorry I would not like to comment on that. At this point of time according to projections for the remaining three quarters, it seems that as if it will be within the guidance and to some extent the lesser skew that you will have, would have given out the revenue accruals.

Inderjeet Bhatia: Okay, my second question is on this order inflow numbers, can you just explain if there has been any change in which you guys give out the quarterly order inflow number because going by the order announcement number and what has got reported, it is a big difference in that. So, is that order is only up to June end has been taken into this quarter's announced order inflow, some color on that would be helpful because those numbers are starkly different, you have announced order itself are close to Rs 37,000 to Rs 38,000 odd crores.

Arnob Mondal: See large part of those would relate to orders that we actually got in Q4 but press releases were given out in sometime in the month of April. We have articulated this earlier that unless we get prior concurrence, we typically hold back press releases and frankly speaking press releases are essentially meant for branding and I think it is not really appropriate for you use that as a proxy for build-up of your order inflow numbers.

Inderjeet Bhatia: Even if I look at order inflows which got announced after your quarter four results were declared on May '17, even those numbers till this results announced that numbers add up to fairly substantial, So, is there kind of some change in or are there very large number of orders which have recently been announced which pertain to quarter two and not pertain to quarter one?

Arnob Mondal: Some orders have been announced which pertains to quarter two.

Inderjeet Bhatia: But there has been no kind of policy change or those kind of things around that as to these orders will get announced?

Arnob Mondal: No, there is no policy change as such. It is just the timing of the press releases that are probably making you assume something.

Moderator: Thank you. Next you have a follow-up question from Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Just one follow-up questions what is the long stop date for the IDPL conversion from CPPIB, I understand it was somewhere in July 2018?

Arnob Mondal: The long stop date would be valuation as on 30th of September which could probably be decided as in Q3 or Q4.

Bhavin Vithlani: So, just for our understanding what is the minority stake that we are considering in case of the road assets?

Arnob Mondal: No, at this point of time there is no minority stake, it is preference share.

Bhavin Vithlani: So, in the accounting we are assuming full losses.

Arnob Mondal: Yes, correct.

Bhavin Vithlani: So, by 30th September we will know what is the stake that will be for CPPIB?

Arnob Mondal: Bhavin, valuation date is 30th of September. So, subsequently it may take a few months. I do not know whether it will take two months, three months, six months, but the conversion should happen by sometime this year.

Bhavin Vithlani: So, as you have seen substantial reduction in the losses post the InvIT and once the conversions happen, the losses can reduce further as we consider minority interest whatever that number could be?

Arnob Mondal: I agree with you, but just keep in mind that we have commissioned two assets recently Deccan Tollways in Sambalpur So, there the losses have gone up.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions, I would now like to hand the conference over to Mr. Arnob Mondal for closing comments.

Arnob Mondal: Thank you ladies and gentlemen for an interactive session and all of you listen patiently to me while I expanded on a lot of things. Just before going ahead again like to reiterate that please do not take quarterly numbers as a proxy for the full year that would be my last message and with that we come to the end of the call. So, thank you. Back to you.

Moderator: Thank you very much. On behalf of Larsen & Toubro Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.