



“Patel Engineering Limited Q4 FY11 Conference Call”

May 18, 2011

MODERATORS: **MR. RUPEN PATEL – MANAGING DIRECTOR, PATEL ENGINEERING LIMITED.**
MR. PRAVIN MALKANI – PRESIDENT, PATEL REALTY
MR. RAHUL AGARWAL – MANAGER, FINANCE, PATEL ENGINEERING
MR. NIRAJ AGARWALLA – ANALYST, TATA SECURITIES LIMITED

Moderator

Ladies and gentlemen good day and welcome to Patel Engineering Q4 FY11 results conference call hosted by Tata Securities Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Niraj Agarwalla. Thank you and over to you sir.

Niraj Agarwalla

I welcome all the participants to the FY-11 results conference call of Patel Engineering Ltd. we have with us Mr. .Rupen Patel, Managing Director of the company and along with him is the senior management team. We would commence the call opening remarks of Mr. Patel. This will be followed by the question and answer session, where the management will answer the questions from the participants. Mr. Patel, you can start sir.

Rupen Patel

we have here the senior management team of Patel Engineering. I have with me here Mr. Pravin Malkani, I have here Rahul Agarwal also with me to give out the year's results.

Let me just talk about this year first. As I mentioned earlier it has been one of the worst years in the history of the company where we were hit by cancellation of orders, stoppage of work due to natural calamities this year. In spite of that we have been able to put a little growth on our top line both on a consolidated and a standalone basis. The consolidation revenues have increased by 9.7% to 3499 crores for this year ended March 2011 when compared to 3190 crores in the previous year. The stand-alone revenues have increased by approximately 5.34% from 2425 crores to 2554 crores for the year ended March 2011. This is the first year where we have seen the revenues come from our real estate projects coming in and approximately 440 crores has been booked this year from both Noida and Bangalore project. In these testing times our margins have come under a tremendous amount of pressure, the EBDITA margins of the company on a consolidated basis have gone down to 13.5% from 15.94%, this has primarily has been due to lower contributions from the hydro segment both in India and in the US. The US contributed to total revenue this year which accounted for approximately 7% of the total revenue this year as opposed to 15% the previous year. Typically the margins in US last year where we had got exceptional projects, where the margins were higher, EBIDTA margins was approximately 18% to 19%, it has come down to 14% to 15% this year. In addition to this there also has been hit with NHAI security deposits write-off of 13 crores this year.

The order book of the company today stands close to 9500 crores with the hydro standing at approximately 35-40%, irrigation 46% and others approximately 14% to 20%. The real estate projects are in full swing and we will contribute to a healthy top line and bottom-line in the coming quarters.

Now I will talk about the thermal power project. As you know the elections in Tamil Nadu are over and we are waiting for only one clearance, that is primarily the 5 km Geo from the government to start. The tenders have been called for and the tenders are to be opened, I think the technical bit has been opened, the price bid has not been opened. There are about 4 to 5 companies which have bid for the project, including Patel Engineering itself. In the thermal power we have got a conditional clearance also in so far as the financial closure of is concerned subject to us keeping the 5 km Geo. In so far as the hydro project is concerned the detail is under preparation and we anticipate the financial closure will take place this year itself. Now opening the floor to questions, anybody who have got any questions you can ask.

- Moderator** Thank you very much sir. The first question is from the line of Niraj Somaiya from Span Capital. Please go ahead.
- Niraj Somaiya** I wanted to ask you the first question on Jogeshwari project. How is it progressing, 1 million sq. ft., you had some sand issues but now it is resolved and when would it come up?
- Pravin Malkani** Neeraj, the project is going on very well. We have just received our further commencement certificate from 'off the project' to now vertically raise the building may be a week ago. So the project is all on line. Yes everybody had little sand issue in Mumbai but fortunately we.....
- Niraj Somaiya** When do you think it will be ready, when will it be launched in the real terms?
- Pravin Malkani** I do not understand what launch means.
- Niraj Somaiya** You had anchor lease of one, when would you actually start leasing, when would you actually handed over to your customer, your Mumbai property?
- Pravin Malkani** In about 27 months from now.
- Niraj Somaiya** if you could throw some more light on your Noida project, how is it progressing and how much have you sold and how much is left?
- Pravin Malkani** Noida we have sold about 2000 apartments in Noida right now.
- Niraj Somaiya** How much have you booked out of it?
- Rupen Patel** We have booked 330 crores.
- Niraj Somaiya** How much is left to right now in terms of revenue recognition?
- Rupen Patel** About 700 crores.
- Niraj Somaiya** So should probably this year?
- Rupen Patel** It will take two years, I wish I could build it so quickly.

- Niraj Somaiya** The Bangalore project is sold-out, 1123 apartments? Most of the bookings should have already taken into account this year right?
- Pravin Malkani** No, it does not actually work like that because we take the bookings based on the completion basis that kind of happens as the building completes. The news is actually much better than that, we have not only sold the apartments as Wonder World we had launched the second phase, third phase, we launched the service apartments and now we are on the threshold of launching some more projects. Most of them are pretty much sold out, if it is not sold out that is out of a conscious decision actually to get a higher yield later on, its 1500 to 1600 apartments. But we have right now only put in about 30% of the first phase because that is the method of accounting that we following right now. Right till now we have sold about 730 crores of material.
- Niraj Somaiya** The remaining land bank if you have probably near Panvel Chowk, when would you value it, when would you actually commercialize it or would you keep it for some more time because it is more nearer to the airport and all these projects have come up Hiranandani, IndiaBulls, do you see yourself coming in there or would you yet wait for some more time?
- Rupen Patel** I think I will wait for some more time on these, let those areas develop. Right now what we are doing, I will come to the previous question. In Noida the company has sold about 1000 crores worth of apartments. In total the company has booked close to about 1700 crores worth of apartments. out of which we have booked revenues of approximately 30% in Noida, in Bangalore we have booked around 40% of the first phase.
- Niraj Somaiya** How much would be your land worth more 1000 hectares would be there, which are already commercialized, would there be another thousand acres of land bank?
- Rupen Patel** There is more than 1000 acres of land bank, we would be starting our other projects one by one.
- Niraj Somaiya** Coming back to your power project, could you throw some light on your power projects?
- Rupen Patel** There are two hydro and thermal section of the power projects. In our thermal power plant we have got all the permissions and again we are waiting for one last permission that is the the 5 km Gee, but because of elections and political uncertainty taking place in that state, nobody was lifting a finger. Now that the government has changed the hopefully will get through with the Geo. And we have already got a clearance from the bank, finance is subject to certain conditions and if those conditions are fulfilled we will go ahead and achieve our financial closure and back to work.
- Niraj Somaiya** Till date you have invested about 250 crores in the power project, right?
- Rupen Patel** A little over 250 about 270 by now.

Niraj Somaiya How much would be your equity contribution in the end probably out of the 1300 crores, so another 1000 crores of investment?

Rupen Patel Yeah

Niraj Somaiya Would you be raising it or Patel and you will be investing it?

Rupen Patel We will invest a part of it, part of it we will find a strategic partner somebody at some point of time after we start, so there is certainty on both sides.

Niraj Somaiya Now on the main business the hydro business which you have seen your worst year last year, when do you think that things would again normalize, like your last five years, again a normalized earnings, when do you think probably 12 months or 24 months? What time frame do you think your hydro project would normalize back to the 2008-2009 type?

Rupen Patel You also have been living in the same country I am living in so uncertainty remains.

Niraj Somaiya I understand it is very difficult question but you understand a little better than us?

Pravin Malkani If you ask me the certainty will come approximately in 2-3-4 months. That is how I feel because I think a reshuffle of the Cabinet Ministers will take place. A couple of Chairman's are to be appointed in some of the major power sectors for example Satluj Jal Vidyut Yojna, no Chairman, NHDC does not have a Chairman, NEEPCO does not have a chairman and there is one more hydro body which does not have a chairman. So there are four bodies that do not have a chairman and NTPC has got a chairman recently. So that is most of the hydro bodies do not have a chairman right now they have an acting chairman.

Niraj Somaiya But do you think probably 12 months....

Pravin Malkani People will be appointed much before that.

Moderator Thank you. The next question is from the line of Shravan Shah from Asian Market Securities. Please go ahead.

Shravan Shah This 9500 crores order book includes L1?

Pravin Malkani It includes L1 and we have received letter of intents.

Shravan Shah Which are the L1 orders included in this?

Pravin Malkani One is Kotli Bhel, which is 1500 crores. Then Tanzania that is approximately 300 crores.

Shravan Shah Only 1800 crores is included in 9500 crores.

Pravin Malkani Yeah.

Shravan Shah Can I have an order inflow in Q4?

Rahul Agarwal We had one order of 160 crores from state highway of Karnataka.

Shravan Shah Can I have some balance sheet numbers for standalone and consolidated?

Rahul Agarwal Debt is 1900 in standalone and in consolidated it is close to 2400. Net worth is 1360 in standalone and 1490 in consolidated.

Shravan Shah Gross block?

Rahul Agarwal I can give you net block numbers. Net block in consolidated would be 800 and standalone would be 320-330.

Shravan Shah Investments?

Rahul Agarwal Investments remain the same as of September.

Shravan Shah In terms of current asset our inventory debtor cash?

Rahul Agarwal Working capital days is approximately 240-250 days.

Shravan Shah Can I have the breakup in absolute terms for inventory debtors?

Rahul Agarwal I can mail you that.

Shravan Shah In real estate this quarter how much profit in EBIDTA have we booked?

Rahul Agarwal EBIDTA margins in this quarter in real estate is close to 10-11%.

Shravan Shah Profit, how much was it?

Rahul Agarwal Profit would be 3-4%.

Moderator The next question is from the line of Vibhor Singhal from Alchemy Shares. Please go ahead.

Vibhor Singhal Just a couple of quick questions the first one is the Kotli Bhel project when do we expect to work to start?

Rupen Patel As early as the government gives me, signs a definitive agreement with me, I have been waiting for almost 2 quarters for it. Mr. Jayaram Ramesh is expected to give it shortly.

Vibhor Singhal So as soon as we get these go-ahead orders from the government we can probably start working on it?

Rupen Patel	Yes.
Vibhor Singhal	In the real estate segment you mentioned the EBIDTA margins for it around 11%. So are these the kind of margins that we were looking forward going forward also or were they exceptionally low because of the early stage of construction activity right now?
Rupen Patel	That's right it is a bit low at this time.
Vibhor Singhal	What is the kind of the number normalized margin that we are looking at in real estate?
Rupen Patel	What is there in the industry roughly, we will expect that only. Roughly these are pre-launched which we had launched earlier because the company made a beginning it came up with the low launch price so these are pre-launch prices which you saw, those are being accounted right now.
Vibhor Singhal	You mentioned that we booked around 450 crores of revenue in this financial year from the Noida plus Bangalore project?
Rupen Patel	Yes.
Vibhor Singhal	Out of that 330 crores was only Noida project?
Rupen Patel	Yes.
Vibhor Singhal	So the remaining 120 crores from Bangalore so that is normally I, II and II put together?
Rupen Patel	Only I. That is the Phase I which was our first launch.
Vibhor Singhal	So normally II and III we have not yet booked any revenue?
Rupen Patel	No we have not.
Vibhor Singhal	What would be the total amount of cash advances that we have received from the Bangalore projects put together?
Rahul Agarwal	Against the booking of the flats you mean?
Vibhor Singhal	No, the advances because we would have pre-sold those flats we have taken some booking amount the advances from the customers?
Rupen Patel	We have got about 2 lakhs per flat. You can take about 100 crores odd there.
Vibhor Singhal	100 crores odd from the entire Bangalore projects?
Rupen Patel	Yes.

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- Vibhor Singhal** And similar number for the Noida?
- Rupen Patel** Yeah, pretty much.
- Vibhor Singhal** 100 crores from the Noida project also?
- Rupen Patel** Yes.
- Vibhor Singhal** If I look at the consolidated numbers for the quarter, the interest cost of the quarter is around 72.7 crores.
- Rupen Patel** Yeah.
- Vibhor Singhal** Any reasons for that being so high because in the last quarter number there was an APEX loss that we have booked on the Lohari Nagpala Project but any similar thing in this quarter or is it just the ...?
- Rupen Patel** 25 crores has been booked which is paid to the Noida Authority as interest.
- Moderator** The next question is from the line of Porinju Veliyath from Equity Intelligence, please go ahead.
- Porinju Veliyath** I know the industry and the company in particular is going through very challenging times. We have a much declining national politics, so much uncertainties in the global economics. I think the last Quarter was definitely better than the market expectations and I should congratulate you for that. Now the thing is that going forward everybody, especially the minority shareholders are looking, how can the company be comfortable by deleveraging and slowly coming back to a normalcy. That was one aspect I would like to get some more light on the deleveraging part? And the second question for the minority shareholders to be slightly more comfortable, to say with the system, whether you can think of some plans like a buy back or something for reflecting a much more realistic market capitalization for Patel Engineering. Today we are just around 1000 crores of market cap, I am very confident and I have great confidence in your leadership and we can get back to the normalcy and back on track?
- Rupen Patel** Let me answer you in one statement. Many of the things that we discussed during our meeting have been discussed at the board level. Let me keep it there and I think we should share something on it.
- Porinju Veliyath** One more thing I know it is difficult to talk the future in this scenario for the industry, still on a comparative basis last year the June 1st Quarter you had around 500 crores top line and 25 crores net profit, can there be something matching or a better kind of thing expected in our current 1st Quarter?

- Rupen Patel** Normally till now I have always exceeded of given pessimistic suggestions, all exceeded the expectations which I have given out. Right now the matters are so uncertain, orders not coming from the government to the government political scenario. So I would not like to give any guidance, but I am sure that I will be at least higher than or as much as the industry.
- Moderator** The next question is from the line of Manish from Blue chip India. Please go ahead.
- Manish** Interest cost has shot up significantly vis-à-vis last year, what is the reason for that?
- Rupen Patel** Interest cost has gone for the year from 158 to 221 crores is the loan this year plus you add from 158 you add 25 crores Pan Realtors money paid to Noida Authority is close to 200 crores. From 220 crores if you remove about 25 crores it is equal to approximately about 195 crores. So interest has gone up by approximately 25 crores this year and that is primarily due to increase in loans taken about 200 crores. And second, the interest cost has also gone up.
- Manish** Could you share certain details pertaining to thermal power project Tamil Nadu.
- Rupen Patel** What details would you like to have?
- Manish** Actually during the presentation I missed a couple of points.
- Rupen Patel** As far as the thermal power project, in the 1st Phase is 1050 megawatts, it has got a coal linkage for it, the company has acquired all the land for it. The company has got the environmental clearance for it. The company has got the forest clearance for it. The company has got also the airport authority clearance, the port clearance, it has got all the clearances except one required by our state which has recently one or two years intacted in Tamil Nadu. It was actually intacted for industries for applying it to power projects, If you are within 5 Km away from any river then you are required to take a special environmental clearance from the authority. They have construed that you are also an industry power PP IPP is also an industry. Now the problem was whom do you get it from, from the industry minister but it does not fall in their sector. So we have been running around in circles, by when the elections have come. I think after the elections now it will settle down so we will get it . That is the only last bit of clearance required. We have already called for the tenders and the tender technical bids are being evaluated, about four people have bided for it. It is at the much advance stage. We also got a letter of commitment for funding from the bank subject to getting us the 5 Km Geo. Case I bidding has not taken place right now but it will take shortly. The company has so far invested approximately close to 250 crores in this project.
- Manish** Any guidance in the margin front for FY-12?
- Rupen Patel** No guidance right now. We will be at the industry average level.
- Moderator** The next question is from the line of Hardik Shah from Religare Capital, please go ahead.

- Hardik Shah** During this year we have witnessed lull order in flows, across all the companies across all the verticals. What is your outlook going ahead. From which segment you expect pick in orders in awarding activities?
- Rupen Patel** Right now the only person giving orders is NHAI.
- Hardik Shah** Are we bidding for NHAI projects?
- Rupen Patel** I am bidding for NHAI because ultimately even Patel has to grow and all construction companies are dependent on government spending so we will have to foray into areas where the government is spending. But the question is I am not that aggressive as NHAI. I am a little pessimistic since we already have 2 years of orders on hand, it is better not to be very competitive, that is the decision management has taken because we have already have 2 years of material on hand.
- Hardik Shah** Over a next two years can we safely expect similar level of top line, maybe a single-digit growth?
- Rupen Patel** I would not like to comment on it, at this point of time, what the growth is, these are uncertain times and it is changing from month to month, every day has been a new day for both you and me and all the construction companies put together. But I would like to say that I will be growing as per the industry standard.
- Hardik Shah** One more reason in especially in this Q4 results. I wanted a break up of standalone top line between the construction revenue and real estate revenue which we have booked this time?
- Rupen Patel** I gave you the percentage earlier. I will give you the overall revenue break-up for the 4th Quarter 25% comes from hydro, 17% comes from irrigation, 24% comes from real estate, and 34 from others.
- Hardik Shah** Our real estate segment is contributed to revenue in Q4, still our EBITDA margin is lower than our YOY and we had faced steep dip in margins. So, why is it so this time?
- Pravin Malkani** Because the real estate margins were lower than the total, it was 10% to 11%.
- Hardik Shah** You reported, I guess similar 8% odd of EBITDA margin which is lower than our average, even real estate margin was at 11% this quarter.
- Rupen Patel** Because hydro was also lower. Secondly what happened, the US contribution was also lower compared to 15% it was close to 7%. The real estate was at the lower percentage and we also took other work outside some sub contract work because the sites had shut down and equipment was idling so we took really low margin work at 3% to 4%. We opened excavation work and road work which can quickly add to the top line.

- Hardik Shah** So from the current order book what can we expect? Is it similar level of margin or our previous level of margin?
- Rupen Patel** Let us see, it should be a mixed bag.
- Hardik Shah** Any update on tax raid?
- Rupen Patel** Right now it has not been crystallized as yet by the income tax authorities so far.
- Hardik Shah** What is our average cost of funding currently?
- Rupen Patel** 10.5%.
- Moderator** Thank you. The next question is from the line of Sunder Subramanium from Almondz Global. Please go ahead.
- Sunder Subramanium** Any update on the status of claims filed for the Loharinag Pala Project?
- Rupen Patel** Right now we have filed them, discussions are taking place. Loharinag Pala itself is supposed to get 5 claims with the government and then they are going to give it to us. So it is going to be at least 6-7 months before you get your money.
- Sunder Subramanium** So we can expect something during FY12?
- Rupen Patel** I expect somewhere in the end of the year or next year. Probably you can get the claim file with them from the NTPC balance sheet also states that there has been a file with the government.
- Moderator** Thank you. The next question is from the line of Ankush Mahajan from K R Chowksy. Please go ahead.
- Ankush Mahajan** Last quarter had some problems on Parbati , so how is the work progressing there?
- Rupen Patel** Work is progressing. Last quarter we had hurdles in Parbati, after that we had hurdles in Australia and we have probably hurdles in everywhere. Like I said, it has been the worst year for Patel Engineering.
- Ankush Mahajan** If you see in your executable order book in the range of 6000 has gone to 7000 crores now. What is your executable time, within 2 years or 2.5 years?
- Rupen Patel** Bulk of it is executable, in about 2-3 years, about 9500 crores order book.
- Ankush Mahajan** We expect some new hurdles in future also?
- Rupen Patel** Expectation is a very large word. And these days the expectation has a big E on it.

Moderator Thank you. The next question is from the line of Shailesh Kanani from Angel Broking. Please go ahead.

Shailesh Kanani I had a question on the international front. This quarter we have seen good pick up, any particular reason for that on the international segment?

Rupen Patel International segment has gone down on a year-on-year basis it has gone down. It was close to 7% on quarter....

Shailesh Kanani For the 4th Quarter what is the kind of revenues we have booked?

Rupen Patel The 4th Quarter we were very dismal in revenues because of the floods in Australia very dismal revenue.

Shailesh Kanani What are the numbers that we have booked sir?

Rupen Patel 5 to 6 million only.

Shailesh Kanani Because I think on standalone and consolidated which were the other different segments where we were booking revenues?

Pravin Malkani We book revenues from our JVs, the road JVs we have.

Rupen Patel Joint venture and then Michigan and other subsidiaries.

Shailesh Kanani So major revenues are from the joint ventures. Probably that is the reason the profitability is not that much.

Rupen Patel Yes.

Shailesh Kanani On the tax rate front, the tax rate seems to be low, for the quarter on the consol and standalone basis both, any particular reason for that sir?

Pravin Malkani Tax rate is low because we have sold at 80,000 sq. ft. building in Jogeshwari and hence there was **capital** gain tax only on that building.

Shailesh Kanani So the tax rates were low because of that. Those 76 crores have been booked in the net sales?

Rupen Patel Yes.

Shailesh Kanani What is the profit that has been translated because of this, at the PBT level and both PAT level?

Rupen Patel Between 45 to 50.

Shailesh Kanani 45-50 crores? That is PBT or PAT?

Rupen Patel PBT.

Shailesh Kanani That is a huge sum I suppose?

Rupen Patel Yeah.

Shailesh Kanani So that means that standalone margins have really taken a dip this quarter?

Rupen Patel Yeah they have really taken a dip.

Shailesh Kalani On the working capital front can you give me some numbers and debtors on inventory?

Rupen Patel I will mail that to you.

Shailesh Kalani I wanted a geographical break-up of the irrigation orders?

Rupen Patel Irrigation order in the Andhra Pradesh it is about 2000 crores the balance should be outside.

Moderator Thank you. The next question is from the line of Porinju Veliyath from Equity Intelligence. Please go ahead.

Porinju Veliyath We have acquired some coal mine abroad some time back.

Rupen Patel Yes.

Porinju Veliyath Can you just update on what is happening on that?

Rupen Patel I am taking a deposit on it and I am studying it. It is just a fee which is paid in our Escrow account and I am studying it. I have not acquired it as yet.

Porinju Veliyath Because coal mine is very important going forward for us.

Rupen Patel I know, I have not acquired it.

Porinju Veliyath So this can be a good asset for us.

Rupen Patel Yeah.

Moderator Thank you. The next question is from the line of M.S. Arun from Capital Market. Please go ahead.

M.S. Arun I have missed out the initial part of it. Any sales guidance you have given?

Management No guidance given right now.

M.S. Arun Can you give more details about the land you have sold in Jogeshwari? I missed that on the introduction part of it.

Pravin Malkani We have sold a 80,000 sq. ft. building which we had in Jogeshwari to Milestone Fund at 76 crores.

M.S. Arun This has been booked in Q4?

Pravin Malkani Yeah.

M.S. Arun And the profit out of it, is that 45 crores?

Pravin Malkani 45-50 crores.

M.S. Arun That has been part of Quarter 4.

Moderator Thank you. The next question is from the line of Milind Mushala from Barclays Wealth. Please go ahead.

Milind Mushala I had a query on the order inflow. Because I recollect correctly we had an order book of 10,000 crores at the beginning of the quarter. And we had an execution of close to let us say, 1500 crores in this quarter. And we are saying that the order inflow in this quarter was just 160 crores. So the figures do not tally?

Pravin Malkani 1500 crores includes real estate revenues which is not there in the order because when we say order book it is only E&C business.

Milind Mushala So how much were the revenues from real estate?

Pravin Malkani Real estate revenues are close to 400 crores.

Milind Mushala Even if we remove that, we are talking of 1200 crores.

Pravin Malkani And then we did some private works this quarter which was not there in the order book.

Milind Mushala So you are saying the quantum of this was a good kind of 700-800 crores?

Pravin Malkani It should be 300-400 crores.

Milind Mushala Secondly this interest cost if I look at the interest cost numbers for the previous year, in the nine month period there was an interest cost of 81 crores and for the full year we had an interest cost of 157 crores and then for this quarter the numbers that I see for the previous year is a 46 crores interest cost. So again the numbers do not tally over here.

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- Pravin Malkani** 46 crores, you are talking standalone, you are talking consolidated?
- Milind Mushala** Consolidated.
- Pravin Malkani** In consolidated the interest cost was higher because of the Noida interest coming in because since the revenues are booked only in this quarter, all the cost were booked in this quarter itself,
- Milind Mushala** I am talking about the interest cost for the previous year. In FY10 for Q4 the interest was 46 crores and if I look at the nine month figure for FY10 it was 81 crores.
- Pravin Malkani** Basically the quarter number is the unaudited numbers and the full year number is the audited number, which were changed later.
- Milind Mushala** But again I think the quarterly numbers that have been given are the unaudited numbers. So on a like-to-like basis I think we are comparing unaudited numbers.
- Pravin Malkani** That's what we are saying, the previous quarter numbers is the one which were published 2010 but the year-end numbers can change at the time of audit. Those are the yearend numbers which have changed in the time of audit last year.
- Milind Mushala** So again what I was trying to understand is Mr. Patel was explaining that this 221 crores figure that is there, if we remove that 25 crores related to Noida, we are talking of 195 crores.
- Pravin Malkani** Correct.
- Milind Mushala** But that 195 crores also includes the 50 crores FX impact?
- Rupen Patel** Yeah.
- Milind Mushala** So finally I am not able to gather the actual interest cost number. Is it 195 minus 50 or how much is it?
- Rupen Patel** I will explain. Today the debt-to-equity on a global basis approximately 1.6 today. Was the debt your concern?
- Milind Mushala** No, I am concerned about the reporting of the numbers because I am not able to gauge what was the interest cost in the current year?
- Pravin Malkani** I will tell you. There is an interest capitalization also which happens every year. So this year also there was an interest capitalization of close to 20-25 crores. So that is also going in. And then as you rightly said the 50 crores has been the hedging amount which was debited into interest this year.

Milind Mushala So what was the normalized interest cost, if we remove the FX impact, the Noida impact, what was the normalized interest cost?

Rupen Patel Take an interest on net worth, approximately about 10.5% on totally 1.6 times the net worth. That should be our normalized interest cost going forward.

Milind Mushala This 13 crores security deposit right now, where does that figure in, under what cost?

Pravin Malkani General and admin expenses.

Milind Mushala Then in that case if I remove these 13 crores from these 88 crores, so we see a good decline in the admin. Expenses, so any specific reason for that?

Pravin Malkani Specific reason is because of the overseas. The overseas revenues were less so the corresponding costs were also less.

Milind Mushala Because if I look at it as a percentage of sales it is a good decline?

Rupen Patel Yeah.

Milind Mushala For real estate in the previous quarter we had spoken about the business growing at around 100% on a compounded basis. Now what is the outlook over there?

Rupen Patel Likely mentioned we have sold material worth of about 1700 crores which should be booked in the next two years. We see that approximately growing at 100% like I mentioned last time.

Milind Mushala So we are quite confident that, that will be achieved?

Rupen Patel Yeah.

Milind Mushala How is the outlook on the US business currently?

Rupen Patel Actually the US business stays steady this time.

Milind Mushala Any progress on the Dubai project?

Rupen Patel Which company are you talking about?

Milind Mushala Basically the development that we are planning over there?

Rupen Patel There is some confusion. I am not in Dubai.

Moderator The next question is from the line of S. Yadav from Pinc Research. Please go ahead.

S. Yadav Can you give me a break-up of the sales in terms of how much from standalone, from ASI and Michigan?

Rupen Patel I will give you a percentage right now. And I will mail the details to you.

Pravin Malkani US did approximately 7% of the total revenue.

S. Yadav and Michigan?

Pravin Malkani Michigan did approximately 5%.

S. Yadav Full year, right?

Pravin Malkani Yeah.

S. Yadav What is our strategy regarding real estate because earlier in Jogeshwari 80,000 corporate one, which we sold it and again we were planning to lease it out to Pfizer. So what make us to change the decision?

Rupen Patel We got a good rate for the piece of property. We leased it and we sold it.

S. Yadav So I guess per square feet was Rs. 8000-9000 around?

Rupen Patel Yeah.

S. Yadav Regarding the other two properties in Jogeshwari we are looking to sell that also in future?

Pravin Malkani There is just one more property in Jogeshwari.

S. Yadav 1 million sq. ft. one?

Pravin Malkani That's right.

S. Yadav So what is the strategy there?

Pravin Malkani Right now we are constructing it. We do not know our plan to go-to-market in terms of active marketing for a couple of months more. Once we got to market, our primary objective would be to lease the building.

S. Yadav How much have we booked from the Teesta and Parvati other than this quarter?

Pravin Malkani We have not booked much because it started only during the later half of the quarter.

S. Yadav Regarding the Noida project how big is the Phase I and Phase II sir? We have booked a big chunk around 350 crores this quarter.

Rupen Patel	There in only one phase.
S. Yadav	How big is this?
Pravin Malkani	About 2000 apartments.
Rupen Patel	35 acres.
S. Yadav	We own 50% in this right?
Rupen Patel	Yea, 51%
Moderator	The next question is from the line of Pankaj Kumar from KJMC Capital. Please go ahead.
Pankaj Kumar	Any update on Mauritius project?
Pravin Malkani	The project we are presently constructing the infrastructure on the project and we are awaiting the land impact assessment clearance from the government which should be any time now. We should then look at starting construction of the building and other allies work.
Pankaj Kumar	What is the kind of revenue that we are looking at say in FY12 or FY13 from that project?
Pravin Malkani	It is a bit early to predict that right now. I think the project itself will start going to market by end of the year or maybe next year. So I think that question is just answered towards the next quarter time.
Pankaj Kumar	Like in FY-13 we may see some visibility from that particular project?
Pravin Malkani	I would suppose so.
Moderator	The next question is from the line of Abhinav Bhandari from Elara Capital. Please go ahead.
Abhinav Bhandari	The additional work which you mentioned which you did in the quarter in the EPC business which was not there in the order back log, would it be possible to put a figure to it, how much would that work be?
Rupen Patel	It would be close to about 300-400 crores, primarily open escalation and road work.
Abhinav Bhandari	You expect the same low margin work to be booked?
Rupen Patel	I typically talk because the turnover what dipping very high and resources were idle, substantial resources were idle. Normally I don't do it.
Abhinav Bhandari	But I was asking that, FY12 also is....

Rupen Patel	I might expect a little bit of it to taper off but not major.
Abhinav Bhandari	The second question would be what kind of CAPEX we are planning in the standalone entity for FY12?
Rupen Patel	Normal our CAPEX is 70-80 crores but I do not think the CAPEX is going to be very high because the normal spending is itself is lower.
Abhinav Bhandari	What is your stance on the incremental working capital that you will be requiring this year?
Rupen Patel	I do not think much incremental working capital will be required because the government spending is not so much so will not get spent in working capital, etc.
Abhinav Bhandari	I was trying to build up the numbers from the balance sheet part. Right now we are at 1.5-1.6 times on net debt to equity. So how much incrementally more we would be comfortable to raise this ratio? What would be a comfortable number for us?
Rupen Patel	This time because when the going is slow we will be planning aggressively for debt reduction and improving working capital cycle this year. That is what you will see at the end of the year.
Abhinav Bhandari	Any plans for dilution at the hold core levels?
Rupen Patel	No.
Moderator	The next question is from the line of Vibhor Singhal from Alchemy shares. Please go ahead.
Vibhor Singhal	A follow-up question, we have two BOT projects in Andhra Pradesh and Karnataka, right?
Rupen Patel	Go on, yeah.
Vibhor Singhal	With the 42% stake so have we booked the annuity revenue for them in this quarter itself?
Pravin Malkani	It is not a subsidiary any more.
Vibhor Singhal	So we own 100% stake in those, is it?
Pravin Malkani	No, we own only 42%.
Vibhor Singhal	So ideally the revenue from those should come in the share of profit from associates for the results?
Pravin Malkani	Yeah it comes as we had a profit from associates.
Vibhor Singhal	But I do not see an entry either for the consolidated or for the standalone level anywhere? So I just wanted to understand where am I missing it?

Pravin Malkani It goes into other income.

Vibhor Singhal So if I understand it correctly we receive around 65 crores annuity from both the projects for our 42% stake?

Pravin Malkani But there is an interest cost also. And expense are also there for O&M and then all the expenditure which is there in the book which was capitalized will be deferred over the period and amortized. Anyway the cash flow is there but the profit will not be there.

Vibhor Singhal Basically we are booking the entire net profit that we are getting from these two projects in other income?

Pravin Malkani Correct.

Vibhor Singhal And how much would that amount be, can I have the number?

Pravin Malkani Hardly 2-3 crores.

Vibhor Singhal On the Jogeshwari corporate you mentioned that we sold out the 80 sq. ft. for a realization of around 76 crores?

Pravin Malkani Yeah.

Vibhor Singhal So the entire PAT that we booked was 45 crores, right?

Pravin Malkani It was PBT level.

Vibhor Singhal 45 crores?

Pravin Malkani Yeah.

Vibhor Singhal And we booked this entire amount in the quarter itself?

Pravin Malkani Yeah.

Vibhor Singhal And that came on the stand alone level?

Pravin Malkani Yes.

Vibhor Singhal So basically if I see the quarterly profit of 40 crores for this quarter at the standalone level, 45 crores came from this Jogeshwari land sale?

Pravin Malkani Yes.

Vibhor Singhal	So technically speaking the actually made a loss at the PBT level if we were to remove this land sale?
Pravin Malkani	Yeah, considering that there was a one time hit of 13 cr, security deposit being taken away by NHAI.
Moderator	The next question is from the line of Rohit Maheshwari from K R Chowksy. Please go ahead.
Rohit Maheshwari	A couple of question, one is 1 million sq. ft. which we are developing, how much we have already sold?
Pravin Malkani	We are not selling right now.
Rohit Maheshwari	What rate we are expecting?
Pravin Malkani	At least Rs. 10,000 per sq. ft.
Rohit Maheshwari	If I am not wrong we are going to lease it?
Pravin Malkani	That is our plan right now, yes.
Rohit Maheshwari	And what would be the lease rental that we are expecting from it?
Pravin Malkani	Around Rs. 100 per sq. ft.
Rohit Maheshwari	The second is that, how much investment we had already made in the Mauritius project?
Rupen Patel	We are right now constructing the entire infrastructure required for the development. The company has three international consultants, prepared the master plans, layouts & started marketing efforts for the project, so substantial investments have already been made both on expense and hard costs such as infrastructure & ordering of materials required has been done from international markets. Some of the containers have already landed and balance are underway.
Pravin Malkani	The thing is that we are still waiting for a some permissions from the government and larger investments will follow.
Rohit Maheshwari	But what type of investment we should expect in the financial year in FY-12?
Pravin Malkani	In the event the permitting is done, as scheduled, substantial investments will be made.
Rohit Maheshwari	Second is, want to confirm, you are saying that the Jogeshwari property that you have sold at 76, the book value was only 30 crores odd, yes?
Rupen Patel	Yes.

Moderator I would now like to hand the floor over to Mr. Neeraj Agarwala for closing comments. Please go ahead.

Neeraj Agarwala Thank you everyone for participating in the call. I especially thank the management of Patel Engineering for giving us an opportunity to host the call.

Moderator Thank you. On behalf of Tata Securities Limited that concludes this conference. Thank you for joining us.