Voltas

Q4FY11 Post Result Conference Call Transcript

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Operator

Ladies and gentleman, good day and welcome to the Voltas Q4 FY '11 Earnings Conference Call hosted by Prabhudas Lilladher. As a reminder all participants' line 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. Joining us on the call today from Prabhudas Lilladher is Ms. Amisha Vora and Mr. Dilip Bhat Joint Managing Directors along with Mr. Kunal Sheth, analyst at Prabhudas Lilladher. I would now like to hand the conference over to Mr. Kunal Sheth. Thank you and over to you sir.

Kunal Sheth – Prabhudas Lilladher

Thank you. On behalf of Prabhudas Lilladher, I would like to welcome the management of Voltas on the call. The management is represented by Mr. M.M. Miyajiwala, EVP Finance and CFO, Mr. B.N. Garudachar, GM Corporate Communication and Investor Relations, and Mr. Utsav Shah, CFO Central F&C Services. I would now request Mr. Miyajiwala to give us some opening remarks and then we will open the floor for a Q&A session. Over to you sir.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Thank you very much for joining us on this con call. Mr. Utsav Shah will start off by reading the comments that we have already circulated, most of you would have read them but just in case someone has missed out we will go through that and then only we will open for questions and answer. Thank you very much once again for joining us. Utsav?

Utsav Shah – CFO, Central F&C Services

Hi, this is Utsav here. I will just take you through the results for the quarter and the year ended 31st March 2011.

During the year the Company established itself as a significant player in the areas of metro rail network including tunnel ventilation, health care, sports complexes and affiliated areas, like Formula One, both in India and International Market, and Common Wealth Games and in Green Buildings.

The company's Water business also, from a small business, had good growth and though small at the moment, could become a major growth driver for the Company in the coming years.

The Company got recognition, during the year, for its technical capabilities by receiving keenly contested and prestigious awards as MEP Contractor of the year, MEP Project of the year and MEP Project Manager of the year for MENA region, based on the Engineering and Execution work carried out at the Ferrari Theme Park, Abu Dhabi.

The Company expanded its reach by establishing JVs / Alliances in Kingdom of Saudi Arabia (KSA), Sultanate of Oman and Hong Kong. The Company now has a presence in UAE, Qatar, Bahrain, KSA, Oman, Singapore and Hong Kong.

The Company has made a strategic move in Mozambique, North Africa for providing operations maintenance services to international clientele of the principals of Mining Equipment and this will hopefully provide large opportunities in the future.

At the same time, for its Materials Handling business, it has tied up with KION Group of Germany who is the second largest player in the International market of Forklift trucks, to further strengthen and grow its business. In view of the small size of its MH business in India, the Company will have a smaller 34% in the JV. The Company will continue to manufacture forklifts at its Thane works for the JV. Gains arising from transfer of business have accrued on 1st May 2011 when the actual transfer of business took place.

In the Unitary Cooling Products business, the Company has continued to march towards garnering higher share despite stiff competition from existing and new players. Severe summer and positive consumer sentiment resulted in buoyant market for consumer products, especially Air Conditioners.

On the other hand, the year under review has been one of major challenges for most businesses in India and in the Middle East and North Africa (MENA) region. In India the major concerns and challenges related to inflation, resultant increase in wage levels, the spike in commodity prices and dropping IIP numbers. In the International market, due to the much lower volume of available business, there was intense competition amongst players for garnering business and this resulted in sharp reduction in available margins in the potential business. The political unrest in several Middle East and North African region also affected overall sentiments.

As far as Voltas Limited is concerned the major challenges arose from the following factors :-

1) High commodity prices putting pressure on profitability of domestic projects business.
2) Due to lack of adequate opportunities in the traditional area of Built Structure, the Company shifted its attention to industry and infrastructure where the Company has to operate as sub-contractor to the turn-key main contractor, which results in longer cycle of billing and recovery of monies. This also results in lack of privity of contract with the customer.
3) Delay in execution of two major projects in Qatar in the initial part of the year and thereafter the design work on one of the large projects taking longer than expected due to complicated nature of the project, which resulted in higher costs.
4) Delays in finalization of claims in international market on some of the large projects completed during the year and uncertainties relating to the same.
5) General pressure on profitability of our JVs and subsidiaries in the international market, which operate in smaller projects segment, due to non-availability of adequate volume of business.
6) The unexpected chain of events in Rohini Industrial Electricals Limited resulting in significant losses in the Company of Rs.31 crores on EBIT basis as against a profit of Rs. 16 crores in the previous year, a swing of Rs. 47 crores, of which the swing in the quarter is Rs. 16 Crores.

Our Engineering business and Unitary Cooling Products segments performed very well despite several negative factors, particularly in the Engineering business like closure textile units in Tirupur due to environment related issues, high cotton prices impacting profitability of yarn manufacturers, suspension of technical upgradation fund in textile industry, lack of environmental clearances of several mining projects, resulting in lack of equipment orders etc. In view of these negative factors during the year, the emphasis in Engineering business has been more on services, sale of accessories and spare parts and trading of certain goods, which resulted in lower operating margins. In the Unitary Products business, despite increase in selling prices to make up for increase in commodity prices, in most part of the year, the consumer sentiment remained buoyant and overall volumes for air conditioners grew by almost 50 %. Split air conditioners grew at a pace marginally lower than room air conditioners.

ANALYSIS OF CONSOLIDATED RESULTS FOR THE YEAR AND Q4

Highlights:

The results for the year are satisfactory and have seen growth if seen in the light of the following.

- Turnover of the Company grew by 9% to Rs. 5177 Crores against Rs. 4757 Crores achieved in the previous year.
- EBIT fell marginally to Rs. 505 Crores against Rs. 525 Crores. Rohini Industrial Electricals incurred an EBIT loss of Rs. 31 Crores against a profit of Rs. 16 Crores, a swing of Rs. 47 Crores. Of the Rs. 47 Crores swing, Rs. 16 Crores was during the last quarter. Other business of the Company, contributed a higher EBIT of Rs. 27 Crores during the year. Significantly better performance of Unitary Cooling Products contributed to this growth in EBIT.

- Lalbuksh Voltas Engineering Services and Trading LLC, Oman had a shorter year of 9 months so as to fall in line with Calendar accounting year of the other Middle East JV and Subsidiary companies. Therefore, in the last quarter of the year, no profit has accrued to the Company from this Joint Venture, resulting in a shortfall of Rs. 4 Crores. Profits of Lalbuksh for the period 1st January to 31st March will be accounted in Voltas' results for the first quarter of 2011-12.

- Tax provision for the year is higher at 33% of the PBT against 28% in the previous year, making a difference of Rs. 26 Crores. As explained in the concall at the end of previous financial year, this is mainly due to reversal of tax provision of earlier years amounting to Rs. 16 Crores consequent upon certain appeals being decided in our favour.

- Turnover for the quarter shows an increase of 15% over the same period last year at Rs. 1671 Crores against Rs. 1456 Crores. Annual Turnover of Rohini Industrial Electricals was lower by Rs. 53 Crores.

The Company has earned Rs. 10.80 per share of face value of Re.1 in the accounting year 2010-11.

Brief analysis of the results for the quarter and for the year is given in the Snapshot below.

	Quarter CY	Quarter PY	Cumulative CY	Cumulative PY
Increase in TO	15%	9%	9%	10%
EBITDA Margin	9.4%	11.5%	10.1%	11.3%
Increase in Profit before Exceptional Items	-9%	71%	-4%	47%
Increase in PBT	-11%	76%	-1%	43%
Increase in PAT	-28%	100%	-9%	51%
Increase in Profit after Minority Interest and Share of Profit of Associate	-26%	105%	-6%	51%
Taxation as percentage of PBT	36%	21%	33%	28%
Positive EVA	14%	25%	14%	25%
EPS (Re.)	3.05	4.11	10.80	11.51
EPS before Exceptional items net of tax (Re.)	2.90	3.87	9.98	10.99
Return on Net Worth (w/o Exceptional Items)	28%	46%	24%	33%
Debt / Equity ratio	0.10	0.03	0.10	0.03

Segment results for the Quarter:

CONSOLIDATED SEGMENT	Revenue	Results	Revenue	Results	% of Results to Revenue	Revenue	Results	% of Results to Revenue
	Act 2010-11		% Growth over PY			Act 2009-10		
SEGMENT - A								
SEGMENT - A (w/o RIEL)	91,744	9,060	6.9%	-8.4%	9.9%	85,827	9,889	11.5%
RIEL	3,197	(1,181)	-56.0%	-354.0%	-36.9%	7,270	465	6.4%
SEGMENT - A	94,941	7,879	2.0%	-23.9%	8.3%	93,097	10,354	11.1%
SEGMENT - B	17,398	2,419	45.2%	1.7%	13.9%	11,981	2,378	19.8%
SEGMENT - C	54,900	5,809	38.5%	22.4%	10.6%	39,628	4,746	12.0%
SEGMENT - Others	(91)	10	-110.1%	-97.3%	-11.0%	904	365	40.4%
TOTAL :	167,148	16,117	14.8%	-9.7%	9.6%	145,610	17,843	12.3%

Segment Results for the year:

CONSOLIDATED SEGMENT	Revenue	Results	Revenue	Results	% of Results to Revenue	Revenue	Results	% of Results to Revenue
	Act 2010-11		% Growth over PY			Act 2009-10		
SEGMENT - A								
SEGMENT - A (w/o RIEL)	288,287	27,062	-0.6%	-10.3%	9.4%	290,159	30,183	10.4%
RIEL	15,827	(3,124)	-25.3%	-290.9%	-19.7%	21,181	1,637	7.7%
SEGMENT - A	304,114	23,938	-2.3%	-24.8%	7.9%	311,340	31,819	10.2%
SEGMENT - B	56,383	10,314	20.5%	34.1%	18.3%	46,803	7,692	16.4%
SEGMENT - C	156,075	16,042	37.1%	30.9%	10.3%	113,867	12,256	10.8%
SEGMENT - Others	1,261	159	-67.8%	-77.8%	12.6%	3,911	718	18.4%
TOTAL :	517,833	50,454	8.8%	-3.9%	9.7%	475,921	52,486	11.0%

Company's Balance Sheet remains strong with Shareholders' equity at Rs. 1362 Crores against Rs. 1085 Crores per end of the previous year. Due to some pressures on cash flow in the international market on account of higher receivables as mentioned above, the borrowings are higher at Rs. 138 Crores against Rs. 35 Crores per end of the previous year, taking the Debt to Equity Ratio to 0.10 . Company's liquidity position continues to be comfortable with cash and bank balances at about Rs. 500 Crores (same as last year) and liquid investments aggregating Rs. 226 Crores against Rs. 209 Crores per end of the previous year. The Company has goodwill of Rs. 92 Crores arising from acquisition of Rohini and the local partner's shareholding in Saudi Ensas. The Company has tested this for impairment based on expected performance of these Companies in the future. However, if the projected earnings are not realised, need for impairment may arise.

Electro Mechanical Projects and Services:

Turnover of this segment for the Q4 was marginally higher. However, for the year under review the turnover was down 2% - Rs. 72 Crores. This fall in annual turnover was primarily contributed by Rohini – Rs. 53 Crores and other international JVs and subsidiary companies – Rs. 33 Crores. The Standalone turnover of domestic operations was higher by Rs. 246 Crores, an increase of 25% over the previous year, at Rs. 1248 Crores. Standalone international turnover was lower at Rs. 1528 Crores against Rs. 1760 Crores in the previous year. Turnover for Q4 was almost at the same level, indicating pick up in the execution of the earlier slow moving projects in Qatar. Margins of the segment at 8% were affected by the poor performance of Rohini, which reported a loss of Rs. 12 Crores during the quarter and Rs. 31 Crores for the year. Segment capital employed more than doubled across the business due to the factors mentioned above. We expect this to moderate over the period. Return on Invested Capital works out to 51%.

Engineering Products and Services

There was an increase of 20% in the turnover for the year, with almost equal contribution from all the three businesses within the segment, that is, Textile Machinery, Mining & Construction and Materials Handling. Increase in the turnover during the quarter was 45%, primarily led by sale of spare parts, traded goods and services in Mining & Construction Equipment and Services Business. Commission income was on the other hand lower. This coupled with some additional cost incurred during the quarter on servicing of machines resulted in the margins working out to 14% for the quarter and 18% for the year. Capital engagement has come down during the year and the ROIC has improved to 122%.

Unitary Cooling Products

2010-11 was a good year for business with exceptionally high temperature during the summer and healthy consumer sentiment. With volume and turnover growth of nearly 40% the segment has contributed an increase of Rs. 11 Crores in profits during the quarter and Rs. 38 Crores during the year. EBIT margins work out to 10% of the turnover, comparable to the previous year. In anticipation of the increase in procurement costs for base materials and the finished goods, higher inventories were maintained at the year end. The capital engagement in terms of days of turnover has improved and the ROIC remains at more or less similar level at 84% against 87% in the previous year.

OUTLOOK

Electro Mechanical Projects and Services:

Order booking in the domestic market including Water Business has been healthy and the carried forward order book has risen from Rs. 1444 Crores to Rs. 1963 Crores. Major projects in this include, Airport projects at Kolkata and Chennai, Metro Rail project in Chennai, AIIMS Hospitals in Delhi, Formula 1 in NOIDA, Tata Consultancy Projects in Gandhi Nagar and Chennai, etc. Rohini's order book amounts to Rs. 210 Crores. This provides a strong base for the growth in the revenues during 2011-12.

In the case of Rohini, the low margin/loss jobs are almost completed and the new jobs have been booked with adequate margins. A fresh due diligence has been carried out on all assets and liabilities of the Rohini as on 31st March 2011 and the Company does not expect any negative surprises in the future.

In the International Market, the Order book amounts to Rs. 2924 Crores as against Rs. 3209 Crores per 31st March 2010. This provides adequate cover for the year 2011-12. It may also be noted that the revenues generated from the order book are not strictly comparable due to variations and claims that arise during the execution of the project and to that extent, revenues will be higher than the depletion in order book. Order book and revenues also get impacted by the fluctuations in the rate of exchange from time to time. The Middle Eastern markets continue to be tough with high competitive intensity. The Management is hopeful of booking adequate orders for 2012-13, particularly in view of the expanded geographical presence thru two new Joint Ventures in KSA and Oman and the alliances in Hong Kong.

Engineering Products and Services

Markets for Engineering Products and Services remain uncertain due to the falling IIP numbers, particularly for Capital goods and environmental issues impeding growth of mining. The Management is carefully watching developments relating to change in ownership of some of the Principals in this business. Possibility of release of orders by NHAI for road contracts and generally positive sentiment in Textile Industry give hope for adequate growth. The revenues and profits of the business will come down during 2011-12 arising from transfer of Materials Handling Business effective 1st May 2011 to a Joint Venture with KION Group. The transfer of Materials Handling business has resulted in a one-time inflow of Rs. 110 Crores in the year 2011-12, and is subject to working capital and other related adjustments.

Unitary Cooling Products

Towards end of March 2011, growth of sales had started tapering down due to mild start of summer in most parts of the country. In the month of April also climatic conditions were unfavorable. However, thereafter, summer heat has picked up and it is hoped that this will help in bolstering sales. Continuing inflationary pressures and resultant high interest rates also could have a negative impact on this business. High commodity prices are also a matter of concern. In view of the robust growth in the market for air conditioners many new players are likely to enter the market. The management is working on strategies to improve its market share.

Overall, many uncertainties prevail in the market spanning across all the segments of our business and therefore the Management has initiated fresh cost optimization measures. Higher emphasis is also being placed on controlling capital engagement in various businesses. Liquidity situation is likely to remain comfortable. The Management is cautiously optimistic about future growth in revenues and profits.

Thank you.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Ok we now open the floor for questions and answer please.

Operator

Thank you. Ladies and gentleman, we will now begin with the question and answer session. At this time if you would like to ask a question please press "*" and then "1" on your touchtone telephone. Please use only handsets while asking a question. Anyone who has a question may press "*" and "1" atthis time. The first question is from the line of Venugopal Garre from Credit Suisse. Please go ahead.

Venugopal Garre – Credit Suisse.

Hi thanks for taking my question. Sir on Rohini I just wanted to check two things firstly you know I think our stake is about 83.6% odd please correct me if I am wrong and what is it millstone or rather for that purchasing the remaining the stake, what is the timeline and second thing when are we going to test this goodwill? Do you see some risk in this payment for this?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Taking the first question, we have as per agreement the right to give a call option after the results are finalized for a particular year and therefore we have already issued a call option and we expect that this call or for the balance 17% will be at zero value that means whatever we have paid so far and for that we will be able to garner 100% equity of Rohini. As far as impairment is concerned we have already tested it for impairment the goodwill for impairment, and every time we announce results the auditors will expect and an accounting standard is also required that we take the good will for impairment and if the projections that we have worked out is of today we are able to achieve results in line with them that there will be no quarter impaired required. However if the results fall short of the expected trends then there could be a requirement of impairment.

Venugopal Garre – Credit Suisse.

Sir my second question is on the EMP segment that's especially on the Middle East side or rather I will put it with the entire order back log for us is almost similar to what we started the year with, I just wanted to understand as to are you seeing in delays order awards in the Middle East or are there any trends that you would like to highlight to us and what are you seeing in terms of outlook in terms of growth in the MEP side?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

We as you rightly mentioned we have about 2909 crores of orders in Middle East or rather in international market most of which is in Middle East that is adequate to cover the required turnover for FY 12. However for FY 13 we need to book more orders. There is a still a very severe competition prevailing in the Middle East, there are new players coming in every day because the remaining markets around the globe don't seem to be giving as much opportunities. New orders are slow to come by because of several reasons including the political uncertainty but more so because certain planning of the new projects etcetera has been delayed and therefore although we are trying our level best to get more orders we will have to continuously keep monitoring the market conditions and tweak our strategies and philosophies on order book and on margin etcetera from time to time depending on the situation.

Venugopal Garre – Credit Suisse.

Sir my last question if I may, on the cooling product side, just wanted to get an assessment on account of the market in terms of pricing, are we seeing any discounting or is it very stable in the pricing front, how has the market share behaved in the last few quarters, so if you can give some data on that?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

As far as this segment is concerned the price movements are both ways from time to time but there is no price war at the moment nor do we expect any price quote because if you look at the pie of market share distribution, approximately 2/3 of the market is controlled by three players there is LG, Voltas and Samsung and unless any one of them starts a price war there can't be really a price war. That is smaller players may reduce their prices or they may increase their prices depending on the commodity prices or their own strategies but they cannot have a significant impact on the major players.

Venugopal Garre – Credit Suisse.

And sir market share trends and all?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

We have increased our or improved our market share over the last one year, it may not be in full percentage points but in decimal points.

Venugopal Garre – Credit Suisse.

Ok, thank you so much sir.

Operator

Thank you. The next question is from the line of Aditya Bhartia from CLSA, please go ahead.

Aditya Bhartia – CLSA

Hello, good afternoon sir. Sir ordering seems to be very strong in the domestic HVAC business, can the 9 to 10% margins that we have historically generated be sustained on newly awarded projects and how did the execution cycle change as a result of change in the nature of jobs undertaken?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

As far as the execution cycle is concerned I don't think it really impacted because of the shift in profile of business. In fact industrial projects would move much faster than the traditional up built environment projects and as far as infrastructure in concerned of course there could be some delays from time to time because there are many complexities involved in them, so there could be some sentiments in faster execution. However the general environment seems to be ok for it is not because of some sentiments in the projects that execution will be delayed but because of the other reasons just to give an example if you look at the metro rail project in Bombay, that has been impacted because of the clearances of hutments and availability of space for putting girders and pillars etcetera so those are the kind of issues that that can impact rather than the sentiment issues. So I don't see any major challenge over them. The major challenge is that if you have seen the pattern of order bookings and order book position also, domestic has done much better than international. Now if the domestic and we have also seen that over the last one year IIP numbers have been really volatile and particularly as far as the capital formation is concerned. So if those issues start impacting the market there could be worry but otherwise we are not very apprehensive about the situation going forward.

Utsav Shah – CFO Central F&C Services

Just to add one more point in domestic you will realize that the new jobs that we have got the scale of the jobs are bigger and also the billings are bigger. Slowly I think we are moving towards more larger, bigger complete MEP jobs in India too.

Aditya Bhartia – CLSA

And sir like earlier we used to see execution cycle of 9 to 12 months and now given that we are undertaking a part of our order book is comprised to such larger orders will it be safe to assume that the blended execution timeframe to increase by around three months

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I think that is a reasonable assumption and surely the 2000 odd crores order book will not be executed over the next 12 months. Particularly the metro rail project that we have bagged recently, those execution will probably start in about 10 to 12 months. So your assumption is right.

Aditya Bhartia – CLSA

And sir what could be the impact of commodity price that commodity price hikes if the material prices stay where they are today, I am asking this specifically in relation of the two large Qatar projects on which execution has not started picking up but which were won sometime back since prices would have dated at that point in time?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

At the same time on those projects, we also procured significant amount of equipment already. So any further price rise will not impact us.

Aditya Bhartia – CLSA

Ok and so one last question what kind of margins do you expect in the order backlog of Rohini industries?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I think the margins that we have achieved during the year 10-11 those are the kind of margins that we will be looking to quote in going forwards also. As far as Rohini is concerned we expect big breakeven for the year 11-12.

Aditya Bhartia – CLSA

Ok, Thank you sir.

Operator

Thank you. Ladies and gentleman in order for the management to address all the questions on the questions queue, please limit your questions to two per participant during the initial round. The next question is from the line of Mangan Gopal from Sundaram Mutual Fund. Please go ahead.

Mangan Gopal – Sundaram Mutual Fund.

Good evening sir. Sir my question is on the margin, I just now you commented on that, you said you will make margin similar to the current year levels, but this year we had an impact of Rohini write-offs which were there like low margins for Rohini in order book. But given that the existing order book of Rohini is good in terms of margins, why isn't next year margins should not be better?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Primarily because in the Middle East the two projects which were delayed in Qatar there would be a lot of compression of the execution during the current year and when that happens you have to deploy much larger number of resources to execute the project at a faster pace for the cost that you would incur on those project execution will be more than normally what you would be required. Only we will be making claims against those kind of additional costs but finally whether they will be accepted, not accepted, how long will the negotiation will take, those are the uncertainties and those are the kind of issues because of which we are being more conservative.

Mangan Gopal – Sundaram Mutual Fund.

Sir the second questions is on unitary cooling business, we have been hearing a lot of reports in the markets that the sales have come down significantly in the last two months, so if you can tell me, one, has it really happened and second, if in case we are still I think related to climate and may expect a bunching of demand in the subsequent months?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I would start saying that the markets are generally right so even the market went down yesterday for Voltas, the expectation was on lower profits but when the lower profits reasons were known the markets corrected today. So now in this particular case of air conditioners, the markets may get impacted by the weak ones. In the months of April, the summer was very mild and therefore the demand did not pick up like the last April it had because in April last year in the northern belt there was 40 centigrade of heat and this year we had bought 30 to 35. In the month of May however the heat levels were picked up and the north has become very hot and because of which the demand also had increased and it is line with what one would expect in summer. Of the volume increase that has taken place in May and hopefully that trend will continue until the normal start of monsoon in June.

Mangan Gopal – Sundaram Mutual Fund.

So can we do more than 15% of growth in this particular segment in this year atleast?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Meteorological department will really decide that.

Mangan Gopal – Sundaram Mutual Fund.

No, sir because the guidance in the market was suggesting that the growth may not be there at all because we missed on the first important month of volume. So just wanted from you.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That is a concern but I think the way the volumes have improved in May, we are hopeful that we would be able to catch up and improve the volumes beyond which we achieved last year.

Mangan Gopal – Sundaram Mutual Fund.

Ok. Thank you.

Operator

Thank you. The next question is from the line of Ravi Swami Narayan from Spark Capital. Please go ahead.

Mayur – Spark Capital.

Sir, this is Mayur from Spark. Sir can you just help me with the breakup of international and domestic revenues?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

International revenues would be about 1/3 of total and the balance is domestic.

Mayur – Spark Capital.

Sir, can you comment on what is the state of the pipeline in the new regions like Saudi and Oman or Singapore and Hong Kong?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Oman is not a very large market. So I wouldn't spend much time on it, Saudi Arabia is a very large market and there are some very interesting projects coming up over there. Much will depend on how fast the decisions are taken on those projects number one and number two you must also remember that the execution for these projects will be in the joint venture where there is 50% partnership of Voltas and 50% with the local partner. So to that extent after adjusting for the minority interest, we will have our bottom line interest only by 50%. And as far as Hong Kong is concerned we are primarily focusing on some large infrastructure related projects and know the broad based business and therefore it will all depend on how fast they can finalize and how we fare and our partners fare in that market. Singapore is a steady market, it is not a very large market but there will be continuing flow of small orders which get booked and executed with more or less the same year.

Mayur – Spark Capital.

And sir in terms of the engineering business, which is going the material handling parts of the engineering segment is going to be transferred to Kion group, so what would be the because this part of revenue is pertaining to this segment would be removed from the topline and the margins on the same would report under associate income, if I am right?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yes right.

Mayur – Spark Capital.

So what would be the extent of the current topline in material handling business contributing to the segment?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Very rough figures we don't go into the individual parts of each business so it would be difficult for me to now give the numbers, very ballpark number would be about 200 crores would go down but please also remember that against that we are getting about 110 crores for the transfer of business against compensation. And on that we will be earning interest. So as far as the bottom line of the company is concerned it won't be very significantly impacted.

Mayur – Spark Capital.

And sir last question, pardon me if I am reiterating the same topic, sir you guided that you the margins outlook despite Rohini losses not being there in next year still margins would be more or less in the territory of what we did for FY 11, so can you just touch upon just like almost 30 to 31 crores of loss that we you know if we remove it still you think that the other factor would be adverse enough to you know keep the margins to 8 and 8.5 kind of levels.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

It as I mentioned earlier, it is primarily because very two large projects now, the execution may get compressed and we will have to put in many more resources for that execution and that is where the margins are likely to impact somewhat although our efforts will be to maintain margins, our efforts will be to claim those from the customers, but these are the kind of things which are very uncertain and therefore you can't take a call on that right away.

Mayur – Spark Capital.

Sir last one, Engineering segment margins have come up in this quarter, it's mainly because of the commission revenues falling in the mix, so going forward what is the outlook, is it 18 to 20% is it sustainable or it would fluctuate depending on the commission revenues?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

It would normally vary with the volume of the commission income and there are some very worrying factors like for example the environment clearances for certain mining projects and of those clearances don't come in, then the delivery of that equipment gets impacted and that could impact the receipt of commissions from the principles number one, also in textile industry there has been some new news that the spinning mills are likely to shut down because of certain fall in demand. Now those are the kind of factors that which we have no control. And so environment it will depend and decide a lot on what kind of revenues flow in and what kind of margins percentages we are able to garner.

Mayur – Spark Capital.

Thank you Sir for taking my questions. All the best.

Operator

Thank you. The next question is from the line of Pritesh Cheddafrom EMKAY Global. Please go ahead.

Pritesh Chedda– EMKAY Global.

Hello sir. My questions have been answered, just for that quarter four in that 1150 crores order inflow if you could tell us the top two or three orders in the value and secondly the metro rail project execution you said would start 12 months from the receipt of the order, that's what was indicated?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That's right.

Pritesh Chedda– EMKAY Global.

And what is the value of the project?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

About 200 crores.

Pritesh Chedda– EMKAY Global.

And could you tell us the two or three large order in that 1140 crores?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

See primarily, the Metro project was one and there was 200 crores project received in Middle East and the others are various orders like we have three hospitals is Delhi which have already been listed in the.

Pritesh Chedda– EMKAY Global.

Secondly on your comment on the Qatar projects and the execution are you now satisfied in the pickup in the execution or is it still remains the same as it was at the beginning of the year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

No, infact now there is pressure on us to finalize or rather to implement fast.

Pritesh Chedda– EMKAY Global.

And if the project are so old in when they were received and they are being executed now, the likelihood of the claim receivable on account of say higher cost incurred the probability becomes higher or is it a fair assumption to look at?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Normally these kinds of things gets decided at the close of the project and a lot depends on whether the customer is happy or not happy. So we will have to wait and watch.

Pritesh Chedda– EMKAY Global.

Can you tell us the value of the project in the Qatar execution like now what is balance and when it would get completed and handed over?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

See in Qatar we have three large projects and if you look at our order book in international which is about 2900 crores, you can roughly split 50:50 between UAE and Qatar.

Pritesh Chedda– EMKAY Global.

Ok and the Qatar project now stands delivered in this yearend only?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

On most of it yes.

Pritesh Chedda– EMKAY Global.

Many thanks to you and all the best sir.

Operator

Thank you. The next question is from the line of Sanjay Satpathy from Merrill Lynch. Please go ahead.

Sanjay Satpathy– Merrill Lynch.

Hello sir my first question is that in your international project, you have seen significant expansion in receivable which is why your debt level has gone up and I think that it will get resolved in FY 12, can I get a sense of like how much receivable is in question in this particular issue and when is it like to get resolved?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Timing we can't really say because it all depends on, because one of the factors is that it all depends on the design built project and the cost incurred at designing stage is much higher and you can't bill it until you start executing the project. So the recovery will be spread over the remaining parts of the year and it all depends on which items get delivered or in stocks etcetera so it's very difficult to put any numbers as to the kind of number like it will be recovered when.

Sanjay Satpathy– Merrill Lynch.

So your balance sheet size and your working capital inflow and everything will that be back to the kind of level that we used to see in FY 10 or I mean the improvement will be far more gradual?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Let me put it differently, if you look at balance sheet as on 31st March 2011, the net worth is approximately 1300 crores and against that we have about 200 plus crores invested in liquid investments which is at similar levels as previous year. We have another 500 crores of cash in bank balances, so about 50% of the net worth is in liquid assets. And debt position is similar to what existed one year back and so despite the increase in working capital, our liquidity position or the investment position is not really changed or become more adverse.

Sanjay Satpathy– Merrill Lynch.

And so sir, the 110 crores which you mentioned that you will be getting from Kion group when is that money likely to come in?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

It's already been received.

Sanjay Satpathy– Merrill Lynch.

So it is there on.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yeah on 31st March.

Sanjay Satpathy– Merrill Lynch.

So it is not there in the 31st March cash number?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

No.

Sanjay Satpathy– Merrill Lynch.

And last question on this domestic MEP business, have you seen an order backlog tremendous growth or is the same and so in the fourth quarter just wanted to know how is the revenue and what exactly was the growth in the domestic MEP business?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

You see if you look at the standalone business, there has been significant improvement in the last quarter and if you look at the last quarter results which you can derive from the 12 months from the minus 9 months and if you look at those results for the three sectors that we have mentioned analysis being 16 crores of write back of income tax of previous years which is not there in this year, so a swing of 16 crores in that and 4 to 5 crores of profits of one of the subsidiaries companies which is not got accounting because of the change in the accounting year. So 21 crores and if you look at the Rohini swing of 16 crores, if you put it all together about 37 to 38 crores needs to be added back to really make a similar comparison. And if you do that you will see a significant growth in our revenues, in our profits and overall situation of the domestic business.

Sanjay Satpathy– Merrill Lynch.

Sir actually I was just talking about the domestic revenue and my estimates suggests that you had a domestic MEP revenue of about 311 crores in March quarter which is kind of 26% decrease Year-on-Year so considering that you are seeing such a jump in your domestic order inflow just wanted to know why this decline would have been there if at all and should we expect much better execution in fiscal 12 compared to fiscal 11 in the domestic line?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

It will all depend on Rohini, so you will have to discount that and so if you will discount that then the businesses are ok. On the domestic business we don't have major concerns.

Sanjay Satpathy– Merrill Lynch.

So what kind of growth can we expect there?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

We don't give guidance.

Sanjay Satpathy– Merrill Lynch.

But the reason why I am asking you that you have some 40% higher inflow I mean order backlog and to compare to that and also at the same time we are seeing project execution phase expanding so how do we relate to these order backlog and overall revenue expectations?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Actually what I was going to say, there has been a 40% growth in booking and it comprised of Metro Rail which is going to start execution much later. So if you exclude that then you can get a rough estimate of what kind of growth can take place in the domestic business.

Sanjay Satpathy– Merrill Lynch.

Ok, thanks a lot sir.

Operator

Thank you the next question is from the line of Shefali Doshi from KJMC Capital Market. Please go ahead.

Shefali Doshi – KJMC Capital Market

Hello sir and thanks for taking my question, just wanted to have the number of Rohini's order book for the last year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Rohini's order book at the end of the year is approximately 250 crores sorry 210 crores.

Shefali Doshi – KJMC Capital Market

Yeah that is this year but last year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Last year could have been marginally lower than that. I think it was below 200 crores.

Shefali Doshi – KJMC Capital Market

And so can you share some of the working capital numbers with me.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Overall numbers I will just give you in a minute. The consolidated inventories stand at 822 crores as against 660 crores last year and debtors are at 1170 crores as against 1006 crores last year. So about 10% increase. And a higher increase in inventories but the most of the increase in inventories I think about 75 crores would be in the unitary cooling products business where we had as mentioned in our detailed analysis we had spoken of higher inventories in anticipation of the volume growth as well as the cost increases which were likely to take place because of the commodity prices, change in Yuan exchange rate and so on and so forth.

Shefali Doshi – KJMC Capital Market

And how about creditors?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

They would be line with the inventories and debtors. I will give the exact number, the current liabilities which are at 1982 crores; they have gone upto 2300 crores.

Shefali Doshi – KJMC Capital Market

Ok fine sir thanks.

Operator

Thank you the next question is from the line H.R. Gala from Quest Investment Advisors. Please go ahead.

H.R. Gala – Quest Investment Advisors

Hi, most of my questions are answered. I have got one question on textile machinery, when we met you people one or two months back, one of the concerns was that the cotton prices were going up and there was shortage of cotton and now we understand that the cotton prices along with other commodities have started drastically falling and as a result of that probably spinners are in a big soup because I think the customers are expecting further fall in prices in yarn so how does that scenario plan out for us for our textile machinery business?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That what I said earlier in response to one of the questions, that there is a bigger uncertainty today on how the market will move forward in the future, the only good thing is that dough which has been suspended and restarted and there the time limit is March 2012 so atleast order booking should pick up. But it will depend on how the developments take place in the cotton market and the demand for the yarn etcetera. If you had asked me this question in the month of April then things are looking that what they are looking in May. And exactly the reverse position prevails in the case of air conditioners. April was worrying and May was much better. So you know the situation is quite dynamic and we will have to wait and watch.

H.R. Gala – Quest Investment Advisors

So at this juncture we don't have any positive outlook on this business, textile machinery?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I think positive or negative; making a forecast is difficult at this point in time.

H.R. Gala – Quest Investment Advisors

Ok, I understand. Ok. Thank you very much. Just one question what would be the capital expenditure this year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Normally our capital expenditure is about 50 to 60 crores and going forward also it should remain in that range. Even if there is a need for high capital expenditure because of any reasons like manufacturing capacities being expanded, we will try to ensure that it is funded out of our internal generations and there is no further borrowing or rising of equity that can dilute the earnings.

H.R. Gala – Quest Investment Advisors

Even in FY 11, CapEx is at the same level?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That's right.

H.R. Gala – Quest Investment Advisors

Thank you sir, wish you all the best.

Operator

Thank you. The next question is from the line of Mangan Gopal from Sundaram Mutual Fund. Please go ahead.

Mangan Gopal – Sundaram Mutual Fund.

Sir thanks for taking additional questions. I just wanted to know from the order books which are all long term projects where execution might stretch more than say 15 months period that you have given?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Primarily it is on the Metro Rail project, beyond that I don't see any project that could get delayed.

Mangan Gopal – Sundaram Mutual Fund.

So average we can assume the execution period to be around 18 months?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That 1800 crores of international turnover will jump to 2900 and so I don't think so.

Mangan Gopal – Sundaram Mutual Fund.

No, I am asking these 2924 crores, you are saying 1800 will go to next year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

No, 1800, 1700 crores is what we have achieved during 2010-11, internationally and if you what I was saying was that there would be some additional revenues than from what we had achieved in 2010-11 but some part of the 2900 crores will also fall in the 2012-13 and therefore we cannot expect the entire turnover of 2900 crores direct to come in FY 12 that's what I was saying.

Mangan Gopal – Sundaram Mutual Fund.

Sir it's not like half of your order book would get executed in 2012-13 it's not so big right?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I don't think so.

Mangan Gopal – Sundaram Mutual Fund.

And in domestic out of 1963 crores, 200 Metro order is only delayed, but remaining 1063 should be 15 month period kind of execution.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That's right.

Mangan Gopal – Sundaram Mutual Fund.

Ok Thank you very much

Utsav Shah – CFO Central F&C Services

I must also add that in domestic market there are many projects which are short cycle and which gets executed during the year itself and so they become book and get kind of business in the year and of course there would be some of them.

Mangan Gopal – Sundaram Mutual Fund.

Ok sir. Thank you.

Operator

Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management. Please go ahead.

Jiten Doshi - Enam Asset Management

Good evening sir. Couple of questions, if you remember during the second and third quarter you all had motioned about one or two of your global subsidiaries had a previous accounting issues and you had write down certain profits which were accounted for earlier. That was in segment 1. Could you just take up through that entry that for the quarter two and three?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That was primarily Rohini, there was no global subsidiary.

Jiten Doshi - Enam Asset Management

Ok so all the write downs that you took only in Rohini or was it in any of your international companies?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Only in Rohini.

Jiten Doshi - Enam Asset Management

And what would have been the following impact that you have seen in the segment 1 during the last year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

More or less it is even out during the year. So if you remember I think the first quarter we had a depletion in margins because of a foreign exchange and debt got made up in the subsequent quarter.

Jiten Doshi - Enam Asset Management

So for the year there is no other great impact?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

No major impact of foreign exchange.

Jiten Doshi - Enam Asset Management

And Sir coming back to this 47 crores that you just mentioned primarily from the Rohini, one can very easily say that if one excludes that your margins would have been raised to 9 to 9.5% excluding Rohini?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yes.

Jiten Doshi - Enam Asset Management

So basically it is fair to assume that going forward even if Rohini does not contribute to any further losses, your margins should stabilize in the same band?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Except that one I mentioned about you know the Qatar institutions being compressed and because of that we may have to put it in additional resources, that's the only thing that we are concerned about.

Jiten Doshi - Enam Asset Management

For that wouldn't you get your price variations?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yeah that's what I said that we can't be certain about that as to how much compensation you expect and what will happen, so right now we would prefer to be little conservative on that.

Jiten Doshi - Enam Asset Management

Ok so how is the Qatar execution going to be in 2011-12?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Approximately 50% of our revenues.

Jiten Doshi - Enam Asset Management

So basically if you look at domestic and you look at Middle East minusing Rohini this 9.5% margin, will it remain where it is or will it be slightly lower?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Could be slightly lower.

Jiten Doshi - Enam Asset Management

So the company has a whole without the sweat, we should assume 8 to 9.5% based on?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

We won't be able to give any guidance on that margins, I think we will leave you to do your own calculation and come to whatever figure it comes to but we as a policy do not give any guidance on margins, profits etcetera. So it would be difficult for me to comment.

Jiten Doshi - Enam Asset Management

And in segment 2, what do you think is the really sustainable margins once you exclude the manufacturing side?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I think the margins with materials handling business going out should get lifted up but once again a lot will depend on the composition of the business not much in the commission business and also in the non-commission business. As I mentioned in the mining business, we have had this issue of environmental clearances issue and all being not received by our customers and therefore they are not accepting the delivery immediately and because of which the commission not approving to us and so there is one, you had remark about textile business where the yarn or rather the spinning mills are having some difficulties because of the demand structure falling and so we have to wait watch as to how these situations develop and then finally determine on what composite margins we achieve in the business.

Jiten Doshi - Enam Asset Management

So I just looked at the overall margins that you accrued in 2010-11 that was approximately 18% for segment B, now if you exclude manufacturing the margin has only room for improvements, right?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Generally speaking yes subject to the other comments that I have made.

Jiten Doshi - Enam Asset Management

Ok. Thank you very much. Will you all the best for the coming year.

Operator

Thank you. The next question is from the line of Mayur Parkeria from Wealth Manager. Please go ahead.

Mayur Parkeria – Wealth Managers.

Good afternoon Sir and thank you taking the question. Sir just a clarity on what you said just right now about the agency and the manufacturing side, out of 563 crores of Engineering project, 200 crores you mentioned was roughly ball park figures of material handling and so that balance leads to 350 to 360 crores?What would be the thing in FY 10 including the material handling and what would be the share of broadly agency and own manufacturing.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I think the commission business would be about 25% and balance would be non-commission or maybe even lower than that, actually I think it would be the commission part would be approximately 20%. 25 is the ratio.

Mayur Parkeria – Wealth Managers.

So one should remove these 200 crores from their own manufacturing side out of the required side.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That's right.

Mayur Parkeria – Wealth Managers.

So sir that is a substantial gain on the agency?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yeah but what I mentioned you must remember that there will be more significant sale of accessory or service where from time to time we have to consume spare parts so if you look at all that the entire profile is changing. You know what happens in mining is very large machines gets delivered and that lifts the margin or the commission rates significantly. So that can change the entire complexion and if you look at the Mozambique entry that is entirely service, there is no commission and that will lead to a much lower margin.

Mayur Parkeria – Wealth Managers.

All right I understand. Sir we had been very positive about the orders with respect to very large orders from Saudi and you also mentionedabout the large markets. And I think the ticket size can range upwards of 300 to 400 crores easily. Are you expecting any such kind of situation in the next year where we will be able to make through?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Yes the very purpose we have made these JVs to garner more business so our efforts will continue in that direction. How much actually materializes will depend on the results so we are keeping our fingers crossed and working very hard.

Mayur Parkeria – Wealth Managers.

Ok and if we look at the change on profile of our broadly the segment revenues and profitability now, 30% of our profits and revenues come from unitary cooling which was very small, so it is very important that from the overall perspective we continue to maintain margin on unitary side, so can you just add some color on how do we see the unitary cooling margins around 10% being sustainable in the light of competition and in the light of rising raw materials?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Before I go through that let me answer your earlier question, once again when you are looking at segment 2, and if you look at our press release or the transfer of materials handling business we would be still doing the manufacturing business over the new joint venture. So please don't ignore whatever turnover in margins coming out of that and those margins will not be very high. So the composite margins will also depend on that.

Moving to unitary cooling products, industry think we have always worked towards improving the margins but we have always maintained that because of the competitive situation and with commodity prices and other factors the way they are, requirement of large advertisement etcetera, we generally look at the margin of 9%. So if the volumes pick up very high and then the margins can move up and then we have margins of 10.5% and I think that scenario will continue.

Mayur Parkeria – Wealth Managers.

So basically we are not expecting any negative impact on that business?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

No

Mayur Parkeria – Wealth Managers.

Sir if I may just add last question, what would be the size of Water business currently in our overall?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Similar to Rohini. But going forward it will move much faster.

Mayur Parkeria – Wealth Managers.

I am sorry I didn't get that.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

I said in terms of overall revenue, Rohini and water business would contribute similar amounts.

Mayur Parkeria – Wealth Managers.

Ok. Thank you very much sir and wish you all the best.

Operator

Thank you. Ladies and gentleman, due to time constraints we will take one last question from the line of Sangam Iyer from the ALFAccurate Advisors. Please go ahead.

Sangam Iyer – ALFAccurate Advisors.

Yeah hi, thank you. Sir just a couple of clarifications first, when we see the agency margins and if you see the nine months margins of FY 11 which were leaning at about 20 to 22% and then dropped into 4%. So going forward do we see the margins sustaining at around 17 to 18%? Are we seeing any you know big delivery coming in because of which we are looking at this?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

What I said was that the margins should improve for the quarter and for what we have achieved but it willdepend on the lot of external factors that we have no control on, so we will have to watchful of the developments and see how far the distance it goes. Our philosophy within the company is that the cash is of paramount importance and then comes the margins and then comes turnover. And so that will continue and our emphasis would be on improving the margins but apart from internally what we do there are lot many other external factors that come in the way and those will rarely determine how would the margins span out.

Sangam Iyer – ALFAccurate Advisors.

Yeah but because of the available business that we have the margins should expand, on a theoretical base?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

That's as I mentioned, materials handling, manufacturing facilities in Thane will continue to manufacture for the joint venture.

Sangam Iyer – ALFAccurate Advisors.

And sir one more question on the unitary cooling segment, I just missed out on the part where you said that volume growth would be better than last year or did you say that the volumes would be better than what we achieved last year?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Nice way of getting a sharp answer, but we believe that the Volumes should be higher than what we achieved in the previous year than the 10-11.

Sangam Iyer – ALFAccurate Advisors.

So the volumes should be higher. What is the increase in debtors primarily contributed I mean could you attribute to which segment actually contribute to increase in the debt?

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Primarily in the first segment and for which the reason has also been explained in the analysis that we have sent out.

Sangam Iyer – ALFAccurate Advisors.

Right ok sir. Thank you. Thanks a lot sir.

Operator

Thank you. Ladies and gentleman that is the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead sir.

Mr. M.M. Miyajiwala – EVP Finance and Chief Financial Officer.

Once again thank you very much for joining us in this con call. As it happens this is my last con call that I would be addressing and I have received a lot of support from many analysts and they have also helped us. Some of them have helped us in improving our sharing of information with the analysts' etcetera and I am sure that the people who I am referring to would know what I am talking about. So thank you very much for your support, for your help, for your guidance from time to time and for your interest in the company. I wish the company all the very best and I am sure that Voltas will over the next 5 years achieve more than what we have achieved over the last 5 years. And wish you individually each one of you the very best. Thank you very much.

Operator

Thank you gentleman of the management. Thank you Mr. Sheth. Ladies and gentleman on behalf of Prabhudas Lilladher, that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.