

**Operator**

.. to take you through the analysis or results for the quarter ended 30th September 2012. Over to you, sir.

**Utsav Shah, Investor Relations**

Good afternoon. This is Utsav here. A slight change from the normal follow-up. I am not going to go through the detailed analysis of results. Since most of you would have gone through it and gone through the press release I will directly start with the analysis on these segments.

Segment A, electromechanical projects and services. Segments consolidated revenue was higher at 778 crores as compared to 762 crores last year. Profit before exceptional items also stood higher than the previous year at 8 crores, as compared to 5 crores last year.

The segments total consolidated carry forward order book as at 30th September stood at 4,137 crores, as compared to 4,461 crores in the same period last year. The turnover in the international projects business grew compared to the previous year largely due to the accelerated progress in execution of various jobs. The lower profitability is a reflection of the substantial turnover booked on Sidra, being recognized at nil margin apart from some provisions in other projects in compliance with the AS-7 guidelines. However, revenue from variations are foreseen and will be accounted in subsequent quarters based on the progress of realization thereof.

In the backdrop of various political developments across the Mid-East geographies, the company continues to face challenges in securing visas for Indian workmen, adding to the cost of existing projects. The business continues to objectively deal with these challenges and a longer-term business strategy is being framed, recognizing the significant growth opportunities that the region offers.

The techno-commercial review of the Sidra Medical and Research Center project at Qatar conducted in Q2 has provided a greater clarity on costs as well as additional revenue possibilities. The project is now 85% complete.

Following a detailed review, the company is presently of the view that adequate provision has been made after considering the further upward division in cost as well as the variations being negotiated. The project will continue to be closely monitored and appropriate measures would be taken as and when required.

The international order book stands at 1,930 crores as on 30th September. There were no major inflow of orders during the quarter, reflecting sluggish market conditions, stiff competition and extended delays in awarding of tenders.

The consolidated order book situation in the domestic projects business which includes water management in Rohini has consistently shown healthy growth inspite of the industry wide decline in awarding new orders. The carry forward order book has increased 21% from 1,819 crores to 2,207 crores.

Relatively speaking, there has been a good intake of new orders, especially in automotive and urban infrastructures sectors, noteworthy orders include from Maruti Udyog, Ford Motors, Gammon which is for Chennai Metro and Bhilai Steel.

Apart from the key focus areas of automotive, urban rail, tunnel ventilation, steel and power signs of revival have also been seen in the commercial building sector in Tier II cities with the prospect of more opportunities in store.

The domestic project profitability over the next one or two quarters is also dependent upon the pace of job execution, quick turnaround of certifications and final account settlements.

Our revamp commercial team is now in place to aggressively post forward these priorities. The water management business has an order book of 291 crores, however profitability has declined due to bureaucratic slowdowns in progress of the existing jobs and so consequently in realization of revenues.

Substantial jobs in the Eastern region have been impacted by uncertain ADB funding. Although the current profitability is lower than the current profitability is lower than the expectation the water business is considered to be a future growth driver and the company is consciously investing in this vertical and building additional capabilities.

Rohini is experiencing challenges in improving profitability and has reported a loss in this quarter. Given the environment the progress in execution of -- carry forward orders has been slow, impacting turnover and delaying closures of unprofitable legacy orders.

While the performance has also been impacted by weaker cash flows, the carry forward order book is healthy at 205 crores. The company has also managed to reduce its overhead cost and is closely monitoring progress across various performance improvement measures.

The company has progress further on the integration of the water and water management business and Rohini with the domestic electro mechanical business. We are beginning to see considerable reduction in fixed operating cost apart from benefits of streamlining operations and support services.

A consolidation into one cohesive group also provides the company with additional value as it is now able to strategically service its customer better by offering an end-to-end MEP solution.

Potential improvements in government policy provides hope of cyclical correction in the periods to come and augers wells for the domestic projects business. The capital employed in the project segment has increased owing to a variety of environmental factors commented upon earlier.

Ongoing overseas projects such as Sidra require additional funding. We're also impacted by the lack of mobilization advance which was traditionally available from booking large international orders. The industry in general is facing difficulty in the timely collection of outstandings due to longer certification cycles and tight liquidity conditions.

Segment B engineering product and services. The consolidated revenue and results were at 114 crores and 21 crores respectively as compared to 120 crores and 18 crores in the same period last year. The textile machine business revenues have grown by 12% as compared to the same period last year, while the results remained more or less at the same level as that of the previous comparable quarter. The improved revenue is in spite of increasing competition from multinationals like Rita, setting up local manufacturing facilities. Nevertheless, products marketed by the company in spinning continued to command leadership position.

The business is simultaneously expanding its offerings in post-winning to diversify its product bouquet and provide more complete solutions for textile manufacturers. Focus on service capabilities and customer relations are being maintained.

Some positive catalysts in the form of policy announcements initiated by a few state governments provide the business with opportunities to strengthen the order book across new territories.

The mining and construction equipment business sustained its profitability with improved margins despite lower turnover. Local mining activity continues to be impacted by environmental regulation and political turmoil as witnessed by the negative IIP numbers seen in this industry.

In the meantime, the business has been able to successfully explore opportunities in the aggregate sector through better product positioning as well as opportunities overseas leveraging on its local customers relations.

The business continues to focus on building capabilities through additions of more items have equipment with existing principles and exploring additional tie-ups with other big players.

KION, the majority shareholder in Voltas Material Handling Private Limited has exercised its option to acquire the entire minority shareholding of 34% as of 1st November, 2012 for a consideration of 58 crores.

Under the existing supply agreement, the company has supplied since May 2011 overall 1,500 forklift crafts manufactured at Thane. This arrangement will continue subject to the company continuing to meet the quality standards of the products and competitive pricing.

Segment C, Unity Cooling products. The industry saw degrowth in sales volume largely because of the absence of a well-defined summer season with the persistence of erratic range. Purchasing decisions were therefore defer indefinitely.

Consumers were also impacted by inflationary price increases and the overall caution in expenditure. Notwithstanding these adverse case and degrowth of 8% in the air conditioning industry in the current year, the company registered a growth of 13% and choked up a good performance assets across a range of parameters.

The segments revenue grew by 22% to 257 crores, as compared to 211 crores in the same period last year due to a variety of planned interventions including improvement in net realization.

Growth was also driven through better transactions through better traction witnessed in commercial refrigeration products through sizable OEM orders. The overall profits have gone to 20 crores notwithstanding continued spend on advertising, brand building and due to margin improvement measures like increase in local production and timely pricing decisions.

Additionally, improvements in cash flow was made possible by tight control on outstanding low inventory levels and more working capital returns. After having seized the market leadership position in air conditioners in May 2012, the business has continued to build on its shares in both multi-brand and exclusive brand outlets.

For Q2 on an average basis, Voltas had a market share of 20.3%, so 500 basis points ahead of the erstwhile market leader. Voltas has acknowledged as number one in 10 out of the 20 key markets, with greater penetration in Tier II and Tier III towns. Its leadership status is the outcome of focused advertising with the clear well researched message coupled with numerous efficiencies and initiatives in sales, distribution, merchandising and servicing.

Polling has clearly shown that the all-weather proposition has established itself well, with both consumers and trade and is a valuable property for the future. The intensity of competition, however, is expected to increase in the coming quarters with some multinational establishing local manufacturing facilities and operating aggressive pricing and promotions.

Going forward the business is determined to previously protect its market leadership position and will further strengthen its distribution reach and improve with customer service proposition.

The longer-term prospects of the business appear to be on a solid footing in context of low penetration combined with the aspirations of a younger and more comfort conscious population.

Thank you.

Before we start the Q&A session, I would now request Mr. George to say a few words.

## **Anil George, Executive Vice President & CHRO**

Hi everybody.

It's good to speak to you all of you again. I just know that there would be a lot of questions coming up on the Sidra matter. So, I thought that I should just maybe spend a couple of minutes, giving you clarity on that so that we can go forward with that knowledge.

I had communicated last time that techno commercial review and audit would happen, that has happened. The summoned substance of the techno commercial auditors that there have been some cost overruns, but equally and importantly there are also revenue claims which have currently being progressed.

And as you can imagine any profit is a mix of the cost incurred and the revenue expected, however in the context of strict accounting guideline of AS-7. Given the whole scenario in comprehensive review, we had taken a view that there is no need for any further provision on Sidra, and the provision that we had taken last year in the December '11 is more than sufficient at this particular point of time. Having said that this is an ongoing project. There are other works going on there are delays also and therefore, we will review this project from time to time essentially at the end of every quarter to make sure that everything is inline and there is anything that comes up or margins to be looked at differently we will do so fully in accordance with the accounting policy. Yeah I trust that clarified.

Over to you for questions.

## **Corporate Participant**

Bhumika can we start the Q&A session please.

## **Questions And Answers**

### **Operator**

Thank you sir. Participants we will now begin with the question-and-answer session. [Operator Instructions]. All are requested to please limit up to two questions at a time, so that all participants

[Operator Instructions]. We have the first question from the line of Ruchi Vora from UBS. Please, go ahead.

### **Ruchi Vora**

Yeah, hi. Good afternoon. My first question is.

**Anil George, Executive Vice President & CHRO**

Ruchi we can't hear you very well. Can you speak up a little bit?

**Ruchi Vora**

Can you hear me now?

**Operator**

Are you on the speaker phone Ms. Ruchi?

**Ruchi Vora**

Sorry. Can you hear me now?

**Anil George, Executive Vice President & CHRO**

Yeah. We can hear you. Go ahead, Ruchi. Hi, how are you?

**Ruchi Vora**

Hi. I'm good sir. Thank you so much.

**Anil George, Executive Vice President & CHRO**

Yeah.

**Ruchi Vora**

My first question was actually on the Sidra project. I just wanted to understand how do we really decide in terms of cost overruns whether to book it as part of the margin or in the owner risk cost provision? Has it got to do with some bit of revenue execution that happens in the quarter versus the cost on account of those revenues, can you just highlight how do we kind of...

**Anil George, Executive Vice President & CHRO**

So you have already, last year we have taken a certain provision, right?

**Ruchi Vora**

Yeah.

**Anil George, Executive Vice President & CHRO**

Now, that is the likely end stage of the project as we see it, as of date, as of today, right?

**Ruchi Vora**

Yes.

**Anil George, Executive Vice President & CHRO**

Now, that is a profitability part of it. As far as the costs are concerned the costs have also gone up because essentially we are at

the site for longer than what we had expected.

## **Ruchi Vora**

Right.

## **Anil George, Executive Vice President & CHRO**

However, all through this period there are various jobs that the clients and a main contractor is asking us to do, which might not have been in the original scope of work.

## **Ruchi Vora**

Yeah.

## **Anil George, Executive Vice President & CHRO**

So, therefore what we do is that we do that work, we bill it also simultaneously.

## **Ruchi Vora**

Okay.

## **Anil George, Executive Vice President & CHRO**

Yeah? And accounting standard seven says that whatever costs are likely to incur should be taken in and should be juxtaposed versus a view of the progress on the claims variations, et cetera. So, that's what we have done.

## **Ruchi Vora**

Okay. So basically we are just trying to understand the 1% margin that you would reported in the first segment. Sir, is it fair to assume that you actually made 0 margins on Sidra or have you incurred a loss at the EBIT level on Sidra in the quarter?

## **Anil George, Executive Vice President & CHRO**

No, there has been no margins. See, we have taken the provision forward. So as I explained last quarter and the quarter before also as we incur turnover on the Sidra projects, we will not be recording any margin at all.

## **Ruchi Vora**

Okay. So, it's fair to assume that in this quarter also Sidra was at zero margin.

## **Anil George, Executive Vice President & CHRO**

No, it's not only fair, I am confirming it.

## **Ruchi Vora**

Okay, okay. And in terms of going forward, in terms of the order book what is the outlook on the segment one margins also taking into account that water projects we've had some challenges and Rohini there are some lexi orders. So, what's your thought on that?

## **Anil George, Executive Vice President & CHRO**

Look, I don't really want to give a forward destination because we don't as a practice give forward estimates. The thing is that the environment as you can see it is extremely difficult and you can see from our results as well as the results of our competitor how everyone is struggling against an environment which is I shall say "industry hostile", yeah.

## **Ruchi Vora**

Right.

## **Anil George, Executive Vice President & CHRO**

So there is a problem there. But having said that I mentioned to you that we were looking at something like about 3% to 4% kind of a margin is what we were looking at. And in a project business I must also mention again and again and that I did this in Q3 of December '11 last year also Q3 December '11 also, when we saw some additional revenues coming here.

Because what happens is that I do the project there are certain claims and variations that are filed. The client or the main contractor might delay the certification, but the moment he certifies then the payment has made when that comes in. So in other words unlike a manufacturing organization or a Consumer Board organization or even UPBG part of the business take away the seasonality.

I have no way of projecting a very smooth kind of transition from quarter-to-quarter-to quarter. So the profits and the revenues... the revenues will be more or less similar depending upon your turnover the order book and the turnover that you record, but the profitability will tend to be lumpy up one quarter, down quarter et cetera. So that's why my request is always been that please do not look at us from quarter-to-quarter, please look at us over a longer period of time so that you can get an understanding of the intrinsic business that we are in.

The nature of the project business is that we do the projects and at a certain point of time you would have sudden realization of settlement of a claim of final settlement of the account and certainly you find boom, something comes in.

On another quarter you have not progressed suitably on certification for some reasons. You might find a small decline in the profitability. So, I trust that answers your question.

## **Ruchi Vora**

Sure sir. And just my last question sir.

## **Operator**

Sorry to interrupt Ms. Ruchi. I'll just request you to come back to the queue because we have many questions.

## **Analyst**

Thank you so much.

## **Operator**

Thank you.

## **Anil George, Executive Vice President & CHRO**

Feel free to speak to any one of us after the end of this thing. We are more than happy to take any questions. But I think let's respect the chance for everyone to ask the question.

## **Ruchi Vora**

Thank you.

## **Operator**

Thank you. We have the next question from the line of Venugopal Garre from Barclays. Please go ahead.

## **Venugopal Garre**

Hi good afternoon sir.

## **Anil George, Executive Vice President & CHRO**

Good afternoon.

## **Venugopal Garre**

Again, sorry again on Sidra just one clarification. I think as my understanding is that the project from your perspective will get over by March of next year right, on March '13 rather sorry. And so has there be any change to that timeline during your review and within that I just wanted to know --

## **Anil George, Executive Vice President & CHRO**

Let me tell you what it was. Yes, last time we had thought it was March. Now, this is a hospital project. There are medical equipments that are arriving and those needs to be installed as well. And at this particular point of time what they are saying is that is my substantially we will finish our work, by March we will finish. But there will be an overrun on the time because medical equipment is coming and there will be adjustments, there will be other things that required to be done during that period. So, that say talking in terms of June '13 although there will be a soft launch opening that the Qatar Foundation is targeting as of 18th of December 18 which is a Qatar National Day.

## **Venugopal Garre**

Okay. And sir actually I had... within that I had another question, primarily on Sidra. Is these extra work that you are being asked to do. Now, the claims on that will be normal course claims, right or we'll have to wait for the project to get over before that is resided, especially these extra work for which you have been...?

## **Anil George, Executive Vice President & CHRO**

It will be normal cost claims, but what happens is that you do that work then there will be engineering drawing certification, then there will be a cost accountant who do is does it and then once we certify these and take it out, take it in against also with the cost against the revenue.

## **Venugopal Garre**

Okay sir. And sir, order inflows for the quarter, if you could give -- that is my last question?

## **Anil George, Executive Vice President & CHRO**

I will ask Utsav to deal with it, yeah. We have given you the total order book at 4,137 crores for segment A and but the international order book in that is 1,930 and the domestic is 2,207. So Utsav will deal with those numbers separately, yeah.

## **Venugopal Garre**

Yeah. Sir, I just wanted the order inflow actually.

## **Anil George, Executive Vice President & CHRO**

That's what I said.

## **Venugopal Garre**

Yeah, sure, sure.

## **Anil George, Executive Vice President & CHRO**

Give you the order inflow. He will sit and give you by division he will it to you, yeah. All right?

## **Venugopal Garre**

Yeah.

## **Operator**

Thank you. We the next question from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.

## **Kunal Sheth**

Good afternoon sir.

## **Anil George, Executive Vice President & CHRO**

Good afternoon Kunal.

## **Kunal Sheth**

Sir you would mentioned in your press release is that lower profitability was apart from Sidra there were few other projects, some provisions in other projects as well in the international markets. So I just wondering which are these projects and what are the nature of this provision?

## **Anil George, Executive Vice President & CHRO**

No I don't want to go and to which specific project but I just trying to explain to Bhumika also that in the project business there are certain jobs that are being done but you are incurring the cost but you are not able to take in the revenue against that unless the certifications are progressed to a certain stage.

Okay so that is why I have made this comment saying that that are some provisions in other projects but at the same time there will also be revenue from these variations which are foreseen and will be coming in a second quarter in a later quarter. So it will tend to be a little lumpy.

## **Kunal Sheth**

So sir, will it be right to be assume that these are not cost overruns in these project?

## **Anil George, Executive Vice President & CHRO**

There could be cost overruns, but equally there will also be variations. Now how do you determine at a point of time whether there it's a cost overrun or it's that is not fully supported by variations. When you enter into a negotiation with the client and settle where the variation at a certain figure, that's a point of time at which you know whether there is a real cost variation; yes or no. Yeah.

But we do handle these projects in such manner that we have the claims and variations put in and based on whatever we know at this particular point of time if a provision has to be taken we take it, and when the revenue comes in, we also take it fully in consonance with the accounting regulations.



## **Kunal Sheth**

Sure. Sir my next question would be if you can quickly take us through the outlook for the markets both in international as well as domestic?

## **Anil George, Executive Vice President & CHRO**

Okay. I think that I have covered it in a little bit of detail in the release itself. But basically I think what one is seeing in the Middle East generally is that the situation has not improved very substantially. In most of the countries they are dragging their feet. We are not seeing orders really coming and roosting in and being given away.

In fact you will recall that at the last conference I had spoken about an Abu Dhabi Airport order which we were bidding for together with EPA...

## **Kunal Sheth**

Right.

## **Corporate Participant**

It was a fairly large order at that point of time I believe I had mentioned that the order value was something like about 4,000 plus crores between the three of us. Now the pressure on that is that the value order value itself has been decreased. Yeah, it is now looking at something about 3,000 crores between three of us just for MEP jobs.

And that is also being negotiated very, very toughly. People are being very, very careful about awarding projects and they are taking the negotiations to the maximum extent possible. The ray of hope that we see is in Qatar yeah where irrespective of whatever else is happening in the region they are going ahead with their projects and I believe that we're also beginning to see some traction towards building up the infrastructure for the 2022 games, the Football FIFA Games.

So that's beginning to happen and in that context whatever we have done our credibility and our reputation on Sidra being that of a contractor who stick it out till the last minute, do the job to complete satisfaction is something that I think will hold us in good stead and we look forward to getting more and more jobs as we go into the next et cetera and as soon as Sidra is over.

## **Kunal Sheth**

Sure and on domestic market sir?

## **Anil George, Executive Vice President & CHRO**

On the domestic market we have as you could see we have improved our order position actually brought it up to 2,207. You know the situation as well as I do, the money is hard to come by, people are not really investing in terms of capital expenditure. People are being reticent about whether they should be putting their money in till they have clarity about which direction is economy and the cycle is really taking.

But having said that we do have what we had very consciously done is that we had decided to get more into the industrial sector. Therefore, you will see that the increase in the orders that we're getting is more from people like automotives, people like in urban infrastructure we are also seeing a certain amount of revival in terms of commercial building in Tier 2.

But in all these cases we also make a conscious choice about whether to take these projects yes or no depending upon our own risk evaluation methodology.

## **Kunal Sheth**

Okay, sure. Thank you so much sir.

## **Operator**

Thank you. We have the next question from the line of Peeyush Mittal from Franklin Templeton. Please, go ahead.

## **Peeyush Mittal**

Hi, thanks for taking my question.

## **Anil George, Executive Vice President & CHRO**

Hi Peeyush.

## **Peeyush Mittal**

How are you doing?

## **Anil George, Executive Vice President & CHRO**

Very good. Thank you.

## **Peeyush Mittal**

I was just wondering in the UCP business despite the dismal market performance company has done well. Is it possible for you to quantify how much you might have benefited from Samsung vacating the windows market?

## **Anil George, Executive Vice President & CHRO**

I don't think I can give you a figure Peeyush offhand, but definitely I mean what happens when in a very tightly competitive market when any particular competitor has a supply chain problem or alternatively has a fire in his factory like the others are scampering to take over that market share.

So the truth of the matter is also that yes we have taken a substantial portion of the market vacated by Samsung, but that means that we have fought for that also against the other competitors and seize that share, yeah. So what you need to really look at also is that it's just not a question of one month my making the market share and remaining there, it's now for the fifth month in succession.

We will be holding out the market share and additionally we have built on our lead. A 500 basis points lead over very, very tough competitor is, I would suggest a great performance, yeah.

## **Peeyush Mittal**

Just following-up on that, within the UCP the margins that has been reported in the first half have been close to 8% and I think at the start of the year what was suggested were something like, more like 7% to 7.5%. So, performance has clearly been better

better, is it possible to maybe make a comment on whether you expect to sustain the current margins and if you can provide any such outlook for may be fiscal year '14, what to expect?

## **Anil George, Executive Vice President & CHRO**

Peeyush very honestly speaking the margin in this unitary cooling project is a mix of how much you are able to set, yeah. So the reason why I had predicted at that particular point of time something like about 7%, 7.5% was because this quarter that we have completed was not supposed to be such a hot quarter, but what does happen is that we have been very positively surprised by our building our own market shares.

So we have sold more than what we expected. And when you sell more, the economics of it is that there is a fixed cost there is other things that go out of it. So therefore your margin improves if I have more of volume than what I had predicted, so that has happened.

At the same time going forward a lot of the margin expectation is predicated on the amount of advertising support that I'd spend in

the market and I have hinted to you that Voltas will fiercely ensure that we keep our market leadership position. So we will do whatever it takes both strategically and tactically to make in our market share that we have won after years of fighting for it.

Okay so which really means what I am trying to say is tell you in a very roundabout manner is that if my competition doesn't spend so much in advertising and support well maybe my margins would be better. If my competition goes out with the lot of profit advertising and support and tactical promotions then I'll also do the same thing and I'll make sure that I retain the advantages that I have. But by and large speaking, we should be looking at the March... that the figure that I had mentioned earlier 7, 7.5 you see is a reasonable kind of a guess going forward.

## **Analyst**

Okay. Just one last quick question. Is there any update from Joy Global on continuing as the principal?

## **Corporate Participant**

No, Joy Global the entire... that part of it we are only keeping the main contract business, the maintenance contract business which is known as the Mark contract, yeah. The rest of it they have a given it away because they had caterpillar dealers et cetera here. So, there is no movement on that.

## **Analyst**

Okay. Alright. Thank you. Appreciate it.

## **Operator**

Thank you. We have the next question from the line of Ankit Babel from Shubhkam. Please go ahead.

## **Ankit Babel**

Yes sir. Ankit here.

## **Corporate Participant**

Hi.

## **Ankit Babel**

Sir my first question is, now as a policy we have decided to bid all the new projects specially into the international countries at around 4% to 5% margins. You also mentioned that there have been very tough negotiations going on in case of Abu Dhabi airport order. So, will it be fair to assume that if we get that order but in that order the margins won't be below 4%?

## **Corporate Participant**

So, while you have to understand the comment in a broader sense, yeah. When I bid for a contract I don't start with 4%. If I start with 4% I will end with zero.

## **Ankit Babel**

Okay.

## **Corporate Participant**

Yeah. So, I start considerably at high, but I have my internal cut-off also at a certain level, beyond which I think that the risk equation far over placed their profitability element, yeah.

## **Ankit Babel**

Yeah.

## **Corporate Participant**

So, I was commenting on it on the basis of let us say a business boundary in terms of how far we will go and how far we will not go, yeah? So, Abu-Dhabi order is still up in the air. We don't want to really comment on what our margins are and what it is. It's any way it is a consortium bidding so three of us are together in it. And if we take it, we obviously want to make sure that we have a decent margins, if we don't have the decent margin we will walk away from it.

## **Ankit Babel**

Okay, okay, okay. And my second question was on your domestic division. You also mentioned that you have facing some slowdown in execution for the existing domestic projects. So, could you just through some light at it, what kind of delays are you facing? Is it from the client side or from payment terms or what?

## **Corporate Participant**

Yeah, it's basically from a client side. See to keep a project moving client also have to invest money, right?

## **Ankit Babel**

Yeah.

## **Corporate Participant**

He come in at the tailed of the thing. So, they take a project like for example, take a metro project, they take something in water for example. They take on that project and they tell us that we you can get this is the kind of gain chart that follows and by such and such time you should be having this many number of low certain to or put your MEB works in.

Now, if they don't pay or they don't move the projects in that speed that they are expected to, we will not be able to enter. And if we are not able to enter then it's good that our kind of turnover that you have projected; so our turnover both into the next quarter instead of coming in the first quarter.

Those are the kind of things. And why is this delay happening because people are not sure about their money. People who have invested into land and startup factories are certainly wondering whether 10 years from now they will get a different bill for the capital expenditure that they had taken to their Board. They are also these things that you're well aware of.

## **Ankit Babel**

No, but in that case your project gets delayed then definitely there are chances of cost overrun. So in that case who will bear that cost overrun?

## **Corporate Participant**

In a general contract where it is client of a main contractor led, there are always claims and variations, yeah?

## **Ankit Babel**

Okay.

## **Corporate Participant**

There will also be extension of time claims. Now, things like extension of time and these kind of variations or prolongation claims

all come up at the end of the contract. This is again... it's a good question that you have asked and that's why you see this kind of a lumpiness that you see in the project business but that is the nature of our business.

**Ankit Babel**

Okay. So, here also accounting point of view you will do the same thing that you will book the cost and all those first and then you will wait for the client to certify it and then you would be booking the revenues?

**Corporate Participant**

Yes, yes. That's a way that the project really operates.

**Ankit Babel**

So, currently whatever you are reporting at the most conservative figures and there could be some positive surprise only.

**Corporate Participant**

I wouldn't say most conservative. They are certainly conservative because we cannot foresee what happens in the future. Yeah?

**Ankit Babel**

Okay.

**Corporate Participant**

But at the same time we do not take into our books profitability that is not -- cannot be measured and what I cannot get my hands around.

**Ankit Babel**

Okay. Okay, sir there can only.

**Operator**

Sorry to interrupt Mr. Ankit, if you have...

**Ankit Babel**

Ma'am just one thing there is in continuation with that, there can only be positive surprises going forward just wanted to understand that?

**Anil George, Executive Vice President & CHRO**

In a project business, there will be positive surprises, there will be negative surprises because we are not dealing with just one project.

**Ankit Babel**

Okay.

**Anil George, Executive Vice President & CHRO**

We're dealing with a lots and lots of projects, so in the domestic for example we are dealing with something like about 200 odd projects. In international we are dealing with about 20 projects. I would be completely telling you a lie if I said that in all these projects we are making money, no. Yeah, it is like how you do in you take a call on 40 main stocks some of the stocks will perform some will not perform.

## **Ankit Babel**

Okay.

## **Anil George, Executive Vice President & CHRO**

Everything will not be positive, everything will not be negative but your expertise comes in managing aggregate of it in such way that your company is taken forward that is a expertise that we too had.

## **Ankit Babel**

Okay. Thank you very much and all the best sir.

## **Anil George, Executive Vice President & CHRO**

Thanks.

## **Operator**

Thank you. We have the next question from the line of Ranjith Sivaram from B&K Securities. Please go ahead.

## **Analyst**

Good afternoon sir. Like you had mentioned that there are delays in some other overseas projects. So just wanted to understand is it pertained to design and build kind of projects and if you can quantify the -- like how much of orders you are seeing delay or at least how much of provisioning which we had made in this quarter pertaining...

## **Anil George, Executive Vice President & CHRO**

I'll not go there in terms of specific in terms of which projects or what, what I have basically said and I have been explaining this through several questions now saying that there are always ups and downs. There are always lumpiness that will be expected in the project and to answer your question in terms of is there another design projects on which I think the answer is no we don't have a problem because of the design thing.

Sidra was a one of kind of us very specific project in which the design was taken and we have -- don't have any such of design exposures now. Delays are happening because some other people also have had to do. So once before we can get onto the site.

If a building is not up to a certain amount of construction we cannot do the MEP work on it, so that's the issue. So overall it is all getting delayed and the atmosphere itself in business terms across the length and breadth of the Middle-East as well as India is rather slow.

So we are managing according to that. And this is not just for Voltas, you are an expert in this industry and you'll be talking to all others and you will experience the same kind of remarks from other companies as well.

## **Analyst**

Okay. And sir how much of incremental revenues we are forcing to book from Sidra because currently you have mentioned there are some extra bookings of revenue so, just, because we also mentioned that 85% is complete. So in the remaining 15% of Sidra like if you can put a figure to it like how much would that be.

## **Anil George, Executive Vice President & CHRO**

I don't want to go there and start -- see you must understand that there is an ongoing project, yeah now I don't want to tell you what the revenue is and then you would tell you go back and put something somewhere else and then the client is saying that you're claiming so much of revenue on me, yeah. So please understand my sensitivity about it when the project is completed I will certainly communicate what the numbers are but at this particular point of time I have given you all the facts and figures that I possibly can and let's leave it at that.

## **Analyst**

Okay. And last question like...

## **Operator**

Sorry to interrupt Mr. Ranjith.

## **Analyst**

This is just one technology tie up in terms of back end cold storage facility do we have any technological tie up in terms of back end cold storage facility.

## **Anil George, Executive Vice President & CHRO**

No we don't have any technological tie up for backend cold storage at this particular point of time. However, at various points of time as a responsible business we keep looking at various options depending on what the economy is opening up, et cetera, et cetera. But at the moment no we do not have a technological tie up.

## **Analyst**

Okay. Thank you sir.

## **Operator**

Thank you. We have the next question from the line of Deepal Delivala from Citi. Please go ahead.

## **Deepal Delivala**

Good afternoon sir.

## **Anil George, Executive Vice President & CHRO**

Hi Deepal.

## **Deepal Delivala**

Hi. Sir just circling back to Sidra. I'm really, really sorry to kind of lever on this point. Sir from what I understand that you discussed so far is that there was an element of cost ongoing increased cost right? Because of the delays at the execution which is not provided for but you accounted for those costs, and hence you booked revenues at zero margin. And there is also an element of overruns in the other international projects for which you have filed for claims. I'm correct?

## **Anil George, Executive Vice President & CHRO**

As far as Sidra is concerned what I had said is that there are certain increases in cost.

## **Deepal Delivala**

Okay.

## **Anil George, Executive Vice President & CHRO**

Now the question of whether to book any further costs or not is determined by whether there are sufficient amounts of revenue against that and there is sufficient amount of progress in making sure that revenue comes in. So, if there is more of a certainty on those revenues coming in then you would not book the losses.

## **Deepal Delivala**

Okay.

## **Anil George, Executive Vice President & CHRO**

Yeah. For example, if just to give you an example if it in Sidra it was just the cost and I had not raised any claim at all. I had no claim, no variation then I would be willingly forced to take that full costs into my books as per AS-7.

## **Deepal Delivala**

Okay.

## **Anil George, Executive Vice President & CHRO**

Okay. So, the fact of the matter there are costs, there are also revenue enhancements that we can perceive and we can see and this is being discussed in detail with our Board Audit Committee, with our auditors and we are comfortable at this point of time going with the figure that have already been provided.

## **Deepal Delivala**

Okay. Sir, on the other projects where you have taken a provision in this quarter, you said that this is going to be lumpy. What is the timeline when these things gets evened out? I mean do you expect it to happen in the quarter, two quarters?

## **Anil George, Executive Vice President & CHRO**

I would think so, because there will be something or other that will coming and then we will be able to recognize those revenues et cetera that is what my expectation would be. So, if you really look at a timeframe of a year or a year and half, I think this lumpiness will go out?

## **Deepal Delivala**

So then you are coming back to your earlier statement of 3% to 4% should be then sustainable --

## **Anil George, Executive Vice President & CHRO**

There are large order book, this nullifies it.

## **Deepal Delivala**

Correct. Sir, my last question on this was --

## **Operator**



Sorry to interrupt to Ms. Deepal. I will just request you to come back to the queue.

## **Deepal Delivala**

Sure, sure. No problem.

## **Operator**

Thank You. We have the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

## **Pulkit Patni**

Thanks a lot for taking my questions. I'll have couple of them. Just first one is on Rohini. This is another quarter of loss. We've been hearing it for some while that the legacy orders are close to getting closing to come and with the business turned profitable. Any fresh time line that you have and any reason why on a continuous basis are we seeing losses at Rohini?

## **Anil George, Executive Vice President & CHRO**

I think I have qualified that here. So, let me be a little more specific on this. At the EBIT level I have a 2 crore loss, yeah. So, it's not a very large substantial chunk or anything of that kind, yeah, firstly.

And we are still looking at a possibility of a breakeven come to quarter or as a standalone by the end of the year.

Now, having said that Rohini business has got a lot of legacy orders and much as I don't like to keep saying that again and again, these legacy orders also must closed and finished off it.

Now the problem is that we are dealing... these orders have been taken with all from the government agencies here and there who do not move at the same kind of pace as the private companies are expected to move or a public limited company would move. So, we have difficulties.

I am not running away from the fact that we have been mentioning this. Indeed what we have mentioned is our hope, is our aspiration and it's our ambition. So I am putting any further time line et cetera. But as you go along if we find that some of these legacy orders going to give so much of trouble and we are not able to walk at it I am not ruling out the possibility of something that we might need to look at Q4 and say alright, maybe we have to write-off something, I don't know, yeah.

At this particular point of time the assurance I can give you is that it is being managed as well as it can. We have taken it into the fold of the domestic project business and new people having putting into it and we are running with it as best as we can.

Cash is also been injected from Voltas into Rohini to give them a little of breathing space, so we'll have to see how it is, yeah.

## **Pulkit Patni**

Sure sir. Appreciate your response. The second one is sir if you would just a give a ballpark number, assuming we were not doing Sidra in this particular quarter, take out both the cost and revenue associated what is the kind of margin that we would have seen just a ballpark number should be okay.

## **Corporate Participant**

Now, you are getting into management accountancy of the company, which might be difficult for me to deal with, yeah, yeah? I don't think I want to get into that granular detail, please.

## **Pulkit Patni**

No problem. Thanks a lot sir.

## **Operator**

Thank you. We have the next question from the line of H.R. Gala from Quest Investment. Please go ahead.

## **HR Gala**

Hello?

## **Corporate Participant**

Hi.

## **HR Gala**

Yeah. My question was also pertaining to the same thing which you didn't answer previously. We wanted to know how much is the real margin? Because the way in which Sidra accounting you have done, I think as a lay investor I think it's very difficult for us to fathom that what's going to go ahead, what kind of margin do we anticipate?

## **Corporate Participant**

On Sidra, we have already taken a loss provision. So, there is no margin on it at the point of time.

## **HR Gala**

Yeah, exactly. And since you are not disclosing the revenue element out of it we do not know how much is the revenue and how much is the cost that has gone which has ultimately resulted in a nil margin.

## **Anil George, Executive Vice President & CHRO**

No, no, no. Just one minute. Which company if you ask the large project company as to how much of revenue did you get from Apollo Hospitals, do you think you will get an answer?

## **HR Gala**

No, I think probably you know the best thing would have been that entire project should have been treated as an exceptional item, whatever revenue and cost comes, you show it as a separately. That could have been much better. There we can -- then we can understand that out of the 777 crore that you have reported we don't know how much is the Sidra and how much is 8 crores PBIT that we have earned in the quarter pertains to how much turnover. See that's the whole idea.

## **Anil George, Executive Vice President & CHRO**

I don't I can comment on this. And I don't think that I can really get into Sidra in final details because of the fact that it is an ongoing project, it's not a closed project and there are sensitivities, there are certain claims and variations that I have put on the client on this thing and you have to appreciate that we will not be able to communicate these numbers.

Yeah in terms of understanding how the accounting is done, I would invite you to come to the office at any particular day, talk to Mr. Utsav Shah. He will take you painstakingly through what the accounting so that whatever clarity you need in your mind is fully provided.

## **HR Gala**

Yeah, okay. Thank you very much sir.

## **Operator**

Thank you. We have the next question from the line of Abhishek Raj from Religare Capital. Please go ahead. Mr. Abhishek Raj from Religare Capital, you may go ahead with your question.

## **Anil George, Executive Vice President & CHRO**

I don't think he is there.

## **Operator**

Yeah we may proceed with the next question that is from the line of Amber Singhania from Quant Capital. Please go ahead.

## **Analyst**

Yeah hi, sir. Thank you for taking my question. I had couple of questions on Sidra but I will not go into that because you have already answered couple of them. My next question is on the...

## **Anil George, Executive Vice President & CHRO**

Could you speak up a little louder.

## **Analyst**

Hello, yeah hi sir. My next question is on the engineering product business like as we have already transferred the material handling business out of the company as such. So the left portion is only the textile machinery business or is there anything else on that?

## **Anil George, Executive Vice President & CHRO**

See the total segment B...

## **Analyst**

Yeah.

## **Anil George, Executive Vice President & CHRO**

Used to consist of three main things.

## **Analyst**

Yeah.

## **Anil George, Executive Vice President & CHRO**

One used to be material handling, which as you rightly said has been transferred out, yeah. And that transfer out the last segment of the transfer out is not reflected in the current account, it's a post balance sheet event, yeah.

## **Analyst**

Yeah.

## **Anil George, Executive Vice President & CHRO**

We have mentioned it to give you clarity. We then have mining and construction equipment, which does the mark on track that I had spoke about. It also does a certain amount of manufacture of certain smaller capital equipment that is used for mining and equipment. And we also then have the textile machinery division where we are principle for a company called Laxmi Machine Works where we are largely into the spinning segment and we also have post spinning where we deal with the variety of principles. So that's the business that we are in.

## **Analyst**

Sir and if you can also quantify like out of the like 400 odd crore of revenue how much it was a material handling which we have transferred roughly?

## **Anil George, Executive Vice President & CHRO**

Material handling in this quarter did not actually get any kind of revenue into it.

## **Analyst**

I mean last year we did around 412 from the segment B, so out of which roughly how much would be material handling contributed?

## **Anil George, Executive Vice President & CHRO**

Because by quarter two, we had already got out of material handling completely, we were on JV format. Yeah so it was only that we had in quarter one the transaction happened actually.

## **Analyst**

Okay, sir. The quarter two revenue is only consisting of the current...

## **Anil George, Executive Vice President & CHRO**

Quarter two revenue more or less comparable apples-to-apples, except that we might have got a small bit of processing income in terms of machines that we have but very marginal, yeah.

## **Analyst**

Okay. Sir my last question is on...

## **Operator**

Sorry, to interrupt Mr. Amber.

## **Analyst**

Yeah. I've only asked one questions so far.

## **Operator**

You're down with the two questions right?

## **Analyst**

No. I have just asked one question.

## **Anil George, Executive Vice President & CHRO**

Go ahead, go ahead. Yeah.

## **Analyst**

Yeah, sir. My next question is just on a outlook of the domestic orders in the project business like one last time you mentioned about the Delhi Metro which is expected to come up for tendering. So what is the status and apart from that any other major projects which can be like talked about which can come in for the tendering in the second half.

## **Anil George, Executive Vice President & CHRO**

There is a lot of opening that's coming up in terms of the Urban infrastructure. The Delhi Metro that has been put up has been a phenomenal success. And I think various State governments are really looking at it and saying that this something that we need to replicate in our own states.

Yeah so for example there are possibilities of Cochin Metro, there are possibilities of other states coming in to in this thing. These will come up for tender at what point and at what time is difficult to say that that's one thing. But when it comes in I think we definitely will have good stance possibility of getting these, because we have now started doing things, important projects particularly in Chennai so we have credibility in that thing.

The second thing where I personally expect is that there will be some amount of additional spend that they will go in and do before the 2014 elections, which will be perhaps in the line of enhancing airport and infrastructure facilities.

And if there are 10 airport that are out even if it's not very large sized airports, I am sure that Voltas will be able to grab a few of these at least. And in terms of medical and health, there is again a lot of expenditure that is happening and we are doing, involved with AIMS Hospital, the ESIC Hospitals et cetera. Incidentally, ESIC by itself they are sitting on something like what I hear is Rs. 50,000 crores.

Now, what will they do with that? They have to invest and they invest, we also have a share in their business. So, as we can I think it's linked to the environment. And other thing is that the SC said opportunities are going to be terminated somewhere in 2014 or 2013 and something like that if my memory is right.

And so there is also a little bit of a line-up in terms of putting up facilities before that window of opportunity goes away. So, that I think is also the reason why you find the lot of the IT companies is continuing to invest et cetera and billing up capabilities for the future.

So all-in-all what I can say is that we are well placed to seize any opportunity amongst the orders that are available and that we consider are reasonably risk appropriate, we will get our fair share, make no doubt about it in the domestic business.

## **Analyst**

Fine. Thank you, sir. Thank you very much, sir.

## **Operator**

Thank you. We have the next question from the line of Prerna Jhavar from Emkay Global. Please go ahead.

## **Analyst**

This is Pritesh. My questions are answered. Thank you.

## **Corporate Participant**

All right. Thank you.

## **Operator**

Thank you. The next question is from the line of Amar Kedia from Nomura. Please go ahead.

## **Amar Kedia**

Yeah, hi. Good afternoon, sir. Sir, will it be possible to share what the current cost... what is the current size of the Sidra project? I think you had mentioned last time it was roughly about 1,500 crores.

## **Anil George, Executive Vice President & CHRO**

Yeah, it's still in that ballpark yeah.

### **Amar Kedia**

Right, right. Sir, secondly on the segment one, if I were to just do a reverse maths of your normal margins average of 4% to 5%. I understand I mean this is just a making a hypothetical assumption of a year, then what it means is that you have booked normal margins on just about 200 crores to 250 crores worth of turnover out of the entire 777 crores booked.

Of it, Sidra I assume is roughly about 100 crores and 125 crores. So, is it that the other projects that you have mentioned is coming out to something like 300 crores, 400 crores additional where you have variations of cost overruns for such issues?

## **Anil George, Executive Vice President & CHRO**

Don't want to get into the numbers specifically. Sidra project was substantial in this quarter's numbers in terms of the turnover because we have speeded up the execution quite substantially. Now the moment... where you are going, going at in terms of reverse working is really to look at your 300 crores... hypothetical 300 crores and it really says that the margin on that has only been 8 crores, yeah? That might be one way of looking at it.

But you have to superimpose it with what I have told you earlier in terms of lumpiness, in terms of what can come in as a profitability, what will come in that at a later quarter.

In the quarter of December 2011 I had taken a booking on Sidra, but at the same time under normal income I had got realized certain claims and variations et cetera, which actually then the market read it and many of you came back and said that why is it so high? Does it mean that the projects business has suddenly become extremely profitable.

And I said even at that point of time I said no, you have to equate this and put this over a timeframe because project business is lumpy. And therefore, what you cannot look at one quarter and really make a decision on that basis.

In fact, a good way will be look at us a longer period or do whatever your CAGR calculations or whatever it is to get a better feel of it. But don't look at it from quarter-to-quarter because there is an AS-7, yeah.

So if I were to able to take my revenues as I have built it without any question then there would be no problem, yeah. You would find it as smooth as any other business. But the reality is that for whatever reasons in good or right, I might agree with that, am I not agree with it, but this is what the country's accounting law requires you to do and this is what we are doing, yeah.

### **Amar Kedia**

Right, right. Sir secondly, I think you mentioned in your earlier remarks regarding the UCP segment that you had some strong support coming in from Commercial Refrigeration segment as well during this quarter. Has there also been any positive margin impact because of that because you also mentioned operating leverage and...

## **Anil George, Executive Vice President & CHRO**

No Commercial Refrigeration if you are asking is it highly more profitable than the Air Conditioning business, the answer is no. Because what happens in Commercial Refrigeration is that we have mostly OEM suppliers to people. So there are bulk orders and these bulk orders are not necessarily at the high range of profits that you might get on the others.

So, they do add to your profitability but it's not right to say that they are more profitable than the mainline business.

### **Analyst**

Right. Thank you sir. That's all I have.

## **Anil George, Executive Vice President & CHRO**

Thank you.

## **Operator**

Thank you. We have the next question from the line of Ashutosh Garud from Dalal and Broacha. Please, go ahead.

## **Ashutosh Garud**

Hello sir.

## **Anil George, Executive Vice President & CHRO**

Hi.

## **Ashutosh Garud**

Yeah, thanks for taking my questions. Most of the queries have been answered. Sir just wanted to know the order inflow numbers which actually one of my colleagues has asked.

## **Anil George, Executive Vice President & CHRO**

I think -- Utsav and he we will contact you after this and let you know the number.

## **Ashutosh Garud**

Okay yeah. Thank you sir. Thank you.

## **Operator**

thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

## **Aitya Mongia**

Good afternoon sir.

## **Anil George, Executive Vice President & CHRO**

Good afternoon Aditya.

## **Aitya Mongia**

Sir I basically wanted to know that the orders which you -- been on the domestic side.

## **Anil George, Executive Vice President & CHRO**

Yeah.

## **Aitya Mongia**

Are these negotiated orders and if they are so does Voltas get a higher margin on those being preferred bidder?

## **Anil George, Executive Vice President & CHRO**

No, no in the projects business everything is a negotiated -- not a settlement, negotiated order. Very basically often what happens is that when a project is -- tenders given there will be something like about 20-25 people on that. Some of them might be prequalified because the tender conditions will also say, for example if you have an airport order.

They will say prequalification is that you should have been in this business so much, you must have capital adequacy of so much, you -- et cetera, et cetera, et cetera. So all those conditions first need to be fulfilled and then those tenders are then evaluated.

At the end of the day what happens is that the client or the main contractor at a certain point of time sits with all these tenders actually for a large orders, calls for presentations to be made. So our people are actually going there and saying, "what is our plan to be able to be able to do this project on -- in time and in full capability." So you do that and then what happens is that then they negotiate and say that "Voltas, we are very fond of you, we like you to do this project, yeah, however, the truth is also that there is another guy, who has quoted so much lower than you, so if you can meet up that price, we will be more than happy to give it to Voltas."

So these kind of things also happen and then we decide at that particular point of time to say that, yes we can do it or no we cannot do it, it's not worth our time. So then it gets in to negotiations. So everything, the business development part of a project industry and business is extremely complicated and time-consuming, but we know how to do it with years and years of experience behind us. And it would also be right to tell you that there are many projects which we walk away from, simply because of the fact that we consider cash being the king. So if you think that there is any risk in giving the cash, we walk away from it, if we think that certain of the conditions are onerous or that we do not have a mean of securing our risk on it, we walk away from it as well.

## **Aitya Mongia**

Sir thanks for your reply. Second question is basically on segment A. Order book has actually declined in this quarter.

## **Anil George, Executive Vice President & CHRO**

Yes.

## **Aitya Mongia**

So is there the possibility that the sales are segment A in the second half of the year may show a big decline also?

## **Anil George, Executive Vice President & CHRO**

No the second half of the year will not be impacted, but if for example the order book does not pickup later maybe in the next year or something there will be a little bit of an impact but our hope indeed is that we will be able to pick up orders.

## **Aitya Mongia**

Sure sir. Sir one last question.

## **Operator**

Sorry to interrupt Mr. Aditya we have our other participants waiting in the queue. You can come back to the queue. Thank you. We have the next question from the line of Supriya from Kotak Securities. Please go ahead.

## **Supriya Subramanian**

Hello yeah my questions have been answered. Thank you very much.

## **Anil George, Executive Vice President & CHRO**

Okay, Supriya.

## **Operator**

Thank you. next question is from the line of Nitin Bhasin from Ambit. Please go ahead.



## **Nitin Bhasin**

Yeah, good afternoon sir. Just wanted to understand probably when you say this 77 or last 85% completion of your project of Sidra are you talking on the revenue term of 1,000 crores or cost terms of 15,00 crores.

## **Anil George, Executive Vice President & CHRO**

It's on the cost incurred.

## **Nitin Bhasin**

Okay. And the other thing is that in terms of you also said in your press release.

## **Anil George, Executive Vice President & CHRO**

It is getting a little muddled.

## **Nitin Bhasin**

Okay. If the press release somewhere you said that the execution in the domestic projects also declined and the revenues declined in India segment for segment A, can you just throw some light on it in terms of why this decline happening or what's happening?

## **Anil George, Executive Vice President & CHRO**

I'll do that. That's what I covered earlier. The domestic project consists of the normal MEP stroke, HVSA kind of work that we do in the domestic projects. It consists of water management, it consists of Rohini.

If you see my press release I have spoken about certain slowdowns in the project because which is happening purely out of an environmental issue that people are not willing to invest and we are actually coming at a stage when some work has to be done before us we can actually get onto the stage and start doing our work. So, there have been slowdowns in that.

People are concerned about liquidity, they are not willing to spend and they are downsizing projects and sometimes they announce capital expenditure projects but keep it pending. In a way let me try and link it up. For example, I want to buy a house worth Rs. 2 crores, yeah.

## **Nitin Bhasin**

Yeah.

## **Anil George, Executive Vice President & CHRO**

And today HDFC is offering me a rate of X, and somewhere in the newspaper I have read that that might be interest rates cut, what do I do? I will postpone the decision because I don't want to be paying at the higher rate, or I will negotiate differently. And when that happens there is a gap of time and this is life in blood of how entrepreneur really manages this business. So he will not spend more money than that. So, in times of uncertainty we have always seen that decisions tend to be deferred.

## **Nitin Bhasin**

Okay. I get that point. But in terms of there is kind of a backdrop do you expect second half of this fiscal orders?

## **Anil George, Executive Vice President & CHRO**

I don't know. I really don't know because all those certain things have started moving I am not seeing people has to get on to the street and really say I am putting my money behind my what I am saying.

## **Nitin Bhasin**

Okay.

## **Anil George, Executive Vice President & CHRO**

It happens then like I said I answered one question I said that if, for example, there are that are 10 airports that I have announced, definitely I mean I mean I find it very difficult to believe that I don't get a substantial part of course.

## **Nitin Bhasin**

Okay. So the last one. This has been asked earlier but I just reiterate with a little bit of numbers this time. In terms if I look at the Sidra project, last press release you said its complete 77%. This time you say it's complete about 85% so that 8% incremental of that 1,500 crores is about 125 crores or something of that sort. Is that the only revenue booked on Sidra on Sil margin in the segment one?

## **Anil George, Executive Vice President & CHRO**

I am not giving you the revenue figures this thing because you must also understand that the cost of the project has also increased, yeah.

## **Nitin Bhasin**

Okay. But you said it's stagnant 1500 crores versus 1500 crores is stagnant on a Q-on-Q basis?

## **Anil George, Executive Vice President & CHRO**

Sorry?

## **Nitin Bhasin**

Somewhere earlier you said sir that Rs. 1500 crores the entire cost of the project --

## **Anil George, Executive Vice President & CHRO**

All parts of 1,500, I mean that doesn't mean that its 1500. What excites... this is an ongoing project, yeah, it's again back to the issue of the house that's under construction, you will again find cost creeping up.

## **Nitin Bhasin**

Okay.

## **Anil George, Executive Vice President & CHRO**

So, it is by and large you are not terribly off the numbers in terms of what you are estimating. But I don't want to confirm that this is 125 because I am not really saying that, but it's in that large ballpark.

## **Nitin Bhasin**

So, you see it what you understand that why I am asking this is because just trying to get a sense in terms of if Indian business MEP right now is profitable because the numbers just say 1%. So is it like materially profitable that this or not, this is not a forward-looking statement, just a backward-looking. Does this 1% really doesn't give a very good picture?

## **Anil George, Executive Vice President & CHRO**

Indian business again comprises the domestic project. It comprises of water management, it comprises of Rohini. Rohini I have already indicated we have taken an EBIT loss of 2 crores in that. Water management we are facing some constraint is not being profitable, yeah.

## **Nitin Bhasin**

Yeah.

## **Anil George, Executive Vice President & CHRO**

And the domestic is, of course, what we have done is profitable, but the profitability would have been higher had we been able to execute more projects on time and go ahead if the environment had been a more friendly.

## **Nitin Bhasin**

Somewhere in the call you mentioned 3% to 4% is the margin that we are looking at in terms of the segment one. When you say this 3% to 4%, are you looking at 3% to 4% as a whole segment one for this year or is it like going forward for international?

## **Anil George, Executive Vice President & CHRO**

I just answered a question in terms of someone asking specifically as to how do you see it going forward. I am talking about short-term. In a longer term basis if you want to do project business, my own sustainable level would be 7% to 8% is what I would like to see.

## **Nitin Bhasin**

But that would be mainly India sir, 7 to 8, international would have probably 3%, 4% already?

## **Anil George, Executive Vice President & CHRO**

Want to see because otherwise it becomes difficult. I will find other ways of better ways of investing my money if it's only 3% to 4% on the longer-term.

## **Nitin Bhasin**

Since have got the liberty of asking so many question, the last one is --

## **Operator**

Sorry to interrupt Mr. Nitin.

## **Nitin Bhasin**

Yeah, I know I am just putting down.

## **Operator**

Due to time constraint now we are unable to take any further questions.

## **Nitin Bhasin**

Yeah orders in Kuwait if you could just talk about that, you have taken orders in Kuwait if you could just talk about that. Thanks a lot.

## **Anil George, Executive Vice President & CHRO**

I didn't pick-up that question but I think the mediator has already cut the line. I think I am not sure.

## **Nitin Bhasin**

Yeah --

## **Anil George, Executive Vice President & CHRO**

Yeah. Could you come back on that question with Utsav.

## **Nitin Bhasin**

Okay. I will do that, thanks.

## **Corporate Participant**

Hello?

## **Nitin Bhasin**

Hello?

## **Corporate Participant**

Who's on the line now?

## **Operator**

Thank You. Sir, due to time constraint we not taking any further question. At this time I would like to hand the floor over to Ms. Bhoomika Nair for closing comments. Over to you, ma'am.

## **Analyst**

Yes, thank you everyone for taking out time for the call, especially the management. Thank you very much sir for addressing all our queries, sir.

## **Anil George, Executive Vice President & CHRO**

Thank you, Bhoomika. Thank you for hosting this call. And I want to also express my gratitude to what I understand is 100 odd people working on the line, yeah. We are more than happy to take any of your questions and we will deal with them as transparently as we can.

And if there are any questions that have not been suitably answered, please revert back to us and both Utsav and Garud will be more than happy to answer your queries, and we look forward to your continued interest in the company. Thank you.

## **Analyst**

Thank you so much sir.

## **Operator**

Thank you. Ladies and gentleman, on behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining. You may now disconnect your lines. Thank you.