

Operator

Good day, ladies and gentlemen, I am Sudeep Sarkar, the moderator of this call. Thank you for standing by and welcome to the conference call of Crompton Greaves to discuss the company's third quarter financial 2014 results and the way forward. As a reminder all participants' line will be in a listen-only mode and there will be an opportunity for you to ask questions at the end. I would like to now hand over the proceedings to Mr. Laurent Demortier, Managing Director and CEO of Crompton Greaves. Thank you and over to you, sir.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you. Good evening. Thank you for joining us for the third quarter Investor Conference call. At the offset, we would like to inform you that overall the results in line with our expectations, orders grew by 16% and revenue by 17% compared to the same period last year. We delivered an EBITDA (technical difficulty) price of 62 crores, which represent an increase of 9% since our Q2 quarter.

Market remains challenging worldwide as the EBITDA market remained slow for any capital investment to think both for industrial and toll [ph] market under pressure. Consumer business has been particularly low compared to the same period of last year with a weak season. European market shows some sign of rebound in all sectors, particularly in Nordic region and the small gain market has been quite active. I'm quite confident that this will generate good inflow of business in the coming months. Middle East Africa, South East Asia and Latin America markets continue to be active and our sales of growth strategy.

Our export out of India has been quite strong and we witness a 40% growth during the quarter, at more than 290 crores order intake. Net sales growth for the third quarter has been at 17% versus Q3 last year and 20% on the nine months. The EBITDA is in line with our Q2 performance at 5% and PAT at 60 crore, 9% increase, since last quarter. If we look by region, Indian operations grew by 7%, all businesses contributed, dollar business grew by 10%, consumer business by 7%, its worth to mention that two major key for the client in the consumer business operate from the market, the fan division, which grew by more than 13% and the lighting division that grew by 17%.

The EBITDA of fan deal operation has reached 9.1%, 15% increase compared to last year. Sales growth was fueled by the success of automation obtained in smart grid earlier. The excellent performance of our (inaudible) on former activities and the success of the launch of (inaudible) the Ring Main unit, which is a compact and efficient break up for urban development.

Two main transformer plants in India, (inaudible) are now fully operational and loaded, I think you all remember some of the issue we had in (inaudible) during the second quarter on the short flow.

Non-India operations, I think order have increased by 50%, sales by 25% over the same period of last year. EBIT was in line with our expectation at breakeven. Orders has been sell to automation activity with several order received for our smart grid offering, we register a 60% growth over last year, the same period of last year in this segment and for the pro-activity.

Overall we continued to be highly selective on order, especially in the taller transformers across the region.

We posted an impact of our poor product operation in Belgium and Hungary, Canada plant remains under watch. We are the new management that joined the factory. We have initiated an operation (inaudible). We have secured for this plant in Canada, during the third quarter EUR15 million or five quality orders. Pittsburgh U.S., which has been also one of the unit I have been mentioning in the last call, our power system business in USA has been restructured during the third quarter and new management is on board and we plan our return to profitability by Q4 this year. Overall our portable of backlog and plenty of operation give us quite confidence for the future.

With this I will open the floor for the Q&A session.

Questions And Answers

Operator

Thank you so much, sir. With this we are going to start the Q&A interactive session. We have the first question from Renu Baid from Batliwala. Line is unmuted, you may go ahead and ask your questions.

Renu Baid, Analyst

Good evening, sir.

Laurent Demortier, Managing Director and Chief Executive Officer

Good evening.

Renu Baid, Analyst

Sir, my first question coming on the International business side. I wanted to just understand, we have been sitting on a very strong order backlog in the International business, but despite that we have not been able to see execution ramp up. If you look at sequentially at the last three quarters in local currency terms it has been weak or probably just flattish.

So if you can throw some light, what is hotting ramp up of execution, whether it's Belgium, Hungary are they taking time (inaudible) there are regulatory issues. If you could just throw more insights into when do we expect execution and sales to ramp up in the international thoughts and what is hotting execution currently?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. I think, you mentioned I expect some comment also in the price on the (inaudible) there is absolutely nothing, I think as I said automation in International business grew by 60% over the quarter last year and there is absolutely nothing broking the execution of order on the regulatory stand point.

So I think this needs to be clear.

Renu Baid, Analyst

Okay.

Laurent Demortier, Managing Director and Chief Executive Officer

And (inaudible) into sales pretty quickly at the space of the delivery, which automation is the much lower cycled report transformer.

On the over unit, on the board transformer, which is our largest business in this unit. We have as you mentioned a good backlog order, we have a healthy backlog and it's just the time for this deliveries to do and showing the -- of first the Hungary in terms of the manufacturing capacity, I think, is in just normal schedule I would say in this span [ph]. As always said this year is a competition year for this plant, you have to see a 12 to 18 month cycle to stabilize the plant and ensuring that you get deposits with the quality and what we want that is -- it's just a normal schedule.

Renu Baid, Analyst

Okay. Sir, on automation can you just share the numbers in terms of sales for the third quarter and the nine months? What have been the broadly sales in rupee terms up given intake, if you can share?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay, we can give you that. Madam, I just (inaudible) we are working on that, give me one second.

Renu Baid, Analyst

Sure.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. If you take down the numbers, automation sales for the quarter is 185 crores versus last year's same quarter figure of 147.

Renu Baid, Analyst Laurent Demortier, Managing Director and Chief Executive Officer

Okay. Plus that's approximately 25% to 26% growth.

Renu Baid, Analyst

Right. And the 60% growth in automation which Laurent was referring to that was in which segment?

Laurent Demortier, Managing Director and Chief Executive Officer

Sales on the automation is the order intake, including the number of sales, and now we received a large order (inaudible) and so the total order is -- I'll give you the number for the order if you want.

Renu Baid, Analyst

Sure.

Laurent Demortier, Managing Director and Chief Executive Officer

You want the orders? Order intake for automation, you're looking for the second quarter result, is it right?

Renu Baid, Analyst

Third quarter.

Laurent Demortier, Managing Director and Chief Executive Officer

Q3 is 129 crores.

Renu Baid, Analyst

Versus last year?

Laurent Demortier, Managing Director and Chief Executive Officer

I'm sorry. One second, please.

Renu Baid, Analyst

Sure, sir.

Laurent Demortier, Managing Director and Chief Executive Officer Renu Baid, Analyst

179?

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah.

Renu Baid, Analyst

Okay. And how much was this last year in the third quarter?

Laurent Demortier, Managing Director and Chief Executive Officer

I'll tell you. It was 117.

Renu Baid, Analyst

Okay. And sir my second question on the profitability side. We had seen almost \$10 million of loss in the first half from the Canadian and the US operations getting into losses. So what was the status in the third quarter? Has it remained at similar level in 2Q? What was that number?

And at the same time you mentioned in the opening remarks something that new operations, something about EUR15 million, high quality orders have been given. So if you can just clarify little more on that side with respect to Canada?

Laurent Demortier, Managing Director and Chief Executive Officer

With respect to Canada, the current backlogs of Canada is EUR70 million [ph], after which we received in Q3 EUR15 million [ph] of high quality order which means with the margin which is much higher than its margin at 40%.

Renu Baid, Analyst

Okay.

Laurent Demortier, Managing Director and Chief Executive Officer

Gross margin.

Renu Baid, Analyst

That's very strong. And how has been the status of profitability of the Canadian subs in the third quarter and YTD?

Laurent Demortier, Managing Director and Chief Executive Officer Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Right. Renu, look, as we said we had lost money in the first quarter, first half of the year and as already explained to you we have got some very, very good orders in Canada, which are now part of the order book and we do believe the change in management and with the excellent order intake with very good margins. I'm sure I think we are looking for a much brighter future in our Canadian operations.

Renu Baid, Analyst

So the Canadian entity should turnaround by the end of fourth quarter in your view?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Probably it may not be the fourth quarter, but it might be probably the first quarter because you know in our business the orders come in, the execution there is always a lag in terms of the orders. So the orders that we have got now would definitely be executed between the first and second quarter of 2014, '15 that is April to June for us. So at that time I believe, I do believe in the order book that we have we should look how much better numbers.

Renu Baid, Analyst

So that is good from my side at this point of time. I'll get back in the queue, I'll meet you again. Thank you.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Thank you.

Renu Baid, Analyst

And all the best sir.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Thank you.

Thank you (inaudible). We have the next question from Mr. Bhavin Vithlani from Axis capital. Your line is unmuted, you may go ahead and ask your question, please.

Bhavin Vithlani, Analyst

Hello. Hi, the first housekeeping question, if you can give us the number for order inflow and order backlog like you're giving Power India, Power International?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Yeah. Okay, I'm Madhav here. We can take on the numbers. This is firstly I'll give you the India numbers, okay? Order intake, Power Systems India is 632 crores, order intake for Industrial Systems India is 440 crores. Total order intake for India for the quarter is 1,072 crores. Take the numbers for non-India, Power order intake is 1,448 crores, Industrial Systems of 104 crores, [ph] total non-India 1,552 crores, total power system orders on CG global is 2,080 crores for the quarter. And total order intake for Industrial Systems for the quarter is 545 crores. So the total order for the quarter for CG as a whole for power industrial is 2,624 crores. Coming to unexecuted order book as on 31st of December, I'll give you first, power is 3,489 crores, industrial 484 crores, total 3,973 crores, non-India power 5,921 crores, industrial 180 crores, total 6,101 crore, total power systems global order book as on date is 9,411 crores, industrial systems order book as on date is 663 crores and total order book for CG is 10,074 crores. This excludes, of course, as you understand the consumer and the industrial distribution channels.

Bhavin Vithlani, Analyst

If you can give us the export number also and the order inflow for the exports from India?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information

Officer

We -- I'll give you first the export number from India, its 290 crores, -- 290 for the quarter.

Bhavin Vithlani, Analyst

Okay. This is completely power?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

This is largely power.

Laurent Demortier, Managing Director and Chief Executive Officer

Largely power, yeah.

And what was the number on a Y-o-Y basis?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

On a Y-o-Y basis, the number was 206 crores.

Bhavin Vithlani, Analyst

Okay. And if I actually look at your results on the consolidated minus standalone to take out the International business, I actually see a significant increase in the other expenditures as well as the top cost. Are there any one time items?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No, there are no one-time items. I think you'll have to factor in the effects of currency, that comes into play because of the translation from euro to rupee. Second is, there is a sizeable export from India, as well as from other countries around the globe. So there has been higher freight cost. We also incurred higher sales promotion cost in our consumer business in India is almost 17 crores we have incurred in the quarter. Then the -- some amount of extra bank charges, because we have got more, some of the good orders for which we had to give bank guarantees. So that's the reason there is no one-off in the process cost.

Bhavin Vithlani, Analyst

So if I actually look at the other income industry, the same way consolidated minus standalone, there is a 11 crores of other income, which normally is in there ballpark 3 crores to 5 crores, any foreign exchange gain?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No. There is no foreign exchange gain, what we have got is a grants from the government in Hungary, on account of the R&D that we spend and that's the reason why there is the other income there.

Bhavin Vithlani, Analyst

Fair enough. And last question is, last quarter you mentioned about Belgium and the Hungary being PBIT, if you can give us some

color on the PBIT from Belgium and Hungary and the loss number on the Canada and the US remains same at about \$5 million each. Would that be correct?

Laurent Demortier, Managing Director and Chief Executive Officer

Now, I mean just to take down from where basically Laurent said, what Laurent said was that I think all our international units are now except for Canada of course are performing to what we expected them to perform, alright?

Bhavin Vithlani, Analyst

Okay, fine. These were my questions. Thank you so much.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you, sir. We have the next question from Mr. Amit Sinha from Macquarie Capital Securities. Your line is unmuted. You may go ahead and ask your question.

Inderjeet Bhatia, Analyst

Hi, sir. This is Inderjeet from Macquarie Capital Securities.

Laurent Demortier, Managing Director and Chief Executive Officer

Hello.

Inderjeet Bhatia, Analyst

My first question is -- Hello. My first question is on the India power systems. Now often we have kind of heard about that the ordering in the next two, three years is likely to be much more in the GIS substation and those kind of space. And limited in the transformer space and which would limit the canvas in which Crompton Greaves can operate in India. How do you kind of counter that, what kind of products you think Crompton can monitor?

Laurent Demortier, Managing Director and Chief Executive Officer

I don't have to intact, but I don't mean it was coming from our team. I think -- I can imagine who would have said that, but I think to do on the former side, I think we got pretty healthy order this year, we've got a good success in Indian market if you look at the 765 kV Class which is one of our flagship. We received this year for the first time almost 50% of the orders which has been issued by PGCIL and that's the result of all the investment and all the quality of the products we did. So that's good.

Now the future on those order for 765 kV there is what is coming is higher than what happened this year. If this year has been pretty low and I think for the next year we have, there is always the net share higher volume which is going to be floated, and I don't even talk about a 1200 [ph] kV that would come a little bit later, but actually it will come.

So I think as far as India is concerned, I think this year has been pretty tough as I said and next year will be much better in terms of 765. So I think it can be only just better. But as I said, you need to approve right now. What is happening is that you have also lot of order now that are sold as the term PGCIL. So you know PGCIL (inaudible) all with substation and I think there is a kind of has been lot of substation order systems for 765 [ph] instead of dry type transformer, so I think that will be also good for us because as you know we have a system division in Gurgaon, the So I believe that both we'll continue to be down transformer I think we are in the sector as you know very competitive in India. And second we might become much more competitive on the turnkey substation systems mainly for 755 KV and above.

Inderjeet Bhatia, Analyst

Okay. Sir, second question is on the international especially the North American operations and expectation is that will turn around by the quarter one of the next fiscal. Now my questions in two parts, first is, whether this turnaround is on the back of better quality order intake or have we seriously kind of reduced cost base there the way we did in Europe. So just kind of understand the sustainability of this turnaround and second is when you could talk about turnaround, you're taking about the PBRT level or chartered PAT level? Thanks.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. I think in Canada as I said we have a backlog of EUR70 million which made the factories full almost for at least more than a year. So the turnaround as (inaudible) we changed the management, we have a full team that has arrived there which is looking at operation on the subfloor [ph], we are looking at small improvement in the throughput.

We are being doing some cost reduction this year but we are rationalizing the softening activities we are looking at improving the time of the work on the subfloor and optimize the work there.

So it's nothing really extraordinary, what we have been very worried is that we -- profit -- the increase in profitability of this business in Canada, so what we have done we have selected certain segment of the market, so we are bidding only basically our sweet pot into a transformer between 100 and 200 NVA [ph] and we purchase on that and we -- that's why we have been able to export some orders with much higher margins. So, if this selection and that has been planned and we have been put in place there in Q3 we were not sure about the success we could have I think if we show that ability, we were able to secure the good order with our traditional customer that we have in Canada. So to summarize, its management discipline, some cost reduction and a new strategy for selling products, different focus on hand for orders, which for time is limited to Canada and I plan to expand that to USA and that's what we are putting in place right now. And if we can say Q1 -- last quarter and deliver the capacity then will appear the turnaround but again this might take a little bit more quarter before we translate the order in profitability.

Inderjeet Bhatia, Analyst

Okay. And the turnaround would be at PAT or PBIT level?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Well, to begin with what it will be at the PBIT level, and there the capital employed is not very significant, so you would not see much depreciation or interest. So, obviously the turnaround at PBIT level and obviously PAT is not too far.

Okay. Thanks a lot.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay, thanks.

Operator

Thank you so much. We have the next question from Jonas Bhutta from Bank of America. Your line is unmuted, you would ask your question please.

Jonas Bhutta, Analyst

Hello?

Laurent Demortier, Managing Director and Chief Executive Officer

Hi, Jonas.

Jonas Bhutta, Analyst

Hi. Just three questions from my side. Firstly, on ZIV, since it's a December year-end company or typically it's a calendar year in company wanted to know whether CY '13 bannered out more or less in line with what you had estimated at that time of acquisition, and if not what were the gaps and when do you expect that to sort of play out?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. Jonas, just to correct one interpretation here. See, that I mean also global account in line with all other CG companies as of 31st of March. So it's not year-end for us in September.

Jonas Bhutta, Analyst

All right. Okay. But how has been the progress?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. Now, the (inaudible) again as you know we have CG, we have combined all automation business because we have lot of non-effective Japanese around the world doing a little bit of that. So it has been globalized, so when I talk about automation in this, which 80% or 90% is (inaudible). The performance of Greaves last year I think was not in the (inaudible) of course that we didn't get the supply that we are expecting at the time of the acquisition, mainly due to the market situation that impacted Spain. Okay, because Greaves not in Spain. As we said that we are pretty happy with the performance we have almost record a number of quotation right now in the smart grid area.

In the past four months, we have been winning some test platform and if I just go on the world we won Paraguay, Brazil, Portugal, Spain, Poland, Lebanon [ph], India. So I think all that that is the test platforms, that wind farms also we are bidding and on that to consulate into potential order. I don't think we will win all. That I expect to win some and those other opportunities to get this, that could be a example of farms a little bit today on January 6th for smart grid offering the program in France is a EUR1.1 billion project and CG is one of the few company who have been selected for the bid. And we'll get by end of the year whether we are selected and if we are selected, I think that will open a new chapter in our business.

Jonas Bhutta, Analyst

Sir, is this CapEx in France by ERDF?

Laurent Demortier, Managing Director and Chief Executive Officer

Yes, it's ERDF, it has been signed, the total program is called Linky project in France. It's a EUR4.1 billion investment which has been voted by the parliament and this is the renovation of all the meter in the French market, 35 millions of meter to be changed. And CG there is 20 companies that was bidding on July for that, out of that five has been selected by ERDF and the government and CG is one of the five.

Jonas Bhutta, Analyst

So who are the other four, if you can mention?

Laurent Demortier, Managing Director and Chief Executive Officer

(inaudible) American, there is an American icon, there is (inaudible) which is a French company. There is (inaudible).

Jonas Bhutta, Analyst

Okay. On my second question, sir, was on -- recently we've seen the EBT [ph] global pick up, major write off of about \$400 million because of some storm that happened in the North sea and many of its wind offshore, installations sort of had project cost escalations. I remember we were supplying urban bank [ph] but that was a way back in 2012. I wanted to understand whether any impact of that in terms of execution given that most of this is applied out of Belgium?

Laurent Demortier, Managing Director and Chief Executive Officer

I think first this business is growing very well as you have seen we have a pretty large order in the wind offshore and we have realized right now more than five platform in the sea which has completed. We are right under execution right now and we are under deed is some good news.

We have not been impacted at all. I remember that in this platform we don't do the individual windmill, we do only the transformer because the offshore transformer and the onshore transformer which basically is a much bigger platform which is little bit certainly less sensitive to storm, but we don't -- bigger than any issue on any of our project, so at least on this account.

Jonas Bhutta, Analyst

And my last question mainly should have been directed to the motor company, but since it's linked somewhere to Crompton is that we've read about this deal that the promoter has entered into a layer which guarantees certain return So, but briefly if you can just highlight why was this deal done and what's the guaranteed return in terms of share price movement that they have guaranteed?

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah, that's a smarter way. Let's answer your question, we have also read about the deal in the newspapers, right. Our company is no way connected with the deal. So you may have to redirect your question to the promoters.

Jonas Bhutta, Analyst

Alright fine. That's it from my side. Thank you.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you so much. So we have the next question from Mr. Sumit Kishore from JPMorgan. Your line is unmuted, you may go ahead and ask your question.

Sumit Kishore, Analyst

Good evening. I have a couple of questions. The first question is on the consumer segment. Demortier, you mentioned in your opening remarks that fan grew by 13% and consumer lighting by 17%, so basically why the 7% growth you're assuming each segments are depressed and the outlook.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. So I think just on these, the two segment that has been clearly affected on Q2 first is the pump market that we grew by minus 5, I think the industrial grew by minus 10 in India. So it's not a great performance, but I think was little bit better. And we also appliance that they grew 17% compared to last quarter. Now last quarter we used to bid for very large order for (inaudible) we have decided not to continue this type of project, highly diluted in terms of margin, and that's what extended to minus 17%. And then, fan grew by 13%, and I think the remote [ph] fan and lighting are the two activities where we have the highest added value because we have our own manufacturing, own supplier and own products. So, that's the products that we are pushing.

In lighting, we have introduced a brand new range of LED lighting on the Q3 now, starting to be selling on the market right now on Q4. And fan, we have been talking in the past quarter about not only the introduction of new products with different market tag and market type, but also about the rich program that we tried to -- I think, in the last -- in Q3, we are valued 1,100 retailer across India to make sure that anybody willing to buy Crompton fan can get one.

Sumit Kishore, Analyst

Okay, so just (Technical Difficulty) which are the two segments which have grown in double digits account for what portion of the consumer segment revenue?

Laurent Demortier, Managing Director and Chief Executive Officer

Madhav, can we --

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

-- just hold on a second, please. Sumit, it's approximately 75%.

Sumit Kishore, Analyst

Okay, so 75% has grown in double-digits and the growth in the balance 25% is likely to stabilize or the outlook in the bulb market, if I heard correctly, is down 5%. Is it in this scenario [ph] or is it a recurring event?

Laurent Demortier, Managing Director and Chief Executive Officer

I think the bulb market, we have -- I think market is really down, so we don't know what will happen on the Q4 on this market, but as soon as the market rebound, we have a pretty good offering. So, this would grow very fast. On the appliances, I think as we have (inaudible) and we don't do large volume and low margin, I think last year we are -- if you go back to Q2, it's certainly different which is our appliances, we had a full range of new products both on the geyser and on the mixer. This should -- we should not see a large difference like that on the Q4. I think on the Consumer side, we are quite confident on Q4 right now.

Sumit Kishore, Analyst

Sure. If you could also comment on the industry segment margins, which are quite (Technical Difficulty) if I look at the overseas subsidies what exactly happened there and if you could also -- one last question, the unexecuted order backlog for automation and exports of India which is just a follow up from the previous question.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. Firstly you're right. The industrial system margin has dipped. If I look at Q3 last year versus Q3 now or if I look at Q2 versus Q2, there's a dip in the margin. But primarily it's slower movement on the CapEx as both in India as well as overseas. So that's the primary driver for lower EBIT margins.

Sumit Kishore, Analyst

There's a quite sharp dip. I mean overseas is quite negative, if I'm not mistaken.

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah, I think -- look, the question is there is a pressure in the market CapEx are not happening almost everywhere. I think that's a key driver which is affecting the business profitability. And coming to your next question in terms of the data on order intake for automation and export from India, I guess I will get that back to you.

No. I was asking for the unexecuted order backlog, which is generally an automation and not the order inflow. The unexecuted order book and automation and exports from India.

Laurent Demortier, Managing Director and Chief Executive Officer

I'll also get back to you Sumit on that one. Surely we'll get back to you within tomorrow.

Sumit Kishore, Analyst

Thank you so much.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you Mr. Kishore. We have the next question from Lavina from Jefferies. Your line is unmuted. You may go ahead and ask your questions please.

Lavina Quadros, Analyst

Yeah. Hi. Sir what are your debt levels currently? I know there was a slight rise in 2Q given the rise in interest cost, I just wonder if 3Q seem further deterioration in debt level?

Laurent Demortier, Managing Director and Chief Executive Officer

Hi, Lavina. The net debt levels which were reported in Q2 remains broadly the same in Q3 as well.

Lavina Quadros, Analyst

Okay. And just in terms of working capital, are you all seeing any rise in loans and advances or on the debt -- because it's a rise of loans in advances in second quarter. So any such deterioration seen in 3Q?

Laurent Demortier, Managing Director and Chief Executive Officer

No we haven't seen any deterioration either in loans and advances or in working capital. See, loans and advances is something like giving advance to suppliers or paying the taxes in India or that kind of stuff. So, there is no structural deterioration anywhere.

Lavina Quadros, Analyst

Alright. And sir, last and just on your subsidiary for quarterly, right, there is an analytical expenditure which used to be close to zero from 1Q FY'14, it started turning positive. I just wanted to understand if there is any re-classification of

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah.

Lavina Quadros, Analyst

This I believe that unallocable expenditure which use to be zero has moved to a positive number. So has there been any reclassifications what I want to get a sense from?

Laurent Demortier, Managing Director and Chief Executive Officer

No, I'm just looking at the numbers that you are referring to, if I look at unallocable cost it means say Q2 and Q3 or even versus December 2012 which I have in front of me, firstly it was never zero, I don't see that zero and sorry.

Lavina Quadros, Analyst

This was along subsidiary side if you do your console on standalone --

Laurent Demortier, Managing Director and Chief Executive Officer

I'm taking the console, say for example, you take 25.20 which is the console for December, right and you remove 12.42 console for our standalone, for this quarter you have 13 crore approximately as unallocable.

Similarly, you look at September 2013 we had 26 crores on console and 13 crores on standalone, so again there you have a 13 crore of unallocable, so there is no zero there anywhere.

Lavina Quadros, Analyst

Sir, the number I received, I mean I will send you across the numbers that I have got, I have got them in excel, I'm not able to relate probably directly to what you are saying, but has there been any reclassification on the expenses side at all between segments that has --

Laurent Demortier, Managing Director and Chief Executive Officer

No. There is no reclassification across any segments or any expenses. But please send me the data that you and I like to sort that out.

Lavina Quadros, Analyst

Sure. Thank you so much.

Laurent Demortier, Managing Director and Chief Executive Officer Operator

Thank you so much. We have the next question from Mr. Girish [ph] from BNP Paribas. Your line is unmuted, you may go ahead and ask your question.

Unidentified Participant

Good evening, sir and thank you for taking my question. Sir, I just know you talked about in last one year, I mean one year back you talked about EUR14 million of saving that will come through. Is it really happening because the reason I'm asking is essentially if you see last quarter you had your international operations with your EBITDA positive slightly, now you are from back negative and costs have increased. So what exactly am I missing that how do I explain this whole kind, may be help us upon that.

Laurent Demortier, Managing Director and Chief Executive Officer

I think the restructuring that we are done which I remember impacted mainly one of our plant in Mechelen, its producing the (inaudible).

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

3.5 million euros per quarter.

Laurent Demortier, Managing Director and Chief Executive Officer

Right now which is on the account of personnel expense, so that's the -- we have it. And then, so that's, that's the result of the -- it's in the account.

Unidentified Participant

Right. So you're essentially saying that bill saving are coming through is --

Laurent Demortier, Managing Director and Chief Executive Officer

Yes (inaudible) already there, they started to kick in 100% on the first quarter. They started a little bit on the fourth quarter of last year and full effect on the first quarter, and they continue because we are not increasing our preferred cost down there.

Unidentified Participant

Okay. So, is it right to assume that the losses in Canada have guidance, I mean could you give the number, loss number in Canada because then that will clarify things a lot better on the international side.

I think there are two units where we have incurred loss since the beginning, it's Canada and TSOL [ph] US, the system unit in the US, and that's what explain some of the deviation you have seen.

Unidentified Participant

Sure, sorry, I didn't get it. Did you mention the number, that the loss -- I just got disconnected or something, there was a slight disturbance in the line.

Laurent Demortier, Managing Director and Chief Executive Officer

You can make the calculation, and I let to make the calculation. I don't have the number in front of me. So, that's where we had. This is a negative surprise as we explained that we got on this quarter and under which we have been acting during Q3.

Unidentified Participant

Sure, thanks a lot for taking my questions.

Laurent Demortier, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you, Mr. Gerrish. We have the next question from Mr. Ashish Jain from Morgan Stanley, your line is un-muted, you may go ahead and ask your question.

Ashish Jain, Analyst

Hi, good evening, sir. Sir, my first question is on both depreciation and interest cost in this quarter has gone up quite significantly on a quarter-on-quarter basis. So, what's -- because last quarter it was -- we thought it was more because of currency, but why has it gone up so much quarter-on-quarter basis, this quarter?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

I will answer you. If I look at the India numbers, Ashish, if you look at -- let's look at the division first; December number is 21.95; September was 21.69; so there is hardly any increase in depreciation.

Ashish Jain, Analyst

Madhav, I'm talking of consolidated actually.
Okay, looking at consolidated?

Ashish Jain, Analyst

Stand-alone is fine.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Yes, I think we have also been spending money on CapEx and things like that, that's why depreciation has actually gone up. I will come on to this (inaudible).

Ashish Jain, Analyst

That's the number you're looking for inside, outside basically.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Yes, see basically there is an effect of 1 crore and 2.5 crore on account of currency in consolidated.

Ashish Jain, Analyst

Okay.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

You will have to remember that when we do a consolidation of accounts, you take the three quarters together in terms of currency and then you subtract the two quarters. So, there is always a higher impact of currency in every quarter. So, it's not just a sequential effect that comes in.

Ashish Jain, Analyst

But Madhav, currency versus Q2 would have moved favorably, I believe.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No, it does move favorably.

Okay, fine, and what about interest?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Okay. Now, let's will get interest, my total interest cost has gone up from 19.60 to 26.71, actually that's what you're referring to, right? Again, we are the -- the currency effect is approximately 3 crores, if I remember correctly. And the balances we have been recovering from LTs for Middle Eastern, African nation and that's the regular cost.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. But those are not recurring in nature, or not likely--

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No, no. They are not, firstly it is not a debt on that book, we have synergies, which we discounted, which is a normal course of business.

Ashish Jain, Analyst

Okay. And earlier in the call you said that the income was driven because of some grants you got in Hungary, could you please quantify that?

Laurent Demortier, Managing Director and Chief Executive Officer

One second, I'll try and quantify that details also. Yeah. I think it's approximately 6 crore to 7 crore is the number approximately.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

For the quarter? Okay.

Laurent Demortier, Managing Director and Chief Executive Officer

That's it, yeah.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Okay, that's all. Thanks a lot.
Thank you. Thanks, Ashish.

Operator

Thank you. We have the next question from Vaishnavi from Citi Group. Your line is unmuted. You may go ahead and ask your question please.

Vaishnavi, Analyst

Good evening, sir. I just have a question on the International side, could you give us some color broadly on where do you expect the margins for FY '15 to be (Technical Difficulty)?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. I will not give some guidance, as I said, I think straight for Q4 result to where I would give again the guidance, as I said we are still in the recovery mode in this season. So I think let's reach over in one quarter.

Vaishnavi, Analyst

So you would be able to give a better picture only at the end of the year?

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah, it is the stability, we are very confident in the outlook for next year, again we have large backlog, we have good margin in our

backlog. So next year will be better than this year, the question is how much? I think that will wait for the next quarter to tell you how much.

Vaishnavi, Analyst

Okay. Sure sir, thank you so much.

Laurent Demortier, Managing Director and Chief Executive Officer

Thanks.

Operator

Thank you so much. We have the next question from Thirupati from DSP Blackrock. Your line is un-muted. You may go ahead and ask your question.

Vaishnavi, Analyst

Hi, sir. This is Mayur from DSP Blackrock. My question is largely in the international piece. Sir, what I see if I remove, if I deduct (inaudible) basically this quarter was EBITDA negative as compared to Q2 and on PAT it is around say 74 crores or so kind of loss as compared to 77 crores in 2Q. So no major improvement in profitability if it is getting reflected in this quarter. And given the background sir, on Canada what we heard from you in the previous quarter was there are structural solvents, which you are trying to resolve given the location of the factory and around EUR80 million of orders where you're factoring in some kind of loss. So the idea was to either first not to wait for further orders and get rid of this painful order backlog and now like you have got interesting EUR15 million higher margin orders, but on the structural column has anything being resolved? The core, the cost structure where things are looking like very difficult. So anything has been changed?

Laurent Demortier, Managing Director and Chief Executive Officer

I think, as I said I think major changes has been first we started by not taking order, after that really look at the market and the type of order in the power transformer plant, you can make a transformer of 50 MVA or 500 MVAs, so you can do lot of things. And what we are trying to look is which are the areas for which the factories are best suited, and as I said, we are focusing now on Android to Android. We look at the market whether there is future for that and if the market was able to keep the factory, and I think the answer was yes. So as a decision we decided to go (inaudible) and get that order, so that was one side of the story.

The second side of the story on the shop floor we have been looking at all our (inaudible) the tech assembly, the best team, the manufacturing. We have been outsourcing one critical activity like the (inaudible) for instance, which is being sold in to give some more floor space of what we had there. I have very limited capacity to expand the finance right now based on the location. So we have been realizing the shop floor [ph]. We changed the management, so we have put a new head and new production scheduling guys and everything, which are very well-known. We put a team from India and Europe to support the (inaudible). So that's the fact in which we are right now.

We believe it is going to work, but I think I'll keep all options open for this factory because I want to send it back to profit fast [ph] -- and I think the path we are at right now should work.

Vaishnavi, Analyst

So, sir, these arrangements would be good enough to take care of things like it is landlord, factory and whatever you explained earlier, you believe in next one or two quarters you can turnaround the speed?

Laurent Demortier, Managing Director and Chief Executive Officer

Yeah, again as I said the backlog right now is EUR70 million, we have EUR15 million of good backlog and we have EUR55 million of product. It's not that in theory, but the products we have to manufacture are pretty complex and very high risky. So I need to turnaround that and solve that, okay. And 70 million is what the plans just at least has (inaudible) turnover of \$17 million. This turnover after a year to the field right now at more than one year of backlog, but I will tell it still need to go from my 55 million of

complex projects, which are high risky, it doesn't mean that the margin is good but it is high risky. So its projects which are little bit too complex for the plan. So that's why I still need to go for that which will take some quarter again.

Vaishnavi, Analyst

Fine, sir. Other thing was, is it fair to assume that expect for US and Canada, other parts of your International business like Europe, Hungary, Belgium are doing -- are making EBITDA positive numbers?

Laurent Demortier, Managing Director and Chief Executive Officer Vaishnavi, Analyst

Okay. Sir lastly, if you can allow me, sir as I see is what kind of debt do you have like in terms of given the losses in previous -- in the last so many quarters. Our network definitely have gone down significantly in the international business. Are there any debt covenants which you have to comply and what kind of growth that you have in the international business currently?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

If you look at our balance sheet, we have been -- there have been debt on which we have given CG guarantees, CG India guarantees. So we, the banker as well as us, we look at a consolidated picture. Our network is significantly higher, okay, despite whatever losses we talk about in the overseas business. So my network today, my debt-to-equity is in a extremely comfortable position, I do not have any issues. And between Q2 and Q3 there has been virtually no change in debt figure.

Vaishnavi, Analyst

So you don't have any specific debt, which is at the international level, so everything is at a consolidated level?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No. There is debt, but I do not have any future covenants anywhere.

Vaishnavi, Analyst

So you don't have any covenants to follow for international debt?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

No, no. I have covenants, but I have no breach of covenants.

Vaishnavi, Analyst

Yeah, but sir is there any margin of safety or just wanted to have some comfort on the covenants front?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

I think we are very comfortable and the bankers are also very comfortable.

Fine, sir. Thanks a lot. All the best.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information

Officer

Thank you.

Operator

Thank you, so much. We have the next question from Mr. Sachin Maniar from CIMB. Your line is unmuted, you may go ahead and ask your question please.

Unidentified Participant

Hi, sir good evening. Harish here from CIMB.

Laurent Demortier, Managing Director and Chief Executive Officer

Hi, Harish.

Unidentified Participant

Sir, my question is once again on the overseas business, and I see if you look at the industrial EBIT margin, the negative figure has increased for the third quarter. Now when you acquired Emotron, we had indicated the base size of the business is low and from here the ramp up could be much faster and we could do better.

But if you look at the sales as well as the EBIT margin, there is some kind of drag over then, and if I recall correctly when you've acquired Emotron we were amortizing, which we are not doing at this point in time but the numbers continue to be negative. So you can help us with this?

Laurent Demortier, Managing Director and Chief Executive Officer

I think just talking about Emotron, I think one of the reason of the acquisition of this company was to acquire technology, not just the market but technology. We committed that time to bring the technology Europe and in India, as you remember, in India we're distributing drive and automation product that was coming from China and which we have a very low margin and on top of that we have the currency exposure.

Now the new line of drive has been located in India, it's in Bhopal, we have integrated that on July 1st and our results of drive in India have significantly increased on Q3, I think we multiple by two the business, I don't have the detail in front of me. So I think, if you now look at Emotron profitability, you will need to be -- to be very fast to include what this business we do in India and that's by the way what we do right now. We have a product line there, that includes. Now in Europe, we got -- we have significant actions on the cost side to basically reduce the cost down there and improved profitability.

Unidentified Participant Laurent Demortier, Managing Director and Chief Executive Officer

Yeah.

Unidentified Participant

On the industrial business with has gained freedom. What are we doing to get this to at least the breakeven level and then we had a medium term target to basically go to the Europe market, sell our motors, we have already have tried for that, so what are we doing in the medium term on this particular field?

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. Now, as I explained the expert of most motors out of India is one of our top priority. So what we have done -- we have take -- we have 59 motors in Middle East but we also have signed some contract with distributors in the last quarter in South East Asia. We have alternative distributor now in Indonesia and we are negotiating with in (inaudible) I think in Malaysia. We also have put sales

organization, we've a new sales of -- join us which is located in Germany, so we have a full team working on that. I think the total export for the motors have been increasing quite significantly, we also -- if you're a late comer, you have seen the new ones of most of now that we have put, which are the standard for Europe and US. So I think that targeting to the market now. So there is lot of actions which has been done for increasing that. There is very little returns of those efforts in Q3 you mainly have the cost.

And I think we have recorded in Q3 quite severe outstanding all over the world, both in the mining industry in Africa in the core generation in Middle-East, but also in Latin America. So that's -- so the idea is to distribute the product mainly in India and that's the focus that we have. By the way, our distributor -- drive and automation distributor in that we have in Europe, and now sharing the distribution of the low voltage motor, the (inaudible) what we call the I2 and I3 motors.

So I think, for time being you've seen the investment and we are quite confident that we should consolidate in to tangible order in the quarter to come.

Unidentified Participant

Okay, sir. Sir and quickly if you can share the CapEx numbers for FY '14 for -- overseas and given that our facts are running -- possibility if our CapEx low the next two to three years?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Sure. Let me, Harish, give you the CapEx numbers. For the whole year 2013 and 2014 on a consolidated basis. We'll be spending approximately 225 crores.

Unidentified Participant

This is consolidated?
Consolidated numbers, yeah.

Unidentified Participant

And so how much in India?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

India would be approximately 110 crore to 115 crores.

Unidentified Participant

Okay, sir. And for '15 and '16 the longer term CapEx?

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

We will talk about maybe at the end of the year.

Unidentified Participant

Okay, sir. Fair enough. Thank you so much for answering.

Laurent Demortier, Managing Director and Chief Executive Officer

Thanks.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Thanks.

Operator

Thank you. We will now take the last question for today's session and that will be from Mr. Mahesh Bendre from Quantum Securities. Your line is unmuted. You may go ahead and ask your question.

Mahesh Bendre, Analyst Laurent Demortier, Managing Director and Chief Executive Officer

I think, for Europe I think we have done right thing, (inaudible) so yes, we are confident.

Unidentified Participant

So, I probably been at the year positive at least next year?

Laurent Demortier, Managing Director and Chief Executive Officer

Yes, for the confident, it's positive, yes.

Unidentified Participant

Thank you, sir.

Laurent Demortier, Managing Director and Chief Executive Officer

Thanks.

Operator

Thank you so much. So with this I would like to hand over back to the management for any final or closing comments. Over to you.

Laurent Demortier, Managing Director and Chief Executive Officer

Okay. So thank you very much. Just for closing, I think what I would like to just highlight again is that this quarter has been in line with our expectation on the management team doesn't mean that we are satisfied, but we mean that it's quite in line with what we have designed. The salient feature of this quarter is to include the success of our new offering, the export market from India and turning on for international operation. So thank you for joining and see you next quarter.

Madhav Acharya, Executive Vice-President, Chief Financial Officer and Chief Information Officer

Thank you.