Crompton Greaves Limited
Q3 FY 2015 Results Conference Call
February 3, 2015

Moderator: Good Day, Ladiesand Gentlemen. My name is Souradeep Sarkar, conference coordinator for this session. Thank you for standing by and Welcome to the Conference Call of Crompton Greaves to discuss the company's Third Quarter Financial Year 2015 Results and the way forward. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end. Now without further delay, I would like to hand over the proceedings to Mr. Laurent Demortier — Managing Director and CEO, Crompton Greaves Limited. Thank you and over to you, sir.

Laurent Demortier: Thank you. Good Evening everybody, and thank you for joining us for this 3rd Quarter and 9 Months Ended 2014 Investor Conference Call. Regarding the orders, intake for this quarter reached Rs.2,400 crores, making the first 9 months order intake at Rs.7,807 crores. This is 2.8% growth as compared to first 9 months last year. Those numbers I remind you was negatively impacted by the weaker euro, as you know, we have more than 50% of our turnover in Euro-denominated zone. Orders have been particularly low in India, and this has been true for the Industrial and the Power business. Systems and Automation orders have been strong in Europe and have been partially compensating this fallback. Revenue for the first nine months grew by 3.9% to Rs.10,254 crores, unexecuted order book stand at Rs.8,666 crores as on December 1, 2014. If you look from the region wise organization nine months, Europe was up by 18% at Rs.2,430 crores, Americas was up by 4% at Rs.1,447 crores, Middle East was also up and a record growth right now we have had 44% with Rs.840 crores. Southeast Asia has been slightly declining compared to last year by 6% at Rs.758 crores, which was mainly due to the political situation as well in Indonesia at the beginning of the year, and I think which is now resolved and I think we have good hope in Q4 in that region. Home market India has been remaining weak in almost all sectors. We have an order intake of Rs.4,669 crores including our consumer sales. In India market, standalone revenue was Rs.1,858 crores, impacted mainly by weak sales in Railways and weak export for Power Transformer. These are the two components that explain all the fluctuation we got in this quarter. Both as I said, South East Asia and India we expect the situation to reverse during Q4, we already have seen signs in January of better order intake in both regions, some of them have also announced in the market, we have major contract; we received PLN for $23 million.

EBITDA for India operation Rs.885 crores or 10% of sales, standalone PAT is Rs.395 crores at 21% of sales, which is quite an exceptional result which is used to the part of Kanjur land which amounted to Rs.268 crores. Power business at consolidated level was stable at Rs.6,224 crores, 3.4% again this is the business that was mainly impacted by the weaker euro at least from translation standpoint. Euro denominated revenue represents more than 70% of the turnover of the Power business. Profitability of the Power has been the major event last quarter has been impacted by the validation of Power Transformer order for Sonelgaz Oil, this was one of the big projects that we transferred from Belgium to Hungary, for which we have to recognize additional cost of Rs.64 crores for the quarter. This order was realized in our Hungary plant. Consumer revenue grew at 9% to Rs.2,727crores for the first nine months and growth was mainly driven by good performance of Fan and Pump business, that grew more than 10% each. Industrial revenue remain stable at 478 crores despite 42% increase in export out of India for the quarter. Orders have also been strong in Automation. As I already mentioned that in Q3 we booked Rs.805 crores of revenue for the first nine months in our Automation business, which is almost 29% compared to last year.

I think overall Q3 has been a weak quarter, we are not happy of the performance, especially in India but it was not too much of a surprise, as I already mentioned, that we were expecting that market will rebound in Q4 and I think we are still into that mood. We believe that the situations will improve in Q4 at least on the order and the sales level, and our first indication of that was shown in the pattern in the order intake. At this stage, the overall team remains focused on the operational improvement plan we have and especially for our activity in Hungary in Power Transformer where we are still have orders now to deliver, and overall I think the quality and level of our backlog and positive outlook for India, gives us some confidence for the months to come. I will now open the session for questions.

Moderator: Thank you very much, sir. Participants, with this we are going to start the Q&A interactive session. Should you have any questions, you may please press '0' and '1' on your telephone keypad and wait for your name to be announced. We have the first question from Mr. Venkatesh from Citibank, your line is unmuted, you may go ahead and ask your question please.

Venkatesh: I have just two questions: the first question is the exceptional item of roughly Rs.265 crores, what is the tax related to this item? Second question is something like this, every time we have a conference call or an analyst meet, management is always optimistic about an International recovery in maybe a couple of quarters, it is almost like 9 or 10 quarters we have not seen any International recovery. So my question is when the recovery will happen, do you think if at all that business can be recovered and whether that EBIT in the International business can ever turn positive?

Management: Thanks, Venkatesh. let me answer the question on tax first, the exceptional item relates to the sale of part of the Kanjur land, that gave us profit of approximately Rs.280 odd crores, and there is no tax on this amount in the P&L because we are going to claim 54G exemption, so there is no tax on this amount in the P&L.

Venkatesh: What about the VRS thing, that will have a tax element, right?

Management: No, basically VRS is fully charged off here, so it anyway gives me a tax shelter, so there is no problem there. To answer your question, there is no tax implication on this Rs.268 crores.

Laurent Demortier: On the second question, on the international, first is a pretty large part of CG business and its mix of I will take three regions; we get Americas, we get Europe, and we get South East Asia. If you look at the program we have is improving almost in the region, today, I think Americas is a positive region and is making profit, and we have seen also the tax level that we are paying in those regions, South East Asia is also highly profitable, and I think in Europe we are now turning Belgium for PT in a profit center, so now major gap that we still have is Hungary. And that is why I mentioned projects. So the question is still not profitable when you consolidate, the nature of this is reducing, and right now I think it is just a different nature, we are still working on it**.** We can make it go back to your question, where we make it, we still have to get all the transition I think the Hungary, Hamburg I think once we get out of this Hamburg I think then we will have competitiveness, maybe something will pop up elsewhere, but I think the reason for the non- performing yet is over-performing is just the offset of the good things we have learnt in our units in what is happening right now in Hungary.

Venkatesh: A follow-up on the Kanjur land, how much land is there in Kanjur mark and how much has been sold and how much remains and are you looking to sell any more incremental land?

Management: The land in Kanjur that we have is approximately 34 acres, out of which the Transformer facility and the incidental activities thereof take approximately 10 acres, so balance was 24 acres, out of which as a part of our process of optimizing our capital allocation we sold 8 acres of land, and we keep looking at how to optimize our balance sheet.

Venkatesh: Finally, if you could just give the breakup of all these inflows in India, International and backlog India, International?

Management: Sure, you can write down, first is the order intake, I will give India numbers first; Power Systems figure is Rs.666 crores, Industrial Systems India is Rs.394 crores, total order intake in

India is Rs.1,061 crores in this quarter. Non-India Power Systems is Rs.1,257 crores, Industrial Systems non-India is Rs.83 crores, total order intake non-India is Rs.1341 crores, so total Power Systems order for CG is Rs.1,923 crores, total Industrial Systems orders for CG in this quarter is Rs.478 crores and total order intake for CG is Rs.2,401 crores. Now coming to the order book position, the order book as on date is as follows: Power Systems India is Rs.2,985 crores, Industrial Systems India is Rs.523 crores, total is Rs.3,508 crores, non-India Power Systems order book is Rs.4,971 crores, Industrial Systems non-India order book is Rs.187 crores, total order book non-India is Rs.5,158 crores, Power Systems total order book is now Rs.7,956 crores, and Industrial Systems is Rs.710 crores. So the order book as on date for CG is Rs.8,666 crores.

Moderator: Thank you. We have the next question from Ms. Renu from B&K Securities, your line is unmuted, you may go ahead and ask your question.

Renu: First would just like to understand a little more about the international sub. You mentioned America is positive. Does that mean both PS, US, as well as Canadian sub are now positive in this quarter?

Laurent Demortier: Yes, is positive, and Canada I think is still slightly below it is exactly (-1.6 million) right now, compared to last year, if I remember was (-11), so I think we have reduced (-1.6) in Canada, and positive in PS.

Renu: This is for the third quarter?

Laurent Demortier: I am talking about the first nine months

Renu: This is the PBT or the PAT level?

Laurent Demortier: This is the EBITDA level.

Renu: How is the scenario exactly in Hungary and Belgium? Belgium you are seeing profitable and Hungary what is the kind of loss?

Laurent Demortier: Loss, we are looking for Q3 has been (-4) million.

Renu: Last year, how was this one?

Laurent Demortier: Last year for Hungary was I think was (-2). We have a lot of projects going on in Hungary right now and as I said, we have one of the projects Sonelgaz which is 24 Transformers that we had to reduce to 8, so I think that was the major issue, which has impacted us in Q3. It was old orders that was in Belgium that has been transferred to Hungary as part of the transferred projects that we did two years ago.

Renu: Sir, you mentioned that transition in Hungary is still going on and ramp up is expected. We had initially expected that by December '14 the entire capacity ramp up will be done and then the facility will stabilize. So how long you are saying the Hungary facility will take to stabilize from say Jan?

Laurent Demortier: I think you have two things to look at; I think first of all the plant has been commissioned in January 2014, that is the time where we have been finishing all the extension, refurbishment, and new lights, after that we have two things, it takes usually between one and two years to stabilize the processes, but we also have some, you remember that we had 42 projects that was transferred from Belgium to Hungary to deliver and we are in delivering phase. So I think now we have more volume getting for the factory and then we are just swapping that, there is a little bit more risk on that part. But that is part of the ramp up and I think as we see it right now it will take us another few quarters to stabilize this plant and finish all the backlog we have.

Renu: Coming on to international subs overall performance, though in local currency terms you have apparently grown by about 7-8% YoY, but there is also a very sharp increase in interest expenses and staff expenses have also been higher. So if you could just elaborate on the working capital side any particular reason why interest cost have noted again higher this quarter?

Management: So let me explain the tax part to you, Renu. As you see in India, we have a tax of Rs.42 crores on the **(Inaudible) 18:00-18:02** So India, so let me first explain the tax part for both India and consolidated; Indian tax is Rs.42 crores on PBT of Rs.170 crores, that is approximately 24% to 25% which is the same that we have been running every quarter, and as I said earlier on the call there is no tax on the exceptional item whatsoever, that is one part. Secondly, the tax looks slightly higher, that is primarily because there has been some deferred tax asset that we were carrying on in Canada, which we had as per the local regulations we had to provide, so we have taken a provision of around 3 million on a prudent basis of a deferred tax as a write-off in this quarter, which is why that is why the tax is higher. To your next question, in this quarter we had to provide, there has been a higher interest cost because we had done some borrowing to meet our working capital requirements in overseas as Laurent explained we had to redo some Transformers in Hungary on account of Sonelgaz Algeria. So we did some extra working capital support and that is why there is an interest cost.

Renu: On the Automation side, we have received fairly good set of orders in the last 3-6 months on Meters and otherwise. So, how is the ramp up happening there in terms of sales, profitability, any color if you can give for the quarter, for nine months and on order book intake, how do those numbers look like?

Laurent Demortier: Already given the order intake numbers. The total sales for Automation in this quarter are approximately Rs.259 crores, for nine months is Rs.629 crores.

Laurent Demortier: Order is Rs.805 crores for nine months.

Renu: Order book UEOB for Automation?

Laurent Demortier: We are close to €85 million.

Renu: But sir, do you expect the impact of this higher margin Automation orders to start translating into meaningful numbers in the P&L from fourth quarter or thereafter or probably the Hungarian subsidiaries will wipe out these margins as well?

Laurent Demortier: Just talking about Automation, we have been awarded some very large projects especially in France on the Smart Grid, but these orders will not translate into significant sales before September 2015. We are in the phase of qualification of the order type, so we have been awarded the contract, we are putting the supply chain in place, and the large sales will start end of 2015, so Q3 for next year and Q4 next year, that is where the higher impact will be.

Moderator: Moving on to the next question, we have Mr. Amit Sinha from Macquarie, your line is unmuted you may go ahead and ask your question.

Inderjeet: This is Inderjeet here from Macquarie. My first question is regarding the two governments which made – one is there is a €3 million of tax write-off in Canada, then there is around Rs.64 crores of extra hit that you have to take because of the transfer of these orders to Hungary. If I just net this off, this almost amounts to close to Rs.90 odd crores and then the overseas losses adjusted for that should have been somewhere closer to Rs.30 crores. So is management confident that from next quarter onwards that should be the run rate to watch out for or Hungary would have to take more losses going forward on this whole new project that they are doing at this point of time?

Laurent Demortier: I think we need to be prudent, my view right now, I think if you look at Hungary we have a fair amount of work to stabilize, and it might take us another two quarters to get these things stabilized, I am talking about only Hungary.

Inderjeet: Is this the cost that you have to book, a sustainable number to work with or these costs can further increase?

Laurent Demortier: The cost of a project, I think it is a pretty significant amount, this Sonelgaz project is the largest we got, as I said this is a 24-Transformer in one lot, so it is the biggest we have by the way, so I think you can see that as the upper level.

Inderjeet: On this particular order, given the size of the order do you think we are going to make positive margins based on current cost structure there and if that not the case, then is it not prudent to book all projected cost overruns in one go at this point of time rather than having this continue for every quarter after quarter?

Laurent Demortier: If we knew the product, we would have booked it, but I think the problem came just on the technical point, when we tested the Transformer, we did realize that the Transformer could not meet the required performance, and the customer asked us to do many things to do some checking, and we had to repeat. So what I tell you is all the cost I incur and what percent on the project I have. So I am not aware, if I have a project then it will come, but we have booked everything we had on this part of the revenue this quarter. So that is the overrun that I had to overcome the problem that we have encountered.

Moderator: Thank you. We have the next question from Mr. Girish Nair from BNP Paribas. Your line is unmuted, you may go ahead and ask your question.

Girish Nair: My first question is the commodity costs have come down and the new orders were being booked at higher margin. So if you axe out the execution issues, when can we see trickling down into the bottom line, is that expectation correct or do you think that the decline in commodity cost will have to be passed on to the consumer because of the competitive intensity in the European market?

Laurent Demortier: The short answer to your question is that there is a fair amount of this cost benefit back to the customer, but not because of competition. In the Power Transformer sector it is a made-to-order product, so basically we design the product and when we design the product we put the cost of the raw material as we perceive those costs are. So when we are competing, everybody is competing, the cost as it is. So I do not expect too many consolation even from our backlog on the bottom-line, we talk plenty about the copper, which has been significantly reducing. Now in business like Consumer, we can see that benefits, because we are not really adapting real-time pace with the whole material price, but in Power Transformer and the Motor most of the time it is the case. And on top of that, in Motor we are using less and less copper now, we do all our winding almost with aluminum. So I think that is another impact. So I donot expect too much coming for the P&L in the coming months except maybe for consumer and this is what we are seeing a little bit this quarter with the improved profitability in our Consumer business.

Girish Nair: The second question is the execution issues for this particular project where you took Rs.64 crores hit, that will continue for another two quarters. now. Based on your assessment, when do you think the overseas operations can turn profitable let us say the EBITDA level or EBIT, what is your expectation now?

Laurent Demortier: Again as I said, International is a mixed bag of different things, most of our international operations are profitable, and some are even more profitable than what it is in India, and then we have some impact on, now we have limited impact on Hungary, and Hungary is a huge and is an important part of CG so we need its 11,000 MVA plant. So I think we need to work out and we have a lot of legacy projects to execute. So those projects are executed here, because this is our largest plant. So Hungary is hit a little bit by whole angle; however, this is a very cost competitive plan. So I think we are limiting the impact compare if we have to execute that in our plant.

Girish Nair: So when can we expect the Hungary plant to turn profitable?

Laurent Demortier: That is a good question. I think from the volume side, we need to move to. I might have mentioned to a volume of $70 million. Now we have the capacity to do that, now we need to make sure that new orders can get out well. The margin on the projects we are taking right now is better than last year. So I think the order intake we continue to see an increase in the gross margin. Now the question would be execution and also the willingness of the customer to pick up some of the order as you imagine, some of the order that we have in Hungary have been late delivery. So we have also to negotiate with the customer the acceptance of the order and that is the environment in which we operate right now which will continue as I mentioned for a few quarters.

Moderator: Thank you. The next question is from Mr. Sumit Kishore from JP Morgan. You may go ahead and ask your question.

Sumit Kishore: My first question is once again on international operations. So what is exactly the quantum of legacy orders, which was transferred, where there are issues and rework is required in Hungary, which still remain to be executed?

Laurent Demortier: I think right now I mentioned one project and I think we are discovering one after one. Total backlog about €320 million

Sumit Kishore: €320 million is the total legacy order backlog related to Hungary where rework is required?

Laurent Demortier: It is the legacy of the project in Hungary €20 million. I have not said that there is a work in the €20 million, it might be, it might not be, but for time being all the rework we had is in the account of Q3 and it is mainly the Sonelgaz work. Many orders that went to legacy, these are that the rework and because we have been working on that since quite a few months, but this one had a significant one, that is what I mentioned. So €20 million is what remaining and would see maybe there will be none, maybe there will be some.

Sumit Kishore: Also, in the Power Systems standalone, we saw third quarter revenue declined 11% on a YoY basis. Could you please give more color around this?

Laurent Demortier: Mainly on one account, which is the decrease in export from T1 in Power Transformer, we can give the number.

Management: There has been a drop of almost Rs.130 crores in the exports from T1 in non-power products in this quarter compared to the YoY.

Sumit Kishore: So what was the export this quarter and how much is it down YoY?

Management: The export of Power in this quarter was Rs.134 crores and last year the same quarter the Power export was Rs.263 crores. That has basically impacted the top line in this quarter.

Sumit Kishore: And margins based on the outlook that you have been sharing us thought that exports from India were a very strong point for Crompton Greaves. So have something in the outlook changed or was it a one-off quarter where sales declined?

Laurent Demortier: Total export from India increased, orders increased for nine months…

Management: We have a very strong order book on the export, almost Rs.970 crores of order book on export which is a pretty healthy order book. There have been some delays in shipments in this particular quarter. So it is more of execution timing issue than anything else.

Sumit Kishore: And the Rs.970 crores order book for domestic exports Power compares to what numbers last year same time?

Management: That last year approximately same quarter was Rs.761 crores.

Sumit Kishore: The recognition of sales have got delayed?

Management: Yeah, that is right.

Sumit Kishore: On industry, clearly, we see standalone industry the revenue is down 2%, more or less the trend we have been seeing so far this year. Any pick up in the short cycle orders is still not visible or you have been saying for some time that you are expecting things to look better towards fourth quarter, what is the confidence in …?

Laurent Demortier: What we see right now is some pick up in the L1, so we start to see some order. On the CAPEX side, it is still very mute. I think Q4 will be better than Q3 but maybe not at the level we expect. Again L1 has been the big impact on the rest of the quarters and things have been restarting here now in January for the L1, not for the big L1 Motor in industry, but I think it should come. I always said that Q4 should be the acid test for that, so we will see.

Sumit Kishore: With your order backlog overall being down partly because of currency also, 5% nine-month FY15 top line growth as far as reported numbers are concerned, how should we be looking at FY16 from here on top line for consolidated CG?

Laurent Demortier: A little bit worry, let us talk about that in June. I think right now our objective is maybe not to push the top line, is to make sure we are the high quality and we get the high product in our portfolio. So we continue to very picky especially on the Electromechanical sector both for Transformers and Water.

Moderator: Thank you. The next question is from the line of Mr. Ashutosh from HSBC. Please go ahead.

Ashutosh: My question again on the international business. Two things – one is if you can give some indication about the international business in the Power segment, how much of that order book right now out of that Rs.5,000 crores or so comes from traditional T&D products and how much are they coming from the new products like Smart Meters, Smart Grid, EMS, DMS and things? Second is you made a point that loss-making orders are very bad, rework is roughly around €20 million. But on €20 million we are taking Rs.64 crores hit, so that is one. And if we are going to continuously keep taking on traditional T&D products and you want to have €70 million top line for the Hungary unit to become profitable, are we again falling into the same trap that you keep on taking low margin product orders?

Laurent Demortier: First of all, I think on the hit we took is on one product, it is Sonelgaz, 24 Transformers, the value of the order alone is €17 million. When I said €20 million is the backlog which is remaining at the end of December in Hungary, in which we might have some of our products, just two different things. In terms of order taking, we do not take low order taking, so the order intake as I said has been improving in terms of margin and I think we are more experiencing some execution in quarter which again is related to the order for all the factories and also we have some customer very nice but sometimes there is also a little bit difficult especially with the delay that we are delivering the Transformers that they gave us at the beginning. So I think that is how this situation that we are currently handling.

Ashutosh: Just the first question again, out of the total international Power Systems order book….

Management: Total order book non-India is around Rs.5,158 crores, out of which the Power Systems is Rs.4,971 crores, and out of which Automation is approximately Rs.600 crores. So the traditional Power products as you clarified is around Rs.4,371 crores.

Ashutosh: Would it be fair to assume that this would be the segment still struggling in terms of margins in the international market or have you seen kind of an improvement in the last few quarters as you have taken new orders?

Management: It is still an area which is going to be a huge competitive pressure and I think if you look at the recent evolution of the price of the oil and gas it is negatively affecting the pricing in the Electrical sector because we have a less investment in the industrial sector or in the oil & gas sector or the Electrical. So I think moving forward it is electromechanical business will be still under huge price pressure.

Ashutosh: Coming back to the first question, what gives us the confidence that we will break even or probably do 3-4% margins in the next say one year or two years timeframe?

Laurent Demortier: Again, the content international you need to be very careful, again, we have a highly profitable business in Southeast Asia, even if it is traditional for Transformer, we have been growing Systems business, I think the total Systems business can give you the backlog we have in Europe right now.

Management: Total Systems business backlog in Europe is around Rs.1,353 crores.

Laurent Demortier: Belgium Systems is quite profitable and it is mainly a big Transformer that we put up show. Automation is also profitable. So I think today electromechanical business outside India is decreasing in terms of order intake. We also have been working on reducing the cost structure and I think we are shooting the goals by activities, which are more added value whoever in the system or the Smart Grid order. I think depending on the speed at which we can realize that and the profit transformation can be much faster, that is what we will discuss in June.

Moderator: Thank you. The next question is from the line of Deepak from Elara Capital. Please go ahead.

Deepak: My first question is can you give us some idea on the revenue breakup in the International business from various geographies, especially Southeast Asia, Europe and America?

Management: I can give you a very broad breakup right now; around 35% of the revenues would come from Middle East, Africa, 30% would come from Continental Europe, around 20% would from Asia Pac and balance would come from Americas.

Deepak: This is revenue breakup for International business in Q3?

Management: That is correct.

Deepak: I know you usually do not disclose in terms of numbers, but can you give some similar color on the EBIT side on the International business?

Management: We basically give a total population number on our overseas subsidiaries as a whole, we normally do not get into those levels of details.

Deepak: Secondly, a lot has been talked about smart cities even in India. And you have started your automation factory of ZIV in Bengaluru. So how is the response in India, now this business is growing up over the next 1-2 years?

Laurent Demortier: I think we are quite excited by those Smart Grid project and whatever the number of cities they have defined. I think today there is still a lot of question about what this Smart Grid project will include. We obviously very interested by divesting which is related to the metering, IT, the Automation, the electrical charging station, I think it is quite difficult to say how much would get, our business is going quite well in Bengaluru right now and we are mainly focusing on Electrical Transmission project, on the Substation Automation, and a very few Steel Indiscrete Automation at this stage. So mainly the Substation Automation and the Telecommunication on the high voltage line. That is the business we are and we have localized most of the production now in Bengaluru.

Deepak: Can you share the capacity utilization during Q3 across various manufacturing fronts?

Laurent Demortier: India is at 71% and then I do not have the number for International; should not be too far but we have several plants, it is very difficult to give an average, we have a healthy backlog anyway. So we do not have a major issue on any ceiling on any of our plants for the short and future.

Deepak: 70% is average utilization during Q3?

Laurent Demortier: India is 70%, I review the number, I cannot tell you the order numbers and the lowest in India is Motors, and the highest is for Transformers in terms of utilization. But I can give you more detail on our 40 factories we have across the world.

Deepak: How much has it improved during the quarter?

Laurent Demortier: I do not have the number with me now for this month. Again, as I said, we have none of our factory has a loading issue at this point in time.

Moderator: Thank you. The next question is from the line of Mr. Ankur from PhillipCapital. Please go ahead.

Ankur: I just had a question on your Consumer business. I think you did mention that the Fans business actually grew by some 10% odd this quarter. Could you also tell us what was the kind of growth you saw in your Lighting division and more importantly with this whole government initiative to replace street lights and ICLs with LEDs, what is the kind of opportunity Crompton is looking at and are you also going to be bidding for these government-sponsored or this whole government initiative on the LED Lighting business?

Laurent Demortier: Lighting 8% I did not mention because it was below 10%. “Do we participate in the bids on LCD?” The answer is yes. We already have been awarded I think almost 45% of those bids and we are seeing right opportunity, we hope that the government may change a little bit search of the bid to allow bigger capacities, so we will be able to put the right investment in manufacturing to significantly reduce the cost of those projects. So we are working on that and we believe it would be the right opportunity for us in the months to come.

Ankur: Could you also talk about the kind of competition you are seeing in this specific LED market, because we kind of hear one new guy come in almost every month into this market, so how competitive is this market and how is Crompton Greaves versus the competition you are witnessing?

Laurent Demortier: I think to-date many people that can start this business, it is basically CKD type of model, you buy components in China or Taiwan or whatever, then you come and you assemble. Our strategy in content will be to localize much more of the supply chain. Our goal right now is to localize up to 61% of the total value in India both the electronics and the mechanical parts, which will give us definitely cost competitive advantage compared to anybody making CKD from China. And that is what we have already done in the CFL, so we are going to keep this strategy. The only component at this stage I cannot invest, I cannot manufacture is the city concepts and at present roughly 29% of the value of LED Lamp. So this one we will buy it certainly in Malaysia or Taiwan.

Moderator: Thank you. The next question is from Mr. Ashish from Morgan Stanley. Please go ahead.

Ashish: Sir, my first question is in the Consumer business. We have given a pro forma P&L of Consumer business. Can you also indicate if going ahead there will be any royalty that will be paid to Crompton from the Consumer entity?

Management: Ashish, as the scheme as is envisaged by the board and approved post the demerger there will be no royalty that will be paid by the Consumer business.

Ashish: Secondly, again going back to the question on the international business margins, today, if I see of your total order book of roughly Rs.50 billion on the Power side, roughly 20 billion I see is coming from Systems and Automation which we believe is high margin business. So why are we not in a position to kind of indicate that adjusted for any one-off that we might see for the legacy orders, what kind of margins could we be seeing say a couple of quarters down the line because we have been highlighting that these orders are pretty high margin business and now they are comprising roughly 40% of the order book, that is quite sizeable in my view, because some kind of guidance or directionally if you can indicate where we should understand the trend on that business?

Laurent Demortier: As we said, it is difficult for us to give guidance and we have decided not to give guidance but I think you can make your own calculation. I think again we are in a middle of last quarter we made a lot of changes in some moving as we want now, there is some improvement but I think now it is getting well limited, but it is very difficult to say what we are going to try on the next quarter, we know what we have to digest, we do not know how good we are going to deliver that with the franchise. So sorry not to be more precise on that.

Ashish: No, that is fine. Earlier on the call you also said that on the €20 million order I understand that you have to do some rework, but you also said in some cases you are negotiating with the customers in terms of the willingness to pick up orders because there have been some delays. So are those kind of sizeable orders as a percentage of your order book, could that be a big concern in terms of hit to margins or something or is there a possibility that the customer does eventually pick up these orders at all?

Laurent Demortier: All this delay and everything I am talking about are part of the $20 million of backlog, because that is the project which have been impacted as a result of the delivery and we continue to make negotiation any order cancellation out of that, but we are discussing it with the clients.

Ashish: On the Domestic business side your order book on the Domestic Power business has been continuously contracting which is partly understandable. Is there a risk that in fiscal '16 we kind of see revenue growth much weaker than what we have seen in nine months this year or you would say that this quarter was a complete aberration though you partly explain that because…?

Laurent Demortier: Q3 we do not believe is yardstick, I think we already secured some very large order with PGCIL this quarter, so this will be announced soon, so we see things already restarting and also we have this increase in export, I think this year we said we have 30% of our order intake export more and we are pretty confident in getting more revenue out of the export for India plant, mainly Bhopal and T1 plant. So I think this should help us to continue pretty good stand into order intake in India and support ourselves in revenue in India.

Moderator: Thank you. With this I would like to hand it over back to the management for any final or closing comments. Over to you, sir.

Laurent Demortier: Okay, thanks for staying with us tonight. Again, I think mixed bag certainly in our order, but I think we are still working out in continuing to expand into added value revenue and then making sure that we will be able to deliver the order intake that we have been taking since the beginning of the year which I think we have a lot of things to work on. So thank you and see you in June.

Moderator: Thank you very much. I would like to thank all the investors for joining us. Hope you all have spent a useful time. With this we conclude the quarterly financial year conference call for today. You may all halt your lines.