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Kirloskar Pneumatic – Conference Call

Hosted by **Batlivala & Karani Securities India Pvt. Ltd.**

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MODERATORS:

FROM **B&K SECURITIES:**

Mr. Gaurav Jain – Equity Sales

FROM **KIRLOSKAR PNEUMATIC:**

Mr. Aditya Kowshik – MD

Mr. Kolhatkar – CFO

Moderator: Good afternoon ladies and gentlemen. Thank you for standing by. This is Yashashri your conference moderator for today. We welcome you to the conference call of **Kirloskar Pneumatic** hosted by **Batlivala & Karani Securities India Pvt. Ltd.** We have with us today **Mr. Aditya Kowshik, Managing Director, Mr. Suhas Kolhatkar, Vice President & Chief Financial Controller** from Kirloskar Pneumatic, and **Mr. Gaurav Jain**, Analyst from B&K Securities. At this moment, all participants are in a 'listen only mode'. Later we will have the floor open for the question and answer session guided by me. I would now like to hand over the conference to Mr. Gaurav Jain, please go ahead Sir.

Gaurav Jain: Thank you Yashashri. Good afternoon everyone present on this call. We welcome all of you to this Kirloskar Pneumatic Investor conference call. We have with us Kirloskar Pneumatic management Mr. Kowshik, Managing Director, and Mr. Suhas Kolhatkar, Vice President and Financial Controller. Thank you very much Sir, on behalf of B&K for taking out time for this investors call. We would request you to start this call to brief on the quarter result, how you see business going ahead for you in FY13 and then we will open the floor for Q&A. Over to you Sir.

Management: Good afternoon Gentlemen.

Management: Thank you all for attending this call. I think it was at a short notice from our side, because I was travelling. Although the same, quarter results let me start I always keep telling everybody please do not look upon Kirloskar Pneumatic as a monthly or a quarterly performance review in that mode. Lots of our businesses are in projects, so it all depends on when the delivery schedules are and the progress at the site, sometimes it gets delayed, sometime it gets advanced. Most of them are green billed projects. I just wanted to start up thing. Okay quarter is a figure most analyst track in most company, but I have always said please do not look only at our quarter results. On the whole, the year was not too good by way or when you talk about sales or other performance parameters. The one that was a bit of a concern which I had expressed earlier also was some time towards the end of the first half of the fiscal year, we found that most projects in most companies were delayed for some reason or the other. That has obviously affected order booking per se. Its not that the orders have been lost, but it is just that almost 90% of the orders that we were looking forward to have not been finalized. Based on plans for growth many projects were conceptualized but most of them have been sitting on somebody's table for one reason or the other. All that I can say is that most companies are shying away from actually committing to going ahead with the project implementation schedule. On the other hand, our inquiry level has never been as large as it is today. They are actually at very

unprecedented levels. We are only hoping and waiting to see most of these projects actually taking off. In many cases, the design, the plans, the specs have all being laid out and in some cases they say financially it has been tied up, but generally we are finding people not very comfortable with actually going ahead by releasing the purchase orders. Having said that, we are not so uncomfortably placed for 12-13 as the standard product business is actually growing and we expect our business to grow by a significant margin in 12-13. The Oil and Gas sector has been a bit of a mess about which you must have read in the papers, in most places, either gas is not coming out as promised or some new guidelines have come in for CNG which is affecting a few of the large CNG companies. We have had many-many CNG installations supplied to all over the country, but many of them have not got commissioned because of one reason or the other eg. Somebody does not have the land, somebody hasn't got the power, somebody hasn't got municipal clearance, somebody hasn't got the gas - various issues. On the whole, 12-13 is not bleak year, but I don't see us showing the same kind of growth that we showed this year. Hopefully, in the next two to three months, we expect to see a lot more by way of projects actually taking off, government actually getting the economy moving. The rupee depreciation again - that's another issue. It's not that our imports are very large, but may be it makes it a little more competitive when you have people quoting from outside India into India that's just looking at the brighter side of it. Well you must have noticed that our transmission division has turned around. What was showing a loss for quite a few years has now shown profit in 11-12. Most of our costs are still very much under control and cash generation is also not too bad. Mr. Kolhatkar would like to add something here.

Kolhatkar: that's fine and if there are any questions, we will answer on the results.

Moderator: Certainly sir, Ladies and gentleman, we will now have the question and answer session. Participants who wish to ask a question are requested to press * and 1. We have a first question from Bhagesh Kagalkar from HDFC Mutual Fund, please go ahead with your question sir.

Bhagesh Kagalkar: Yeah good afternoon sir.

Management: Good afternoon.

Bhagesh Kagalkar: Sir what is the order book position now?

Management: We are closed to about 450 crores.

Bhagesh Kagalkar: Okay and what is the visibility for next 12-18 months? How many new orders or it's difficult to comment?

- Management:** Difficult to comment today, but I can only tell you that our enquiry level is unprecedented. Not just enquiry, it's budgetary enquiry level. What we would categorize normally when you get an enquiry you categorize from budgetary to active. Our active enquiry level is actually unprecedentedly high, but I really don't know what is going to happen in this where we are heading.
- Bhagesh Kagalkar:** Okay and what is the status of the rail road of the business?
- Management:** Mr. Kolhatkar you want to answer that.
- Suhas Kolhatkar:** The first equipment of the road trailer is under manufacture and we expect that to get rolled out by the end of this year.
- Bhagesh Kagalkar:** Okay thank you very much.
- Moderator:** Thank you Mr. Bhagesh. We have a next question from Mr. Kamlesh Kotak from Asian Market, please go ahead with your question sir.
- Kamlesh Kotak:** Hello good afternoon sir.
- Management:** Good afternoon.
- Kamlesh Kotak:** Sir just wanted to understand you said enquiry level is unprecedented, which pockets are seeing this kind of attraction and which pockets are still not coming out of those kind of sluggish environment?
- Management:** All areas, actually oil and gas, food, infrastructure etc industrial everywhere you have very large enquiry levels. Our main focus is on the oil and gas and petrochemicals and that is where we see this enquiry level being so very high. General engineering industry is still where we supply our standard products is actually growing. It has grown last year and we expected to have a substantial growth this year also. The problem with oil and gas is gestation period once you get an order its pretty large. These are not three months, four months delivery orders. This can range from 12 to 18 months.
- Kamlesh Kotak:** Okay so sir can we identify some of the pockets, I mean the broad breakup of the order book or the revenue in terms of which industries are contributing? What proportion, some rough cut understanding?
- Management:** Very difficult to give you that because all the divisions have different kind for example in one division we focused on railways and one division we have focused in oil and gas. In one division, we have focused only on gas, one on refinery. Oil and gas, I would say is a very large junk of it and defense is also very large and of course with transmission main focus being railway. These are the three-four and food.
- Kamlesh Kotak:** Okay.

- Management:** these are four sectors really speaking and all these four sectors are actually except for the oil and gas large gestation order other than that, the short business is pretty much active.
- Kamlesh Kotak:** Okay and sir what would be the tenure of the order which we are currently having in terms of execution?
- Management:** Almost 80 to 90% of this order board is for this year.
- Kamlesh Kotak:** Okay and how the momentum in terms of the air compressor side?
- Management:** Good. We have actually grown last year.
- Kamlesh Kotak:** Okay so that is how big in terms of overall pie we are having?
- Management:** I think we should not get into internal specifics. Just be assured that yes we are pretty much there in almost all areas of air compressor business and that's the compression segment with air compressor because we look at compression as one segment. It's only the fluid that flows through differs, some good gas, some good refrigerant. air is growing, yes general engineering is definitely there because of these are all pretty much standard products, that's growing.
- Kamlesh Kotak:** Okay and sir what kind of capex plans we have going forward from here maybe before FY12 as well and FY13, how much do you spent?
- Management:** How much do we spent or how much last year?
- Kamlesh Kotak:** How much last year and how much we are planning?
- Management:** We spent about 15 crores last year and we expect about 30 crores this year.
- Kamlesh Kotak:** Okay and they would be primarily towards product portfolio expansion or installed increase in capacity?
- Management:** Both
- Kamlesh Kotak:** Okay so we are adding new products to our portfolio?
- Management:** We are in the process yes.
- Kamlesh Kotak:** All across while as well as I mean oil and gases and air?
- Management:** Across the company.
- Kamlesh Kotak:** Okay, thank you very much sir.
- Management:** Thank you.
- Moderator:** Thank you Mr. Kotak. We have a next question from Mr. H R Gala from Quest Investment Advisor, please go ahead with your question

- H R Gala:** Sir my question was out of the total sales of 666 crores in this year? How much was domestic and export if you can tell us?
- Management:** We have 30 crores exports and rest is domestic.
- H R Gala:** Okay and how do you see export enquires in this year?
- Management:** Pretty good in the same line as that of last year. Last year we had closed to 18-19 crores exports to 30 crores. This year also we expect to touch about the same or little more.
- H R Gala:** Okay 30 plus.
- Management:** Yeah that's what we are targeting.
- H R Gala:** Okay. And sir you state that our pending order book position is 450 crore that includes only projects or products also?
- Management:** All.
- H R Gala:** All put together.
- Management:** Yes.
- H R Gala:** Okay, and one more question I have as far as you rightly said in the beginning that for an engineering company of our type, we should not be looking at the quarterly result, but just wanted if you can just ..?
- Management:** I mean project based company.
- H R Gala:** Yeah, project base company. We just wanted to understand that you know what was the reason for the EBITDA margin to you know just get to half level in this particular quarter. So what are the factors which have gone into it?
- Management:** See have you gone through our results, the published results?
- H R Gala:** Yes absolutely.
- Management:** Yes absolutely, if you look at them, number one material cost has gone up because of our project business. You know the margins on project businesses are always different as dependent on the project. Number two, we have employee related expenses also going up and since there are project business, there are some other cost related to projects which now under new schedule six and new forms are required to be classified it the other expense that is why you see some increase in other expenses.
- H R Gala:** No other expenses, Sir if I see on consolidated basis, if that is almost same you know 30 crore YOY.
- Management:** So you are looking at only quarter?

H R Gala: yes I am looking at, you know my first query was pertaining to quarter

Management: Basically for the.

H R Gala: Mainly because of the project

Management: Material cost.

H R Gala: Yes it's very obviously 65.

Management: Yes.

H R Gala: Sir in terms of say revenue of 666 crores, how much would be project revenue and how much would be product revenue?

Management: I would say project revenue is closed to 350 crores.

H R Gala: Okay 350 crores and product will be balance.

Management: Yeah.

H R Gala: Okay do you expect this particular ratio to remain the same in FY13 or will it materially change?

Management: Not much, it will be pretty much the same ratio.

H R Gala: Okay same ratio. How do you view sir that it will be medium to long term prospects for the compression industry as such?

Management: Yes.

H R Gala: Medium to long term prospect even you know the uncertainties which are surrounding the domestic or the overseas markets, how do you view the medium to long-term prospects for the air compression industry?

Management: You are looking at air compressor?

H R Gala: Not air compressor. What I mean air compressor business

Management: Compressor business?

H R Gala: Yeah.

Management: Well most of our compressor business, we are in the high tech business. We are not in the standard off-the-shelf business. So there are very few companies in the world who can cater to areas like this and we are in pretty much in a way you could classify niche, but it's not really in niche market because it's very technology intensive. There is no alternative other than to have these products when you put up a oil and gas industry. So there is no goal, nobody can forgo this. We are going to see our whatever India is going through, things have got delayed, but prospects are definitely good which is why it was very specific

reason over a few years. We went into the high tech business. We are very comfortable with this.

H R Gala: Okay who are the global competitors with whom we directly compete in this high tech offering?

Management: Mostly German, Japanese, and America.

H R Gala: Okay. So in this particular year, would you like to give any revenue guidance you will say that we won't be able to grow at 35% that we grew in FY12?

Management: It is very difficult for me to put kind of any futuristic figures.

H R Gala: That's fine. Do you expect the EBITDA margin to remain almost same or?

Management: Yeah that's directive of the board. The board has directed us to make sure that is there.

H R Gala: And sir just last question from my side, you said that you are present in all these sub-segments of the compresses, so we are present in the gas compressor also?

Management: Of course. There is a very core business of us.

H R Gala: Okay fine, thank you very much and wish you all the best.

Management: Thank you.

Moderator: Thank you Mr. Gala. We have our next question from Mr. Sameer Raj from Reliance Mutual fund. Mr. Raj please go ahead with your questions

Sameer Raj: Sir my question are related to some large projection. If I look at our results for FY11 and FY12, now we had one particular large order which contributed significantly in each of our performance. These are fetched any large order in the current year also?

Management: Yes we have.

Sameer Raj: So basically because of your confident that you will be able to maintain a margins?

Management: I won't say that one large order contributed because it was actually sold over two years, so really speaking it was two small orders in two year. Okay it was not really one large order which got executed in 11-12. The part of it was in 10-11, the rest was in 11-12. So we have developed in two orders, which became two average orders for two years.

Sameer Raj: So we have similar kind of orders which will ensure the performance?

Management: Yeah.

- Sameer Raj:** And Sir as far as our transmission division is concerned see significant improvement in the current year, but if I look at overall profitability compared to whatever capital employed. It's still slightly lower than what is to be desired.
- Management:** Hope it will be much better this year.
- Sameer Raj:** Okay.
- Management:** We went through some tough times in transmission division over the last few years and we have done some extensive work like our chairman had prominent 20.02 in the speech that we are revamping the complete division product portfolio, people, manufacturing processes etc. So it's obviously paid some dividend, yes it's going to take us another year before we can actually make it down into a regular total normal profitable business, but we think that's not too far away.
- Sameer Raj:** But we will able to see some trend towards that direction, improvement than previous year.
- Management:** Absolutely I thought that this year result actually showed that trend.
- Sameer Raj:** Yes definitely. But Sir I think last quarter again you know first two-three quarters are very good, but last quarter one saw again slightly dip so may be quarterly it's not right way of looking into it.
- Management:** Exactly. No it all depends on deliveries of projects.
- Sameer Raj:** Sure.
- Management:** If all of them are scheduled to be delivered in the last quarter, you will always find the last quarter very good. If some of them are scheduled to deliver in the first quarter, it will be the first quarter that is very large because unlike a standard product, we would involve to 60 crore job in with one invoice in one day as against 5 crores every day for the next three months.
- Sameer Raj:** Okay.
- Management:** And Sameer if you are talking about transmission products results, vis-à-vis the capital employed, last year we had a loss of 8.65 crores on the capital employed of 58 crores. If you look at this year, it is 4.62 crores profit on a capital of 54 crores. It is improvement of almost 13 crores.
- Sameer Raj:** Sir I fully agree, there is a very significant improvement, my only reference was that overall ROCE 8.5% delivered the cost of capital.
- Management:** Capital employed has also come down by about 4 crores.

- Sameer Raj:** Sure I fully appreciate that, it's absolutely positive, both is absolutely providing profit and also overall return on capital employed as well.
- Management:** Right thank you.
- Sameer Raj:** And Sir lastly as far as the rail road business is concerned, what kind of investment last you have finalized.
- Management:** It is yet to get finalized.
- Sameer Raj:** So investment amount, is there any change compared to what we discussed last year, or is it same more or less
- Management:** More or less it is going to be the same, but we have not yet finalized completely, somewhere just forming of cost as the rake is getting produced and would be rolled out by end of the year.
- Sameer Raj:** If I remember correctly it was more than 100 crores something of that sort right?
- Management:** That's what we are looking at in the initial stage.
- Sameer Raj:** Okay, so overall Sir you have mentioned in your opening remarks that you don't look at the growth what you did last year, but you are still confident of doing positively right if I understood correctly?
- Management:** Yes that's a directive like a said, that's the direction the Board has given us.
- Sameer Raj:** You are on the current environment; I mean that's really a good target, so I wish you best for that.
- Management:** Thank you.
- Sameer Raj:** Thank you sir.
- Moderator:** Thank you Mr. Raj. We have a next question from Mr. Manish Goel from Enam Holdings, please go ahead with your question Sir.
- Manish Goel:** Continuing with the roadrailer, I have a couple of questions over there. Has the structure of the ownership been finalized for the service company?
- Kolhatkar:** What do you mean structure? We already have company in place.
- Manish Goel:** So earlier as was indicated that Kirloskar Group may own majority stake and there will be some third-party also which will own stakes, so has that been finalized the ownership of the service company?
- Kolhatkar:** As of now, it is owned completely by Kirloskar Group. It is a subsidiary of Kirloskar Pneumatic that's why we have consolidated business coming out. So far as other participation in the equity is concerned, we have not taken a call. We will take a call at the appropriate time.

- Manish Goel:** So just wanted to get a sense if you invest 100 crores, would it be entirely funded by Kirloskar Pneumatic?
- Kolhatkar:** Not necessarily, we always have a project funding by mix of debt and equity.
- Manish Goel:** This first rig which will be delivered in FY13, what kind of revenues could be booked by Kirloskar Pneumatic?
- Kolhatkar:** May be by end of second quarter we will be able to answer this.
- Manish Goel:** Ideally what could be the rough number Sir?
- Kolhatkar:** I can't put a figure as of now.
- Management:** We are bound by certain rules in which we have agreed with the Indian Railways. We can't talk about it now till it is actually done.
- Manish Goel:** Okay but basically you have a tie up in place in terms of to roll out services once the rig is ready?
- Management:** Yes.
- Manish Goel:** Any visibility in terms of what kind of numbers we can see in terms of rigs in FY14 or FY15?
- Management:** Actually, the first rig has to get cleared from the Railways towards the end of this year and obviously, this is the first time something like this is being done in India. There is something everybody is looking and the Railways are looking at very eagerly. And when that actually proves its trials on that Delhi-Chennai route that has been given to us by the Railways that's when we actually take up with them and discuss about the future increase in the traffic between these two cities and adding other cities. We believe in something which is going to be a great market for us, but obviously like I said we can't disclose too much about it because we are bound by certain conditions that we have signed with the Railways, which is obviously not for public consumption today, but as and when it happens we will definitely be announcing the same.
- Manish Goel:** Sure okay and on Compressors market, if you can highlight your strategy in terms of new product introductions on all three, some Screw Compressors and other kind of Compressors? And second, what is the trend in the refrigeration market?
- Management:** Like I said our focus is mainly in the Refrigeration, it's all in the Oil & Gas Sector. This is really the high end of refrigeration as such, not the commercial refrigeration. We don't get into much of those systems though we supply Compressors to them. And our aim is to ensure that we are there in all available technologies for general engineering in the Air Compressor business. As you are

aware that we were pretty large in the Oil Free and then we got out of it and then now we are getting into it again with our own. We have developed the big Screw Compressor network and service across India. Obviously, we are not the market leaders. The other people who are the market leaders, but we have definitely made inroads into them this year.

Manish Goel: Okay and in terms of indigenization sir, how are we placed?

Management: Very well, our indigenization programs are actually well on track.

Manish Goel: And on the rupee issue which you mentioned because in refrigeration I believe we have a fair bit of imports and will it impact our revenues and growth and margins?

Management: My allusion was to this saying that for these high tech systems, most of our competitors are Americans, Japanese or Germans. So when we actually get into a bidder comparison our import content is obviously going to be much lesser than this. This is definitely imports and that's where I said it could be an advantage to us. I didn't mean to say that our import will reduce. It will definitely increase, but when we are actually being compared by L1-L2, etc. there I think that will keep us in better standing.

Manish Goel: Okay and sir on the Products business you mentioned that you will probably see significant growth in the FY...

Management: Did I use the word 'significant?' No. I said growth definitely. The market situation is such that I don't want to put any adjectives before these words. I can say one thing today and tomorrow something will happen and all things may collapse. But yes, based on the order board we have and the indications we have we are going to see a growth in our standard product business.

Manish Goel: Yeah, so is the project which contributed 350 crores and products which was roughly 330-340 crores, do you see both of them growing well in or is it that product will grow faster and project may lag?

Management: This year product will grow more than projects.

Manish Goel: But still projects will grow?

Management: In FY13.

Manish Goel: Yeah but still project may not grow as high rate, but it will still, we see growth in projects.

Management: I hope so, but I am not very confident of it in the moment.

- Manish Goel:** Okay and on Transmission Division, what do you expect sir? No doubt we saw a good turnaround in FY12.
- Management:** We will consolidate this position. We will grow in Transmission also. You will not see another turnaround.
- Manish Goel:** Sure sir and in Gas Compression market especially in distribution, have you seen significant slow down?
- Management:** Yes. I am sure you people are all aware about it, you read the papers, you read all this. Everywhere there seems to be a problem. I mean one of the things that the Indian country needs most is being held back for some reason, I have no idea.
- Manish Goel:** Okay and sir one disappointing observation was that we have reduced our dividend payout in FY12. We maintained our dividend despite of profit growing and cash balance also little higher than last year. So what was the reason for reducing payout ratio? And we don't have any significant CAPEX going forward.
- Management:** I have mentioned to Kamlesh Kota that we are looking at close to 30 crores CAPEX during this year.
- Manish Goel:** Yeah but sir you are sitting on a cash of more than 100 crores.
- Management:** No, 25 crores as per balance sheet.
- Manish Goel:** No, you have investments in liquid funds, investments into ___31:18 fund. Coming back to my question why was dividend payout ratio reduced?
- Management:** I think as Mr. Kowshik said next year doesn't seem to be as rosy as the current year though we see a growth we are looking at lots of issues on the cost fronts, interest rates, FOREX rates. Let me give you a little more background on this. Many projects this year where we have confirmed orders and clear payment terms, people are unable to pick up because they are not ready from their end. I don't want to name these companies, but there are quite a few companies which are talking of their projects being delayed by six months, 12 months. So in this year you will find whatever in that capital employed, somebody was talking about it and there is a lot of finished goods that we are carrying. To an extent, when I say, finished good, it is not finished till it is completely inspected. There is a subtle difference between manufacturing, accounting way of finished good and the engineering way of finished good. The shop load engineers will say it is finished, but for us it is not yet finished well because it is not being inspected and approved by the customer or the third-party inspection agency. So, sometimes that will show in WIP. There are many-many projects in India where people have actually come to a standstill for some reason or the other, either they are unable

to pay, or their plant does not get clearance, either from power or environment or land or some issues that keep on going. I expect that to continue this year also. So, even though we stay comfortable, order board why we are a little hesitant and this thing is, we are not too sure about the customer side of it. We would like to be a little conservative and I think that is the reason the board decided to be a little conservative this year.

Manish Goel: Still does not answer my question because in fact your current assets have come down from 48 crores to 37 crores, your cash has gone up and I agree that what we probably observe that we are managing our balance sheet very well. So there is no reason that going forward, we will probably dispatch anything which will probably not help us get revenues or payments and will constrain our working capital and in turn will require higher cash.

Management: Well I am glad you have that confidence, but yes, we assure we will not end up in a situation where we have a few debtor board and we are unable to collect.

Manish Goel: Yeah so that is the confidence and that is the reason why I am asking that why probably dividend pay out is much lower. Anyway thanks a lot sir.

Management: This is the best I can answer you as of now. I understand your question, but like I said the only thing I can say is the board decided to be a little conservative this year to make out for and that's the best I can answer you.

Moderator: Thank you Mr. Goel. We have a next question from Mr. Mahesh Bendre from Quantum Securities. Mr. Bendre please go ahead.

Mahesh Bendre: What is the product range we are offering in Compressor, I mean up to 40 HP?

Management: Which compressor? Gas, Refrigeration?

Mahesh Bendre: Air Compressors.

Management: Actually there is no limit. We can go right up to 3 MW, 2 MW.

Mahesh Bendre: Okay. And sir in terms of total market is it fair to assume that we cover 90-95% of the market in terms of product offering.

Management: In the Air Compressor?

Mahesh Bendre: In total compressor market as a whole?

Management: No, it's not the right question because these markets are split into refrigeration, gas, air so there are completely different areas. I can't answer that question. It's not a question that anybody can answer. All I can say is in Air Compressor business, we are there in all the technologies that Air Compressor demands. We are not the market leaders. In Refrigeration Compressor, we are there in all the

technologies that refrigeration demands. And in gas compressor, we are there in the upstream, downstream and we are there in the upstream distribution and we have made forays into the downstream, we are not in the midstream business.

Mahesh Bendre: Okay and sir, is it fair to assume that we will have a 15-20% market share for total Compressor market in India?

Management: No, again you can't make that statement. You have to ask me, we have to go through air compressor, gas compressor, refrigerator compressor.

Mahesh Bendre: Segment wise?

Management: Not segment wise, application wise.

Mahesh Bendre: Application wise. Okay and sir what could be the current utilization in our factory sir?

Management: Again very difficult to answer because we are a project based company. If we were a pure tractor or a car manufacturing company, we can answer that question very easily. You can calculate the asset utilization ratio from the balance sheet, which I think you know the figure, but it's like this, today I am making the refrigeration project with a compressor that is 0.5 MW trial. Tomorrow I get the same order for again the refrigeration compressor with 3 MW trial. The price tripple. Building is the same. The people are the same. The engineering is little more complicated. So utilization by way of our project business is almost impossible to answer. In our Product Manufacturing business, asset turnover ratio you can have, I don't remember the figure but you can even calculate that, but even that is sort of. We are a project-based company, so it's not a very relevant question for us really.

Moderator: Thank you Mr. Bendre. We have a last question from Mr. Nainesh Rajani from Tata Mutual Fund. Please go ahead with your question sir.

Nainesh Rajani: Just a couple of questions from my end. First one, the current order book that you have, can you give us the breakup of products and projects in the current order book?

Management: Around the same ratio.

Nainesh Rajani: Second sir just wanted to understand if you can help us in last year FY12, what was the proportion of the total orders that were received and executed in that particular year as itself?

Management: Very difficult to answer that because you know...

Nainesh Rajani: I mean for example if last year if I am not mistaken your pending order book backlog was approximately Rs. 460-odd crores which is what is this year as well.

How much of that was completely executed in that year itself and how much of last year closing order book will be executed in the next year? So balance be would be something that you received in this year and executed this year?

Management:

Let me put it this way. Now, for example, we have got an order from the Navy for one of their naval attack vessels or whatever. These orders run for the next three years. Because as and when they build their ships, we keep supplying it to them. So we really don't track received and dispatched to see except for a standard product, but for projects, the normal delivery period ranges from 10 months to 18 months for a completion of a project, but when we have these naval kind of orders, they give us orders for the next six ships and there is one order we are supplying one ship which is worth about some 50-60 lakhs which has been delivered in 2017 also. So we really don't track.

Nainesh Rajani:

Okay, what was the inflow of the standard products in orders received last year, executed last year?

Management:

I will answer it in a little different way. Last year we had the order board of close to 500 crores. Mr. Kowshik also told you that this year we have order pretty close to that, about 450 crores. We executed worth 666 crores. So that means we got the orders close to 600 crores. And he also mentioned to you that about certain orders which would be executed in the subsequent years which are close to 20 crores. Out of 450 crores you remove 20 crores balance the orders we booked during the year.

Nainesh Rajani:

Just another thing the first quarter of this year and the last quarter of last financial year and over the past few years quarterly numbers there have been fluctuations specifically in the last quarter, mainly because of the nature of the business that we are in, in the last quarter usually account for portion of the revenues and profitability except for this year where the first quarter was, where the lumpiness in the revenues and profitability was, what is the trend going forward for the next financial year. Do you expect these kind of lumpiness to continue and would it be more towards the latter half of the financial year, third and fourth quarter?

Management:

This year also lumpiness will continue and you tell it right, the lumping will be towards the latter half of the year.

Nainesh Rajani:

Alright sir. Fair enough. Just one thing, what is the kind of investments that we have made in the railer project actually?

Management:

In the capital equipment or in the project?

Nainesh Rajani:

Both.

- Management:** In the project we are yet to make the significant investments, but overall we have invested close to 15-odd crores.
- Nainesh Rajani:** Okay and capital expenditure?
- Management:** No, I am telling you both put together.
- Moderator:** Thank you Mr. Rajani. And I would now like to hand over the conference to Mr. Gaurav Jain. Over to you Sir.
- Gaurav Jain:** Sir thank you very much for your time on this call today and all the very best. Thank you very much. Have a nice day.
- Management:** Thank you.
- Moderator:** Ladies and gentlemen, this does conclude your conference for today. We thank you for your participation and using iJunxion Conferencing Service. You may please disconnect your lines now. Thank you and have a great evening.