"TRF LimitedQ3 FY-16Earnings Conference Call"

February 8, 2016

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CHORUS CALL®

MANAGEMENT: **MR. SUDHIR DEORAS – MANAGING DIRECTOR, TRF LIMITED**
MR. P.S. REDDY – DEPUTY MANAGING DIRECTOR, TRF LIMITED
MR. P. K. TIBDEWAL – COO, TRF LIMITED
MR. TARUN SRIVASTAVA – COMPANY SECRETARY, TRF LIMITED
MR. CHANDAN DUTTA – CFO, TRF LIMITED
MR. ANIRUDH IYER – EO TO DEPUTY MD, TRF LIMITED
MR. RAJEN SAHAY – HEAD, CORPORATE COMMUNICATION, TRF LIMITED

MODERATOR: **MR. JOHN PERINCHERY, EMKAY GLOBAL**

Moderator: Ladies and gentlemen, good day and welcome to the TRF Limited Q3FY16 Earnings Conference Call hosted by Emkay Global. We have with us today Mr. Sudhir Deoras, Managing Director, Mr. P.S. Reddy, Deputy Managing Director, Mr. P.K. Tibdewal, COO, Mr. Tarun Srivastava, Company Secretary, Mr. Chandan Dutta, Dy. Chief Finance & Acounts, Mr. Anirudh Iyer, EO to Deputy MD and Mr. Rajen Sahay, Head, Corporate Communication. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. John Perinchery from Emkay Global. Thank you and over to you.

John Perinchery: Good evening to one and all. Thank you for joining us today. We would like to welcome the management of TRF Limited and thank them for giving us the opportunity to host this call. I would now like to hand over the call to Mr. Deoras to give us a brief of the current quarter results and performance and thereafter we open the floor for Q&A. Over to you sir.

Sudhir Deoras: Thank you very much. As I mentioned earlier I am travelling, so I request Mr. Reddy to come on line and give the overview and then I will step in wherever required, Mr. Reddy could you start please?

P.S. Reddy: Yes Sir. Thank you. Good evening to all shareholders, just wanted to give you a brief about the Q3 performance. As you may have noticed from the results we have declared the net sales on a stand-alone basis from operations for Q3 FY 15-16 is Rs. 80 crores as compared to about Rs. 125 crores in Q2 of FY 15-16. The revenue as well profitability was significantly affected basically due to the delay in clearances from the customers and also delay in payments by the customers, the same coupled with lower revenue from spares which is largely because of the current market conditions has impacted our overall revenues. We also have had an increase in cost largely due to reasons such as engineering changes, rework at the site and warranty as well as guarantee cost. The delay in payments from the customers has resulted in higher provisioning as per the company's policy that is why we have a provision now at around Rs. 68 crores. Further the liquidity position with customers and vendors has also impacted the operations and the cash flows of the company. As a result, the performance of Q3 was less than the plan.

As on date the order book position is about Rs. 1200 crores out of which about Rs. 700 crores is related to the project orders, the balance is for products, spares and services. The orders we have booked up to Q3 is about Rs. 300 crores and going forward we will be focusing to complete the projects which are in a very advanced stage so that we are able to collect dues including the retention amount to improve our cash flows. Focus is also in terms of improving the revenues from the products and spares business and also aggressive cost reduction efforts.

In terms of subsidiaries the operations of DLT, Hewitt Robins International Ltd and Adithya Automotive Applications Limited have been profitable in Q3 but the performance of York has adversely impacted the revenues and the profitability of the subsidiaries in Q3.

So this is the brief. I would only say that the risks which are associated with our business have affected our plans for Q3 and therefore the performance has been far less than what we plan to deliver. With this I now welcome the shareholders for the questions and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sunil Kothari from Unique Investments. Please proceed.

Sunil Kothari: Sir would you like to say something on fourth-quarter and next year onwards how you see, you said your focus is on cost-cutting and revenue increase, so briefly if you can say something about how onwards looks?

P. S. Reddy: In terms of Q3 as well as Q1 of next year I would say that the plan as I just mentioned some time ago, the plan is again to complete the project which are in a very advanced stage so that we are able to collect the retention amount, it is very important for the company to improve its cash flows and also as I said that there is a need for us to improve our revenue from the products and spares business and also the aggressive cost-cutting measures which we are trying to push because these are the moments while the market is not in our control there is a need for us to control our cost and that is why these cost reductions have forced to reduce cost and manage the cost better over the next couple of quarters.

Sunil Kothari: In terms of business prospects do you see any change on the ground any further inquiries of projects and products, how do you see next year?

P.S. Reddy: In terms of the impact of the mines which have been auctioned, the coal blocks which have been auctioned we find the inquiries for projects have started flowing in but it will take some time for these inquiries to mature into orders. But otherwise the market conditions have actually deteriorated in Q3, for example, if you look at the prices for steel and all have significantly dropped during Q3. We are not sure whether they will be able to recover over the next one or two quarters, though government I believe has taken some measures but we are not sure the recovery of steel prices quickly which is actually impacting the expansion plans of steel industry. So the next two quarters I see the challenges will continue, the challenges to secure new orders will continue but as of now we have reasonable order backlog which should see us next quarter.

Moderator: Thank you. The next question is from the line of H R Gala from Panav Advisors. Please proceed.

H. R. Gala: Can you just tell us how much is the gross and net debt as of now?

P.S Reddy: Once again I leave it to my CFO Mr. Chandan Dutta to share with you the gross and net debt.

Chandan Dutta: The debt on stand-alone book is around Rs. 415 crores including current maturity of around Rs. 41 crores. This is the stand-alone position.

H. R. Gala: How much is consol?

Chandan Dutta: Consol is around Rs. 633 crores out of that around Rs. 74 crores is on current maturity.

H. R. Gala: Net debt will be more or less same? How much cash do we have?

Chandan Dutta: Cash is miniscule, very small number.

H. R. Gala: In terms of the performance of the subsidiaries can you share the numbers for nine months how have they performed?

Sudhir Deoras: I would like to step in now. As I said unfortunately I was travelling, I don't have all the numbers with me but Reddy if you have numbers you might step in to share that but I will generally overall give the picture of subsidiary companies.

As Mr. Reddy mentioned a while earlier on that York Q3 performance was not very good, I think maybe in the previous con call I might have mentioned this but York international globally is in a little difficulty because of the issues of Australia, Indonesia, South Africa, commodities having gone down so drastically, so iron ore, coal all that business has gone down and that is the area where the trailers are used and our axels are sold in those markets. So all these markets have really come down, Thailand is because of uncertainty, political situation that used to be a good market that has also come down very badly. Good news is that India is doing very well and we are seeing that India's performance this year, overall numbers I am giving you we are hoping to do about US$ 55-56 million business in York, half of that will be done by India itself. So that's the kind of difference which has happened. In other words, India is growing more than what we planned for the year and internationally it has come down. The bad news is that the margins in India are much lower than international margins so that is impacting our play as far as bottom-line is concerned but Q4 number so far so good and we are hoping to recover whatever losses we have booked in York and York should also end the year with profits. As far as Tata DLT is concerned which is part of 50% owned by DLT is again doing very well because Indian trailer market has revived and Tata DLT is expected to do as per the plan what they are made for the year. DLT where we are hoping to get big orders from Abu Dhabi, it's still struggling because again the crude prices going down and all these oil countries may be kind of tightening their strings so big order where we are L1 and we are just waiting every day for the order to flow in which will certainly be a game changer for DLT we are still waiting. But having said that DLT is not going to perform as per the budget but it will not make losses. AAA is again doing as good as we had planned, it will end the year the way we had planned for the profitability is concerned and Hewitt Robins is making profits, it's a profitable operation but we would have expected it to do little better but again internationally not much business is happening. Mr. Reddy talked about steel plants and in India, of course, even power plants are not doing well, so Hewitt Robins depends lot of spare steel supplies to steel plants and mining industry, etc., which is again had slowed down. So we are not expecting it to perform as well as last year but it will certainly be profitable operation.

H. R. Gala: Do you expect FY 17 to be much better than what we are seeing now because by that time I hope that in India and other countries also things could improve?

Sudhir Deoras: Sorry I could not get the first part your comment.

H. R. Gala: What I mean to say that FY 17 next financial year do you expect it to be significantly better than what we are seeing now?

Sudhir Deoras: **Sorry now this time I only heard upto FY 17 and after that**

H. R. Gala **What I mean to say is FY 17 do you expect a major turnaround to happen in our Company and Subsidiaries?**

Sudhir Deoras: Yes, let me tell you that we have big plans in York in terms of cost reduction. Some of the York performance was also impacted for one more reason that is we took action of consolidating our operations in China. In China we used to operate at two places Shanghai and Qingdao, what we have done is both we are kind of rented places, what we have done is we have got out and near Qingdao we have put up a new factory in their industrial estate. So that one time shifting cost, etc., I think about $ 400,000 we have spent as one time so that itself will go away because our operations in China have started already. Also it would reduce our manpower bill, so we are looking at least $ 1 million cost saving in York only because of this small action what we had done and we are hoping that if internationally again this commodity and markets..…See one year holiday for these companies is a big holiday in terms of not buying or not changing your fleet, etc., so I think in 2016-17 commodity market should do better and our business internationally should improve. India we are hoping to continue to do well, we are also hoping to get better margins. In India the way the steel people have suffered even axle market suffered because Chinese started dumping. We took this matter up with the government and our appeal for Chinese dumping has been accepted and we are hoping some favorable ruling to come by April. In any case Chinese imports are lower than previous year, we think we have captured lot of Chinese market also so I think India will continue to do well. So I am expecting York to do much better in next financial year and same is true for Tata DLT, DLT and AAA. So auto application business is expected to do better in financial year 2017.

H. R. Gala: What about our core operations in TRF in India?

Sudhir Deoras: **Reddy would you like to speak on that?**

P.S.Reddy: As I mentioned short while ago that the order book for Q4 is not a concern but yes next year is a concern but the current inquiries which are flowing in if they mature into orders I think things should work out well for us next year.

H. R. Gala: In terms of receivables what is the total outstanding receivables as of now December?

P.S. Reddy: Rs. 528 crores.

H. R. Gala: That a standalone?

P.S. Reddy: Yes

H. R. Gala: And consol?

P.S. Reddy: **Chandan could you just give us the consol figures.**

P.S. Reddy: Rs. 575 crores.

H. R. Gala: That this amount will include the retention money or retention money is separately shown?

Management: Including retention.

H. R. Gala: How much is retention?

Management: The retention as on Q3 on stand-alone basis is around Rs. 278 crores and consol will be the same because those in the product business, commodity business, so hardly any retention.

H. R. Gala: In the initial remark you said something about Rs. 300 crores provision or something what was that?

P.S. Reddy: Provision was Rs. 68 crores.

H. R. Gala: **Thank you very much, wish you all the best sir.**

Moderator: Thank you. The next question is from the line of Rushabh Vasa from Almondz Global. Please proceed.

Rushabh Vasa: **Sir thank you for giving me an opportunity to speak the question and also giving a brief details on the website regarding the financial performance.** I just have a few queries regarding like on 1st December we had a con call to discuss our Q2 results that time the whole team was sounding confident and after that what went wrong within just one month when we are saying that market conditions have changed and financial performance has suffered?

P.S. Reddy: I think as I just mentioned short while ago in my brief that as an organization we are in a business where there are risks because of customer reasons as well as reasons related to the vendors. In terms of the customers as I said we need clearances from the customers right from the time the order is given in terms of approvals for engineering drawing, clearances for dispatching of materials to the sites, clearance for taking up site work, clearances for erection of the materials, we have various clearances at various stages. These got affected in the last quarter in fact I would say more so during the latter half of last quarter. Also there is a significant delay in payment by the customers. In our view these are essentially because of the changing market conditions. As you know Q3 I think the market conditions have deteriorated significantly compared to Q2. So that has impacted the customers and therefore their clearances to us and the consequent payment to TRF have been impacted. The moment TRF is not able to receive its payments and the TRF is not able to pay to its vendors the vendors are also affected and therefore their performance is deteriorated. Therefore their ability to supply the materials within the required timelines got impacted therefore the dispatch to the customers and therefore the revenue. This is the cycle we got caught in and we are hoping that Q4 should be better and as you may have noticed that these risks did not impact us in Q2 but got surfaced in Q3. So that's the reason, primarily it is the risk associated with the project business that has impacted us.

Rushabh Vasa: But that means whether we were not aware about these warranties or guarantees we needed to pay in just one month back?

P.S. Reddy: The guarantee and warranty issues will surface only when you are about to commission the equipment when the equipment are getting commissioned because the supplies have been made sometime back, it could be as old as three years, when these are being put to use and your commissioning when they fail when you finally take the help of the suppliers who have supplied these equipment in the past after putting their best efforts when they declare that this is not beyond repair then only you will have to incur that so-called warranty or guarantee cost. These you cannot predict well in advance and say that yes we are going to incur certain amount of guarantee, warranty cost.

Rushabh Vasa: What is the amount involved in these disputes?

P.S. Reddy: It is not a dispute; all that we are saying is that there has been a cost increase on some of the projects, one of the reasons for it is the increase in the higher warranty and guarantee cost which we did not anticipate.

Rushabh Vasa: So any specific amount involved in this?

P.S. Reddy: There is no specific amount; this is cutting across some of the projects. I think if you remember in Q2 we have shared that we are trying to accelerate completion of the projects in a very advanced stage. When you are pressing them these are the typical commissioning issues you will encounter. The risks are more when you have got equipment which has been delivered at the site say for a period of 2 to 3 years if the material is lying at the site, have the risk of warranty, guarantee cost.

Rushabh Vasa: Is this cost likely to happen in Q4 also?

P.S. Reddy: Q4 I will not say it will not happen, it may happen because we have not yet fully completed commissioning of all these projects, but the kind of increases which we have experienced in Q3 may not happen in Q4.

Rushabh Vasa: This is in terms of our product division or project division?

P.S. Reddy: This is both product and project?

Rushabh Vasa: Industry norms is also same for the payment of these warranty, guarantee or it is our proactive that we have done?

P.S. Reddy: It is industry standard which is followed generally. Generally, what is followed is that the guarantees, warranties are generally 12 months from the date of commissioning or 18 months from the date of last supply. When you are trying to use an equipment which has been supplied two years ago practically the warranty, guarantee is over. So when there is a failure because of this then you have to incur that cost.

Rushabh Vasa: Another point I just wanted to know, during the first nine month of FY 16 more than 71% of our revenues have come from the product division and we have mentioned in the release that going ahead the focus will be on improving the share of product and spares, so how the annual picture for the FY 16 would look like?

P.S. Reddy: FY 16 annual picture at this moment of time we will not be able to put a number because this is not in the public domain, all that we are trying to tell you is that the moment these projects which are in a very advanced stage, we see that picture changing because when you complete these projects the revenue for those projects will get booked for the quarter.

Rushabh Vasa: That means FY 16 and first half of the FY 17 we will see more revenue share coming from them?

P.S. Reddy: I will not say more revenue; I would say we will have balance between both products and projects.

Rushabh Vasa: FY 17 first half we will see more revenues booked from project division or from the product division?

P.S. Reddy: More revenue from the projects.

Rushabh Vasa: What is the visibility on our recovery of dues including the retention amount in the next six months?

P.S. Reddy: As I mentioned some time ago the retention amount would depend on TRF completing the commissioning and the performance guarantee test. Unless the performance guarantee tests are completed customer will not pay the retention amount. Therefore, the focus now is quickly complete commissioning and performance guarantee test so that we are able to recover the retention money. Right now our plans for Q3 and Q4 we are delayed by about a couple of months otherwise by Q1 next year whatever plans to have we should be able to realize the retention money.

Rushabh Vasa: My last point is what is the amount of our write-offs as on December 2015, this retention money and other recoverable amount? Which we have already written-off from the books?

P.S. Reddy: There is no write-off; we have a provision of Rs. 69 crores, nothing is written off because we are engaging with the customers to realize this money.

Rushabh Vasa: So total retention money is Rs.69 crores and other receivables?

P.S. Reddy: Let me just bring in clarity, the total receivables is Rs. 527 crores, out of which the retention money is about Rs. 279 crores. The provision that has been made till now is Rs. 69 crores because we have a policy for provisions.

Rushabh Vasa: On retention money?

P.S. Reddy: On the clear dues. The Rs. 528 crores include the retention money of Rs. 279 crores.

Rushabh Vasa: And this Rs. 68 crores provision is coming in which cost line in the results?

P.S. Reddy: This 69 crores is over the period of time, this is cumulative. Just to give you between Q2 and Q3 and Q2, around 66 crores was the cumulative and in Q3 the figure has grown to 69 so there is about 3 crores change.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please proceed.

Sanjay Shah: Sir I appreciate point of Mr. Reddy regarding steel industry's pain which has affected, the pain which we are facing but any traction from the power sector or cement or mining division and does our management see any change in business model because under the leadership of Mr. Reddy and Mr. Sudhir Deoras I think company should do something better, something new or some good model should be accepted for the growth of the company.

P.S. Reddy: Yes sure, I think if you remember in our communication during Q2 results we did mention about going forward the model we are going to adapt. The model we have been following till now has been depending on the delivery dates as per the supply orders given by the customers we used to dispatch the materials and then wait for erection as and when the clear front is available. As a result, the larger projects which we have taken up which have gone for a delay for about 2 to 3 years the materials which have been supplied as per the original timeline in the supply order they all have been stored at the site for a period of 2 to 3 years and that has led at a later date a significant cost increase partly because of the warranty, guarantee cost partly because of deterioration in condition of the equipment due to multiple handling, all those issues we have faced. And going forward we would like to correct and supply the material on just-in-time basis only when the site is ready for erection. Then only we will be able to correct the cost otherwise we will continue to have this problem plus supplying material 2 to 3 years before the site is ready for erection is also impacting the entire cash flows of the organization in terms of longer retention debtors and which is not good for the organization.

Sanjay Shah: Can we take in for granted that henceforth from next year irrespective of the order book which we can understand he is not in our hands but there would not be any provision on this legacy of projects.

P.S. Reddy: The debtor provision is the part of the policy and the debtor provision will continue. Debtor provision depends on the current market conditions, the ability of the customers to pay the clear dues is largely driven by the market conditions as of now, so we hope the situation should improve over the couple of months as and when it improves we are confident of collecting our dues.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Co. Please proceed.

Saket Kapoor: I missed the initial part of your briefing, if in brief could explain once again for the benefit?

P.S. Reddy: This is for the investors who may have joined late, all that we have said is that the Q3 FY 2015-16 performance has been impacted by the unforeseen risks and as such our income on a standalone basis from the operations quarter was at Rs. 81 crores compared to Rs. 125 crores in Q2 of the current year. Both the revenues and the profitability were significantly affected largely because of delay in clearances by the customer and also delays in payment. The same coupled with lower revenue from spares due to the current market conditions impacted our sales and profit. There has also been increase in costs due to reasons such as engineering changes, the rework and the warranty guarantee costs. There has also been delay in payments by the customers which has led to higher provisioning as per our company's policy and the liquidity position of customers and vendors adversely affected operations of TRF. As on 31st December the order book is about Rs. 1200 crores of which about Rs. 700 crores is related to projects and the balance is related to products, spares and services. The orders we have booked during Q3 is about Rs. 300 crores. Going forward as I mentioned earlier the focus of TRF would be to complete projects are in a very advanced stage so that we are able to get retention debtors and improve the share of revenue from products and spares also aggressive…..

Saket Kapoor: Coming to this point, change in inventory there is a very strong built up of around Rs. 60 crores, how do we correlate this?

P.S. Reddy: The inventory is partly because of the reason, one, the customer has not yet given the clearance and therefore we are holding some materials with us. And the second is as you know in the project business projects unless they achieve the threshold limit you cannot book the turnover, therefore there are some projects which are in an advanced stage of reaching the turnover limit and therefore the inventory is higher.

Saket Kapoor: So that will get evened out in the fourth quarter?

P.S. Reddy: It should be.

Saket Kapoor: Could you give industry wise order book position, from which industry what kind of orders we are having in our hands?

P.S. Reddy: Off the hand I may not be able to give you exactly what is the kind of segment orders we have…

Saket Kapoor: The key segment percentage if you could give, rough percentage that would also help?

P.S. Reddy: What I can do is we can come up with a communication so that this could be in the public domain, give us some time, I think we will come up with a communication on this. But largely I can tell you at this point of time the larger portion of this is because of the customers in the power segment.

Saket Kapoor: Lots has been done in case of stranded power plants, the pooling of gases, so many various steps taken by the government are not been able to help this ailing sector or do you think that these steps will give the effective results coming forward?

P.S. Reddy: If you could just repeat the question.

Saket Kapoor: I was trying to make my point that the government has done so much for the power sector, pooling of gases being done and bringing down the interest rate also especially for the power sector. Do you think the steps which government has taken up the results will be coming up later on because we are having major part of our order book from the power sector itself.

P.S. Reddy: As of now we have not yet seen the impact of any of these measures taken by the government but if I look at the measures that are required to be taken to improve the entire sector in which the TRF is in, requires the customers to take certain measures and change their contracting approach and the process.

Saket Kapoor: Even this Uday Scheme with the Discoms which will now going to be implemented in the next financial year should have an impact on these power producing companies and over all the entire ecosystem should be benefiting from it and we will definitely we will fall in line with that?

P.S. Reddy: Sure, I think you are talking at a very global level, yes if the Discoms are going to improve their revenues and profitability their ability to pay to these power producers will improve, and the power producers should be able to pay to their project vendors, if the vendor are able to receive their money they should be there should be able to pay to their sub-vendors and therefore TRF kind of companies will positively be impacted by such a change in the ecosystem.

Saket Kapoor: Retention money is also on the part of these power players only so they would be in a position to pay back as and when the system gets charged up?

P.S. Reddy: You are right in a way but I would say that the ability of companies which are able to generate cash and organize sufficient finances for their projects in a manner which is independent of their operation's revenue they are able to disburse their payments to their vendors independent of the profitability of their operations. Yes, there are companies which are significantly dependent on their cash flows from the operations in those cases, yes, all vendors like us are impacted by the delay in payments.

Saket Kapoor: Can you give who are the major customers in the power segment, private players and the government PSUs from where the retention money is due?

P.S. Reddy: For us historically public sectors have been our key customers, if you look at customers like NTPC, BHEL, NMBC these are our key customers. The major customer in the private sector for has been Tata Steel.

Saket Kapoor: That means a slight improvement in the environment the retention we money should be able to liquidate that position, that should improve.

P.S. Reddy: Absolutely, if the economic conditions slightly improve it should help us to collect our retention money faster.

Saket Kapoor: One more question, why cannot we give this press release option along with the results at that time because that would be very helpful because the numbers are so erratic in quarter-on-quarter that it comes as a very rude surprise for investors when one quarter we report an EBITDA profit and the very next quarter a steep loss comes. So I request the management that as and when the results are being put in public domain a press release should come up wherein the reasons responsible for the numbers must also be mentioned so that will come announced for the investors at that moment only not to wait for 4 to 5 days and then come with an investor update because that will not be helpful because whatever reaction has to happen will happen immediately after seeing the numbers, a clarification would be helpful for all sets of investors.

P.S. Reddy: Yes.

Saket Kapoor: Any rating agencies are covering our debts, our short-term borrowings?

P.S. Reddy: Yes.

Saket Kapoor: Which rating agency and what are our ratings as of now any change in the ratings?

P.S. Reddy: CARE has been doing our rating; this is not again in the public domain so we will have to come up with a communication on this.

Saket Kapoor: Please update us how the ratings being affected after the numbers. My last question is on the infusion of funds by the promoters. We have referred ourselves to BIFR and the problem for company is not going to get solved in 2 quarters of 4 quarters so how are the promoters looking to support the company now in the coming stages because it would be very difficult for us to continue if we remain in this health, so what is the commitment now, even the promoters not in a good shape but Tata Sons are definitely there and they can help us to get out of woods very easily, what is the update on that if any?

P.S. Reddy: We have taken note of your point, if you remember I think during Q2 results briefing also we did discuss about this point, so it is up to the promoters to take a decision on this matter, as and when we get any information on this we will share with the public.

Saket Kapoor: But have we mentioned the point or have we gone for money from the promoters or we are waiting from there end itself?

P.S. Reddy: The management has done its part but in terms of the decision to support the subsidiary is up to the parent.

Moderator: Thank you. The next question is follow-up question from the line of H R Gala from Panav Advisors. Please proceed.

H. R. Gala: I just want to take on from this last point which has been raised that now since we have made reference to BIFR what will be the process now?

P.S. Reddy: The process is we have submitted applications, we have to appoint an operating agency and with the help of the operating agency the company would be required to put up a detailed scheme for restructuring.

H. R. Gala: But have we submitted any rehabilitation plan or something?

P.S. Reddy: We have registered with them the rehabilitation plan is being worked out so hopefully we should submit soon.

H. R. Gala: How long this process will last like we might have asked for some concessional finance or some rescheduling of the loans and things like that?

P.S. Reddy: The Company Secretary, Mr. Tarun Srivastava, will respond to this.

Tarun Srivastava: In BIFR as of now what we have gone through is that we have stated that the company is able to revive on its own on those lines the rehabilitation scheme is being worked out. We will be submitting the scheme very soon.

H. R. Gala: As the previous speaker asked is there any provision for infusion of any capital from the promoters?

Sudhir Deoras: For the information of my friends we have made an application to BIFR that scheme is yet to be discussed by our Board, Board is scheduled to be meeting early March where we are going to present it to the Board, so once we have kind of clarity on that by the time there will be much more clarity as somebody asked how are you going to fund.Etc., so there are various options which we have worked out, once our Board clears it then we are going to be sitting with people from that operating agency, etc., hopefully which BIFR might appoint and then go through the process and then we will be in a better position to tell you the exact plans. Am I right Mr. Srivastava?

Tarun Srivastava: Yes Sir.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please proceed.

Sushil Choksey: Basically that there are lot of challenges which have emerged quarter-on-quarter and year-on-year on various aspects. As I recall in my first quarter con call with Mr. Deoras or prior to that I was indicated that the worse may be over, I understand the commodity cycle and basic infrastructure industry in India has taken a toll. Can we get some kind of a sense other than the order book where specifically passed order margins are concerned that, since we get that the future is at least stable compared to what has impacted us so far? I might have missed some comments initially in first 5-7 minutes.

P.S. Reddy: You were there when we talked about the overall Q3 performance, right?

Sushil Choksey: I am hearing that, yes.

P.S. Reddy: So we talked about it. As we said we are in a business where there are certain industry specific risks, risks are largely because of customers …..owing their rejects for many reasons I would say, so that has impacted Q3 performance and that is largely one of the reasons why quarter-on-quarter performance varies. For example, in Q2 all the factors helped us and therefore we did well and despite in Q2 also if you remember we had one event of you know **(Inaudible) 44.49** that prior period item which has impacted us by almost 3 crores. So these are the risks which are inherent in this business, those risks unfortunately have impacted significantly in Q3 and therefore the performance is significantly affected. You talked about going forward the margins, so I was not very clear about your question.

Sushil Choksey: Historically product division and project division both have indicative margins which we are working with. I understand if I recollect three years back the impact was because of past orders which we had taken was abnormally at a low margin or there were some problems within the system which we had to rectify because of some employee errors and some provisions which we made and things like that. Now all that historical baggage needs to be over in some sense. So looking at current order book of 1200 crores which you said it's 700 crores at project and 500 crores at product, the current order book let's assume that your delivery schedules, your inventory cleanup, debtors everything is getting in order over a period of next 6 months to 12 months. The current order book which we are working with, just to have a realistic estimate where are the project margins which we are working on an assumption basis at the current commodity cycle where the steel prices are concerned or any other raw materials are concerned or the project division also and also the product division what are we working with assumptions at least on a working model. There have been shareholders since 2003 and the pain is which we have gone through along with the management needs some kind of a cooling effect at least to stay with the company or not to with the company, we need to guide our shareholders.

P.S. Reddy: It’s like this, let me bring in little bit of clarity here, I think historically when you are talking about three years ago the issues we had in the system were largely because of the cost estimation related to civil and structural work.

Sushil Choksey: I am familiar with that.

P.S. Reddy: So those have impacted us and the current order we have, one major order we are executing is also having that risk of civil and structural cost. But what we are over with it is in terms of our estimation errors I would say, yes, in the major projects we have already provided for it. But the challenge we will have is going forward our ability to execute within these costs. There are two issues you also have, one is your ability to estimate cost rightly, second is our ability to execute projects as per the estimated cost. You are right that the current reduction in commodity prices are impacting us favorably in one sense but please also appreciate that in some of the contracts with the major customers like NTPC we have a price variation clause whereby any reduction you need to pass it on and any increase the customer would pay for it, so that also will have some impact. We will not be able to catch out the full impact of reduction in the commodity prices, part of it will be passed on to the customer.

Sushil Choksey: I appreciate that steel is a pass through but stability, some assumption of margin on product and projects which we might be working with. Right now I can't ask you what kind of returns have you estimated on your capital employed because in the state what we are it would be a stupid question to ask. So at least on a product division or a project division you can indicate that we are working with 7% EBITDA margin or project and product division historically we have even achieved 15%, so on a blended basis and a stand-alone basis some guidance for the future at least we can work with. I understand past is past, let's draw our future, but that future can be indicative based on your assumptions only.

P.S. Reddy: I am sorry we will not be able to share this information because this is again not in the public domain, so maybe internally examine and get back to you, some kind of guidance we will get back to you.

Sushil Choksey: But historically we have been guiding in the Analysts Con Call, you look at your own transcripts, Right now let's assume that DLT or York is working on a global basis at 3%, 4% EBITDA, India can be working at 10-12%, some other equipment for ports and yards you might be working at 13-14, whatever maybe on a lower side at least you indicate, at least we know where we stand.

P.S. Reddy: Fair enough, so what we will do we will come up with a communication so that it's available to the entire public. We will do that.

Sushil Choksey: The communication today what you are doing is all the entire investor relations guys who are interested in the company, what is going to emerge. You can give a broad horizon Mr. Deoras at least?

P.S. Reddy: While we may have given it historically but in my view this is sensitive information. Just give us some time we will come back to you.

Sushil Choksey: You may put it as a IR on the Investor Relations your website also it doesn't matter but you communicate that putting in next month, this month, whenever you want to put in. Basically if our communication gets better and tomorrow let's some assumption your promoter decides a Rights Issue, the current shareholders who are almost two-thirds of your company at least need to support the company in a right way and that can only happen if you communicate on the right side.

P.S. Reddy: Absolutely.

Sushil Choksey: So if you even declare a Rights Issue on a small basis to come out of your woods and capture the future which can be a little brighter, if there is no communication from your side the shareholder confidence will not be there irrespective of who is the owner of the company.

P.S. Reddy: I think your point is taken so we will come up with a communication.

Moderator: As there are no further questions I now hand the conference over to the management of TRF Limited for closing remarks, over to you.

P.S. Reddy: Sir, would you like to give the closing remarks.

Sudhir Deoras: Yes. It is true that what we were expecting to happen in Q3 hasn't happened. Mr. Reddy has given details about various roadblocks we faced and I personally think that it's very difficult to predict the way the whole industry is behaving. Mr. Reddy mentioned once or twice about the issue, about the customers not taking the material, projects having slowed down, cash flow is in big mess because if we have produced certain equipment and lying in our inventory, the work in progress is affecting the company very badly. However, to improve on our cash flow we are looking at the possibility of closing some of the projects which are at advanced stage so that at least the retention amount is collected. Large retention amounts are stuck with NTPC and good news is NTPC has been very supportive since they realized that most of the companies serving them are getting into more and more difficulties and many of competing companies have actually run away from their sites and when they realized that TRF continues to shoulder its responsibility and is not a company which is going to run away, they are trying to help. Let me tell you that recently we could collect retention of one of the projects surprisingly with very little time because the senior most management of NTPC saw to it that they are not unnecessarily holding back TRF money. So we believe that this is one thing which is going to help the company in terms of moving the cash flow. Second thing which we had done and which I had mentioned in the past also that we are moving lot of money as dividend income from our subsidiary companies, so far I believe we have already booked about 11 crores, if I remember correctly, 10 or 11 crores, another 8 crores is in the pipeline and we are seeing at the possibility of pulling in some more dividend in Q4. So these are the kind of actions which we have taken to improve our cash flow and we don't want to run away from the business, we want to continue to bring about improvement in the business. Mr. Reddy also mentioned about various cost reduction initiatives we have taken, lot of strategic sourcing which we have started which should start showing results. I had mentioned about subsidiary companies, I believe that subsidiary companies are here to stay and give long-term, a continuous performance. Yes, there are ups and downs, I mentioned about York internationally has not done well but India has done very well and it is expected that all the subsidiaries will make money this year. I only want to say that shareholders and stakeholders have shown tremendous amount of patience and confidence in our company and I believe that we will continue to do our best and hope to come out of the woods which we are in. With that I wish all of you my best wishes and hope that you will continue to support us. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Emkay Global that concludes today's conference call. Thank you all for joining us and you may disconnect your lines.