

# TRF Limited

## Q2FY16 Conference Call Transcript

### Moderator:

Ladies and gentlemen good day and welcome to the TRF Limited Q2 FY16 Conference Call hosted by Emkay Global. As a remainder, all participant lines will be in the listen-only mode. 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. Shankarram Shridhar. Thank you and over to you, sir.

### Shankarram Shridhar:

Yes, good morning 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. Over to you, sir.

### Sudhir L. Deoras:

Good morning, everybody. Nice to talk to you all after a long time. There has been a request for us to hold this Investors Concall because of the difficulties which TRF and the industry in which it operates is undergoing recently. We have been looking for this opportunity we know that there could be many questions and many doubts and we thought this could be the best way of interacting with all the well-wishers of the Company. So that is where we are, I as you know that quarter two results we announced while earlier and so I do not have numbers to really announce all those numbers are with you. But I think, I will straight away open the session with and welcome the questions which will clarify any clarifications are required. Mr. P. S. Reddy, who is the Deputy Managing Director of the Company is also on the con-call. He is from Jamshedpur, he is on the call from Jamshedpur and I am in Calcutta. Along with Mr. P. S. Reddy, we have CFO – Mr. Chandan Dutta and Company Secretary – Mr. Tarun Srivastava. So with that I think we would be happy to answer any questions, any clarifications that we could see. Thank you very much.

### Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

## Question and Answer Session

### Saket Kapoor:

Sir, coming to our products and services part. Just first of all sir, if you could give some color on the order book positions that how are we positioned in both the segments and what is the execution period over which we are looking now?

### Sudhir L. Deoras:

Okay, I will request Mr. Reddy, if Mr. Reddy, if you could...

### P. S. Reddy:

Yes, I will take the call. So good morning this is P. S. Reddy here. The order book position as compared to the last year at the same moment of time remains almost same we are on the similar line. You must have seen from time-to-time over the last six months the orders we have

### Management:

#### Mr. Sudhir L. Deoras

Managing Director  
TRF Limited

#### Mr. P. S. Reddy

Deputy Managing Director,  
TRF Limited

#### Mr. Chandan Dutta

Chief Financial Officer,  
TRF Limited

#### Mr. Tarun Kumar Srivastava

Company Secretary  
TRF Limited

#### Mr. Rajen Sahay

Head Corporate Communications  
TRF Limited

### Moderator:

#### Mr. Shankarram Shridhar

Emkay Global

booked have been communicated through the media. So the order books I will not say there is a major concern. But yes, given the current economic conditions we have reasonable order load for us to see us through for the next 12 months to 14 months.

**Saket Kapoor:**

Could you quantify for us sir what is the amount?

**P. S. Reddy:**

See the quantification and all since it is to a public information we will not be able to share with you just now but what we can do is, I think we will come up with a communication to all the shareholders so, that you will also be able to know that information.

**Saket Kapoor:**

Okay. And sir, earlier our conversion after the fourth quarter numbers or in fact the first quarter number you told that we are focusing more on the products and the services part rather than on the projects...

**P. S. Reddy:**

So I think just to bring the clarity, all that we have said is that if you look at the TRF we have the project segment and the product segment. Product segment has been profitable for us, as you can see the segment results for the last couple of years so, the focus is more and more on the products. And accordingly, the orders which we have booked over the last six months has been on product side only, okay. And so going forward our efforts would be more on making this product business more profitable and therefore our focus is on increasing the revenues from products.

**Saket Kapoor:**

Sir, if you give the color of the environment first of all, how is TRF now placed in environment our economy is going so that will be more color and more...

**P. S. Reddy:**

Sure, I will do that. I think as all of you know the current economic conditions are very-very challenging and past two years because of the Coal Gate there are not any major projects which have come in the country and as a result, companies like ours have been facing extreme conditions. As you know companies like Tecpro or you know the other competitions they are almost folding up, okay. So given that if I look at today there are only three or four major players who are able to sustain the current severe economic conditions and manage. So unlike in the past where you may have seen seven players or eight players who would be competing for coal handling project of a power plant today, in my view there are not more than four players or five players. So that gives us an idea about what is the impact of the economic conditions over the last two years to three years. So given this we are hopeful that the auction that have happened on the Coal blocks over the last six months to nine months, they should take shape in terms of floating of enquires for the new power plants over the next six months to nine months. And therefore, for the project orders maybe I think about one year from now we should be able to see light and we should be able to get some orders. But at the same time we are also looking at given the current commodity prices having reached there I think ten year low we are looking at how do we control our cost better and manage the projects and the pipeline better so that in a year from now when you are able to see the light of new orders we are better prepared and able to execute them faster and better.

**Saket Kapoor:**

Sir, then how is our company now shaping up I mean going forward the second-half which we are already end of the third quarter now the last month. How is the business shaping up? And what is your outlook now going forward, sir?

**P. S. Reddy:**

See as I said, the orders that have been booked a year ago are being executed now so therefore as far as quarter three or quarter four is concerned issue is not about the order load, right, so when you talk about the order load it is for future I mean we are talking about beyond six months or nine months. So the quarter three - quarter four I think order load is not a major issue at all barring the orders our services like you know spares the owned services the orders for products and projects is not an issue.

**Sudhir L. Deoras:**

P.S., if I step in here, I am Deoras here. As Mr. Reddy was explaining, this financial year which is 2015-2016 when we saw the initial position of the order book when we saw first quarter reasonably good order inflow of products and when we look at all these numbers we believe that 2015-2016 is going to be a good year for the Company and when I say good it means last three years as you know we have gone through horrible times. And you all also know that last year at a lot of costs have been kind of booked in the last financial year so, we believe that this year have started with clean slate and with kind of orders what we have seen 2015-2016 year seems to be okay. What Mr. Reddy try to explain was that after that flurry of some product orders in quarter one, order seems to have just dried down and while today's newspaper talks about growth in quarter two in manufacturing and so on so, I believe that we are seeing some green shoots. But at infrastructure level or our Company's level order intake has not really improved in quarter two. Quarter three also is not looking that great because I think people are still holding but having said that and all that new allocation of Coal plants have happened but again the commodity prices having gone down we are not very sure when and how new capital investments will really start unfolding. I think Mr. Reddy, when he was talking about worries obviously he was talking about the financial year 2016-2017 which will depend on how this next five months unfold and what kind of orders start flowing in. We explained to you earlier that while our focus in the product business on which we always shown profit project somehow we have not been able to do a very good job and since then I explained to you earlier also strategically while we focus on product we are not getting out of project business but we have tweaked in a manner that civilian structures which we think is an area where company has suffered because of maybe lack of knowledge or lack of competency we intend to not take it on our own. We are doing if we do future projects that will be back to back. What we know best making the product erect commission et cetera that part will continue in the project business and civil structure will like to look for a partner who takes up that as par. So there could be a situation that sometime TRF could be the lead partner but civil structure back to back somebody else will be doing or somebody else could be a lease partner and we could be doing the product supply.

**Saket Kapoor:**

So then this prior period item part is going to haunt us for this year also or are we over with it?

**Sudhir L. Deoras:**

No, I think we are over with it.

**Saket Kapoor:**

And you also told earlier that we have some retention money, we have already completed some part and we have booked some extra chargers over our P&L that will get revert going forward so what it mean...

**Sudhir L. Deoras:**

I will ask Mr. Reddy to get in.

**P. S. Reddy:**

Yes, I think as far as the retention money is concerned, I think if you look at our debtors large portion of debtors is about say 300 crores is the retention money which gets released only after completion of the project so the company's focus is now on completing the key project which will help us to get large amount of this retention to improve the cash flow. But as far as the cost

concerned what we have shared in the past is that some of our contracts are having a price variation clause therefore the impact of the price variation clause will be realized only after we cross certain period. In some of the contracts, we have been able to cross those periods so as and when you are able to complete that milestone we are able to get that credit due to the price variation clause in the contract. So that is what we will continue to happen because we have already crossed that limit so in the next two quarters that impact will happen.

**Saket Kapoor:**

So that will be significant or reversal which we will be expecting now?

**P. S. Reddy:**

I will not say significant I will say, it is definitely a reasonable kind of impact.

**Saket Kapoor:**

No, if you quantify us around 30 crores - 40 crores was I think so the...

**P. S. Reddy:**

No, I think we will not be able to quantify it. You will see as the situation unfolds so because this is not an information in the public domain.

**Saket Kapoor:**

Right, sir. Sir, just last question on my part sir, could you sir, throw some more light on this coal handling part which you are telling that more coal mines would be available. So what role we can play and are we also in the road making equipment part which is also seeing some traction. Other than roads and coal we are not seeing greater green shoots in any of the core sectors of the economy.

**P. S. Reddy:**

No, see it is like this, I think we are not into the road making equipment per say. I think let me just put light on the coal handling. I mean that is our business in any power plant where there is a coal handling system so TRF has been supplying coal handling projects, okay. So as Mr. Deoras sometime ago clarified our challenge has been in putting up a coal handling project has been civil and structure where the cost have always increased beyond our estimates, that is one area where we are focusing we are trying to have a strategic tie-ups and we are also trying to see how the strategic tie-ups will help us not only in controlling the cost but we are also looking at a significant cost reduction, okay, that is one. Second, we are also looking at you know changing the business model because historically if you have seen all the Greenfield projects which are generally given a timeline of three years almost three years we are supposed to be completing all Greenfield because of the site acquisition related issues they have always got delayed by two years to three years and this delay is what has impacted us significantly. So going forward we are looking at a business model which will adjust itself to these delays and try and minimize the impact of delays on the cash flow of the organization that is one. Second, we are also trying to secure our self contractually whenever such large delays take place how the end customer is able to protect us from these cost increases because of delays. These are two larger areas where we are trying to focus that is why when I say that going forward we should be able to deal with the projects better it is because of these two actions we are trying to take.

**Moderator:**

Thank you. Next question is from the line of Deepak Shah, he is an Investor. Please go ahead.

**Deepak Shah:**

Yes, my question is for Sudhir Deoras. I would like to know the total consolidated debt of the company as of today?

**Sudhir L. Deoras:**

Okay. Our CFO – Mr. Chandan Dutta, can you give that number?

**Chandan Dutta:**

Yes.

**P. S. Reddy:**

Yes, sir Chandan is giving the number. The total consolidated debt.

**Chandan Dutta:**

Consolidated debt in terms of total number is around 550 crores.

**Deepak Shah:**

Okay. These 550 crores includes the 300 retention money?

**Chandan Dutta:**

No, you have to understand this borrowing is nothing to do with, retention money is the asset of the company which is sitting in the debtors. I am talking about the borrowing which is our liability which we have taken from banks or financial institutes.

**Deepak Shah:**

Okay. So your borrowing is about 550 crores on a consolidated basis and the retention money is about 300 crores, right?

**Chandan Dutta:**

Yes, that is right.

**Deepak Shah:**

So do you intend to, once you get the retention money which Mr. Reddy spoke about that you know significant part of that could come through once the projects are completed. In that case significant would be anything above 150 crore and once we get that money would you be retiring the debt or what is the game plan for that?

**Chandan Dutta:**

Yes, see it purely depends on the going forward how we are going to execute the current projects and we also have if you see we also have creditors to the extent of nearly 300 crores, so we have to liquidate the creditors as well, both. So any debts which we are going to collect beyond the 300 crores after that only yes, once that happens definitely we will be able to retire some of these short-term loans which are more expensive than long-term loans.

**Deepak Shah:**

Okay. So in that case, I assume that 2016-2017 the interest cost of the company would be lower than 2015-2016?

**Chandan Dutta:**

Should be.

**Deepak Shah:**

Should be, okay, fine. And sir, my second quarter is about three years - four years back there was this thing which was mentioned on your website that revenue of the company would double by 2013. Now we have gone passed 2013, we are in 2015 and the revenue continues to remain at the same thousand crore so, when can we expect that 2,000 crore - 2,500 crore of top-line for TRF?

**Sudhir L. Deoras:**

Let me step in here, I am Deoras here. Yes, it is true that from sometime in 2007-2008, we came out with a vision statement where we said that in five years we will be 2,500 crores company. That was the time the company's top-line was 300 crore, we said we will grow five times and become 2,500, without considering it was 300 we said let us say that we are close to 500 and we can. So idea was to motivate our people to grow faster because we are very small company. And we had also said that, we will grow into the current business and also look at the businesses which is around where the possibility of getting diversified. So both the things we did we grew as far as our own business which is Bulk Material Handling business is concerned and we also acquired auto application companies as you are York, DLT, AAA, et cetera, et cetera. Fortunately, 2008 onwards economy has not really worldwide has not done well, so the growth plan what we had assumed has not come really come true through was assumption that what will be the GDP growth in India? Worldwide and how we it will grow? Unfortunately that has not happened. But even if you look at the numbers top-line important thing of course is of course bottom-line has to happen but unfortunately company went through difficult time, but if you look at top-line we are somewhere 1,400-1,500 kind of level. So the company has grown over a period of time. Now, issue is as of today, then what has happened is and of course the growth the Bulk Material Handling business growth largely road on the project business but let us not forget that product business also we continue to 2008 we have produced just about 100 crores worth of production since then we expanded our capacity and today we are sitting on a capacity any time we can produce more than 400 crores of products from our presence set-up. So we are in a situation that we have got good product, we got facility anyway waiting for economy to revive to start looking at the big number.

**Deepak Shah:**

I totally agree with you Mr. Sudhir Deoras, but my question is I mean there are many shoulders, I mean they have seen a spectacular growth of Tata International under your leadership. I am sure Tata International did exceptionally well under your leadership and when you took over the charge of TRF we as shareholders thought that even TRF would see that kind of spectacular growth. So based on that we have invested our hard earned money in your stock and the stock has actually not delivered anything for the last six years to seven years.

**Sudhir L. Deoras:**

I would not say six years - seven years it has not delivered because let me also say that I do not want to get into the stock price as such but I would like to talk about investments what people have made and what kind of returns they expected. If you notice Mr. Shah in the beginning, in the first three years, company really did very well. The stock prices went up, nothing to do with our thinking of share prices because we do not think about it but obviously the company was doing well we in fact I do not remember it was 2009 or 2010 when we even declared one is to one bonus, share prices were very well but unfortunately, we met with these hurdles that project to orders ride up there was a period of two years when no orders flew in actually the situation in the industry was so bad that as Mr. Reddy tried to say the impact of that in some of the companies in our business have pull it down. So it is true that we wanted to do very well, we wanted to grow very fast, nothing to do with my performance in Tata International that beside the point. But the company still wanted to do very well but we are met with these kinds of difficulties some of the projects which we might have made mistake in terms of calculation in civil structure area which I explained in the past which has impacted us badly. But let me assure you that as of today we believe that the company is in the right path, they have got all good brands, good products associate companies brands are very good and as the economy revive the company to fly, I do not see why not. So last three years have been poor and I thank the investors for their support but we have gone through very difficult time.

**Deepak Shah:**

In that case can we expect TRF to regain its lost glory of 2009-2010 probably in the next three years?

**Sudhir L. Deoras:**

I strongly believe that yes, it will get back to that glorious days of 2009-2010 and Mr. Reddy, I hope you will confirm this?

**P. S. Reddy:**

Yes, sir, absolutely. I think let me just add a little bit here that while TRF had that vision of taking the top-line to a level of some 1,500 crores or so or 2,500 crores. The issue was at the time nobody could visualize the impact of Coal Gate, right. It is the Coal Gate which has upset the entire economy it is not only TRF, I mean most of our companies like TRF got impacted by this. This is something beyond our control but none the less we are hoping that in about 12 months to 18 months from now when this so called "acche din jab aayenge" I am sure we will be able to get back to that level which we have aspired for and it is possible.

**Deepak Shah:**

Okay, good to hear that. But I had one last suggestion actually for the management of TRF and I would refer here to Mr. Sudhir Deoras. Sir, the fact is that the shareholder confidence in TRF today is at an all-time low because what has happened over the last four years and just because of what happened over the last six months when the board meeting was postponed almost three times, okay. The only suggestion to the board is that, why cannot the Tata Steel management they hold 34% in TRF why cannot they subscribe to 35 lakh shares Rs.300 pump in 105 crores raise that holding 51% and give the confidence to the shareholders that they are serious about this business? Because this way two things will happen your holding goes to 51%, Company gets 100 crores with that the Company can retire debt the interest cost and turn around, at the same time the shareholders get the confidence that Tata Steel is serious about this business.

**Sudhir L. Deoras:**

Well Mr. Shah I can only say thank you for your suggestion but it would be difficult for me to comment that how Tata Steel would be looking at these investments. Let me tell you, that there is a division in Tata Steel called synergy and strategy division which closely associates with itself with all the associated companies and they keep an eye on the performance of various companies their balance sheet and P&L and cash flow and everything and they are continuously in dialog with the companies and we have seen in the past that whenever there has been difficulty in any company Tata Steel has kind of taken step forward. But as of now, I can only say thank you for your suggestion and if such situation comes we would be getting into dialog with Tata Steel.

**Moderator:**

Thank you. Next question is from the line of Mahesh Bendre from Way2wealth. Please go ahead.

**Mahesh Bendre:**

The product business contributing product business is currently contributing 40% of our sales you commented that going forward our focus will be to increase the contribution because it is profitable business. So over the next two years to three years where do you think this contribution will move? Will it cross 60%-70%?

**Sudhir L. Deoras:**

I would like Mr. Reddy to step-in after I spoken. I really do not see Bulk Material Handling business products contribution can go up to 60%-70%. I think the best of the times when we operated the contribution which came from product business was somewhere close to 30%. Chandan you correct me if I am wrong. What has happened is there are two things when we increase the products business there are two things that will happen one is what we call replacement business or let us say spares business or one-off equipment somebody buys that margins could be at different level. Then when you (Inaudible) 26:37 and there is a possibility that the (Inaudible) also number two is as I was explaining to you with our plan of increasing our product business volume wise, so as I volumes go up as I said our capacity of the plant is there

and volumes will go up in the coming years and I think at 25% kind of contribution level, company should be very profitable. Mr. Reddy, if you want to step-in you are welcome.

**P. S. Reddy:**

Absolutely, I think you know the issue while today it maybe under 35%-40% of contribution going forward we are clear that it should have at least a 50% kind of contribution overall contribution beyond that because we are also trying to grow the project business as I think I just shared a short while ago that the competition in the project business is also getting limited because of the last three years of economic conditions there are three players or four players who are not doing well at all getting hold it up and therefore there is a limitation. Going forward the country's requirement of power is so high that they are going to be very limited number of players who would be available. Therefore, we would like to also strengthen our focus and improve our project business. So going forward I see balanced portfolio of 50% of product business and 50% of revenues from the project business.

**Mahesh Bendre:**

Sure. And sir, even though the products business contributes 40% of our sales but the capital employed in the business is very high compared to project business. Generally product business I mean in the industry the investments that goes into product business is compared to lower than what investment project business.

**Sudhir L. Deoras:**

Chandan, correct me if I am wrong. As far as capital employed in product business is concerned product business projects you understand what I am trying to say?

**Chandan Dutta:**

Yes.

**Sudhir L. Deoras:**

That is discounted on the project that receivable is also shown against product business. Yes, so that is why your capital employed could be a little higher can you explain to them about this capital employed in this product segment?

**Chandan Dutta:**

Product business is basically when we publish the figure there are division which is dealing with the manufacturing of trains and, etc., those are basically products or due to the Accounting Standards we are showing this product as because this takes a little longer time more than a year so to complete this we show them under project business. So if you go the product per se as a product then probably the capital employed for requirement of the product business will not be that much.

**Moderator:**

Thank you. The next question is from the line of Yogesh Patil from Canara Robeco. Please go ahead.

**Yogesh Patil:**

Sir, I just want to know in our last quarterly result segmental we have took some reversal of 3.84 crore.

**P. S. Reddy:**

Yes.

**Yogesh Patil:**

So it is like prior losses are finished on year or project was finished that project is completely finished?

**P. S. Reddy:**

It is actually a prior period expenditure related to our particular project. Here an expenditure we have supposed to book last year was noticed and that has been accordingly booked in the quarter two.

**Yogesh Patil:**

Okay, it is one project only?

**P. S. Reddy:**

Yes, it is only one project, I mean it is one-off it is not going to repeat in future.

**Yogesh Patil:**

If you just say escalation of cost or one-off?

**P. S. Reddy:**

I mean yes, I mean it is a cost which should have been booked in the quarter ending March 2015 which was clear during the audit for the quarter two therefore, we have recognized that cost and accordingly we have reported.

**Yogesh Patil:**

And sir, I have some macro questions for you. The power sector, metals and cement today is not growing and it seems to be it will take at least one and half year to two years from here we want to diversify in some of the sectors or we are going to continue to chase the current sectors?

**P. S. Reddy:**

We will continue to chase the current sectors because these are power, steel, cement are the fundamental commodities which any economy would require therefore while the current economic conditions may have pull down the entire sector these are the sectors which are going to be giving us significant opportunities in future. It is matter of another two years. It is already you know in cement there is an already a revival that is being seen, in power we hope to see in about one year from now, enquires for the new project should come in definitely.

**Yogesh Patil:**

I take your point definitely these things will revive but at least from here it take one and half year from here. So one and half year it should be a bit difficult for company like you or am I wrong in assessing?

**P. S. Reddy:**

No, it is like this when I say one and half year from now we are looking at huge kind of demand coming into the picture it does not mean just now there is no demand. We have been responding to a couple of good enquiries over the past one year not that there are not any projects, are completely zero the only issue is that you know the time that is being taken in finalizing the orders is an issue that is number one and second is that because of limited demand there is huge competition so when I talk about one and half year from now it is going to be a huge kind of requirement.

**Yogesh Patil:**

And sir, who are major competitors as of today because most of the competitors I think wiped out in last time so, we have competition?

**P. S. Reddy:**

Competition we see today as of today is L&T and ThyssenKrupp.

**Yogesh Patil:**

McNally Bharat is not there?

**P. S. Reddy:**

McNally Bharat at least you know we do not see it major competition per se because they have their own problems.

**Yogesh Patil:**

Okay. And sir, how we are doing in auto business?

**Sudhir L. Deoras:**

Deoras, here. Auto application business has also not been consistent for last two years. As you know last year the demand in the country trailers and tippers have dropped but even under those circumstances, our companies have done quite well. And I believe that this year we started very well as far as trailer of business is concerned Tata DLT is doing very well. Unfortunately in October when I think law demanded ABS system to be put on their truck October was an accident not many tippers many trucks were sold so both AAA and Tata DLC business in October has not done well. But November again has picked-up the demand has picked-up and I believe we are doing very well. And as far as York is concerned, again York India is market leader last month actually we had 33% market share but internationally because commodity market has gone down so Australia, Indonesia, South Africa which are our good market for York have not done well. So overall picture is India seem to do doing very well and where all of us all York, Tata DLT, AAA so we are present in all the businesses. All of them are doing well and we have great hope by this year-end our performance will be better than the last year, except York where international business is down as of now.

**Yogesh Patil:**

Okay. Sir, what will be your revenue mix for material handling and automotive application?

**Sudhir L. Deoras:**

I believe it will be around 50%-50%.

**Yogesh Patil:**

And margins are more or less same or different-different?

**Sudhir L. Deoras:**

Margins are very different auto application business operates in different segment so, margin level I suppose we will maintain last year's margins whatever...

**Moderator:**

Thank you. Next question is from the line of Rohit Gupta, he is an Investor. Please go ahead.

**Rohit Gupta:**

Sir, just a question related to BIFR I think your guys have applied for BIFR, how do we see it going forward?

**Sudhir L. Deoras:**

Well yes, we have made that application. We believe that by quarter three results we should be net worth plus that is our first approach. And once we are net worth plus things would start looking very differently and we believe that of course this year we are expected to make profits and continue being net worth plus. We are going to give our plan to BIFR about how our company is going to revive. So that is the picture as of now.

**Moderator:**

Thank you. Next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

**Subhankar Ojha:**

So basically, I missed out on your answer on this question, who are our domestic competitors mainly sir? I mean do we compete with companies like BEML and all?

**Sudhir L. Deoras:**

Mr. Reddy?

**P. S. Reddy:**

Yes. No, we are do not we are competing with companies like L&T and ThyssenKrupp and the project business.

**Subhankar Ojha:**

Okay. And in the product business?

**P. S. Reddy:**

Companies like Elecon are our major competitor.

**Subhankar Ojha:**

Elecon?

**P. S. Reddy:**

Yes.

**Subhankar Ojha:**

Okay. And secondly, how much in terms of the percentage revenue? How much would be private and how much would be public? I mean is Coal India our major client?

**P. S. Reddy:**

Our major client is NTPC and NMDC in the public sector.

**Subhankar Ojha:**

NTPC and NMDC?

**P. S. Reddy:**

Yes, in the private sector it is Tata Steel.

**Subhankar Ojha:**

How much of our percentage would be private sector?

**P. S. Reddy:**

I think, off the hand I will not be able to tell you maybe I think we will get back to you at a later date, we can give the exact percentage.

**Sudhir L. Deoras:**

Off the hand percentage, I think last year was around 50-50. Last year we also had one big order from Tata Steel KPO so that is...because you know when the industry started doing badly let me clarify, private industries disappear and actually public sector which spend money so NTPC was as Mr. Reddy said or NMDC was there BHEL for example buys a lot of products from us so, they are all public sectors which have done well but last year of course Tata Steel also spend money on their KPO plant. I would say last year it might have been 50-50 Bhushan Steel has spent money last time. In private sector we have Tata Steel, Bhushan Steel, etc. Going forward, I believe that private sector should come back and then that happens I believe private sector would be a little higher than the public sector.

**Subhankar Ojha:**

Mix, okay. And sir, if you can I am sure this is you would not be talking about the profitability thing. But then where do you see in terms of you have talked about doubling your revenue over the next five years you said 2,500 I mean more than doubling. In terms of profitability, in terms of EBITDA margin what is sustainable level that you would like to see?

**Chandan Dutta:**

I do not want to comment on the numbers on which we are working at but let me tell that if you look at the similar engineering company per se 6% to 7% margins at PBT level are seem to be okay, level. So we have not been able to lastly four year we are nowhere near there. So I believe that first we want to benchmark our self to engineering company level straight away turn it around and then of course as Mr. Reddy there are huge plans in terms of cost reduction with strategic procurement program in place and various work which is happening in the plant in the site, we will certainly continue to look at the best in the class. But as of now we will hold back sharing any numbers at EBITDA level.

**Subhankar Ojha:**

Right. And finally, in terms of capital expenditure is there anything that we have in our mind or is there anything which is going on?

**Chandan Dutta:**

Not really actually if you see most of the capital expenditure has been done. As I explained a while earlier, that plant has been capacity has been increase yes, some amount of capital investment on a continuous basis happen to upgrade the plan buying new machines retiring old machines. Those kinds of things will happen. But I do not see a major investment coming in the plant. Similarly, I do not see any major investment coming in subsidiary companies TRF have spend a lot of money in acquiring these companies and these companies are now in the process of paying back in terms of dividends, etc., which we should be seeing in coming years. So I think I personally do not think that immediately in our plan we are seeing major capital investment. But in two years' time, as economy stabilizes I believe that we would be relooking at what else we can do.

**Moderator:**

Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:**

And sir, I joined a bit late sorry, if I am repetitive. Can you share what is your order book?

**Sudhir L. Deoras:**

While earlier this question was asked and Mr. Reddy mentioned that, our order book level is same level what it was last year at this time. And he was specifically said, while this information is not in public domain but we are going to put in this in a manner that all shareholders have access to that information. So basic point which I would like to make is that order book is not really flying but it is not unhealthy also. I explain at that time that as far as financial year 2015-2016 we seem to be well covered with the current order book what we have. Concern what we have is that how good order booking happens in coming four months that 2016-2017 also starts.

**Sunil Jain:**

Yes, that is great, sir. And sir, second thing, whatever the performance has been achieved in this quarter was there any extra ordinate or this is what operational performance we had achieved and this can be sustained?

**Sudhir L. Deoras:**

No, I believe it can be sustained now.

**Moderator:**

Thank you. The next question is from the line of Rushabh Vasa from Almondz Global Securities. Please go ahead.

**Rushabh Vasa:**

I just wanted to know about this coal handling related order book, particularly the Power Minister has said that, it will be compulsory to that the Coal India will be supplying the washed and crushed coals from near-term. So have we already received orders in this or these orders are in pipeline?

**Sudhir L. Deoras:**

No, actually speaking unfortunately, so far nothing has come in the market as far as these orders in the colliery had what he have been talked. It is a great idea which is floating for many years now because as you know when you move coal forward from colliery which is a raw coal in all the way then we are spending a lot of money is logistics where we are moving coal which is not required, the ash which is not required but unfortunately that seems to be still not has been moved up but whenever it happens that will be great news. As of now, we have not seen any moments there.

**Rushabh Vasa:**

So we will be expecting orders from this business going forward?

**Sudhir L. Deoras:**

Yes, surely.

**Moderator:**

Thank you. The next question is from the line of Abhishek Jain from Everett. Please go ahead.

**Abhishek Jain:**

Sir, my question is that we had posted losses in the Q1, all right and we have also turned around in the next quarter that is quarter two. Could you tell me what has changed between in the last three months in business?

**Sudhir L. Deoras:**

You mean to say how do I see quarter three?

**Abhishek Jain:**

No, I am not asking how we see the next quarter. What I am saying is that between Q1 and Q2 what has changed that we turned out? And how sustainable it would be going forward?

**Sudhir L. Deoras:**

No, as I said you see their two things. Unfortunately, it is a history now that company went through difficult times or annual results got delayed and all that till quarter one that was mob under which we operated. But as I said, a while earlier that 2015-2016 order book look to be decent. Quarter one there was good recovery in terms of order booking for the products. So for the 2015-2016 is looking good year and from quarter two onwards I think companies back to its back on race in terms of its operations are concerned. So there is nothing which I can say that what went wrong in quarter one and what went right in quarter two. We believe that company is back to its normal performance level and that is what are seeing in the year.

**Abhishek Jain:**

So it would be safe to assume that we would be profitable going ahead so there will be normal course for our company?

**Sudhir L. Deoras:**

I mentioned a while earlier that, we are seeing in that in quarter three we will be net worth positive and by year end of course we will be net worth positive and profitable.

**Abhishek Jain:**

Because sir, just as of yesterday at night, we have reported for BIFR so, the thing is that means after reporting BFR there are many restrictions so, is there any plan to (Inaudible) 46.27 as well?

**Sudhir L. Deoras:**

No, I do not see any restrictions. We have to apply for BIFR it cannot be avoided after 45 days of that board meeting we have to apply so we made an application. We are expecting BIFR Authority to ask us our plan revival which we are working on. So on the face of it, I am not really seeing that we will be restricted in doing the business because we have very clear revival plans in place and we have been taking to some of the customer for sometimes because this performance people know for some time and we have not faced any kind of restrictions so far.

**Abhishek Jain:**

All right, sir. And a couple of more questions, that I have sent you questionnaire and got reply in the early morning. So like in the last four years since 2011-2012, we have reported 153 crores as provision for doubtful debt in the last four years including 60 crores in the last. All right sir, could you say how much was how is the position going ahead since how much more is left for provisioning and what was the actual order book position? How much was worth of order....

**Sudhir L. Deoras:**

So let me assure you that there is nothing which we see will be going to come out from any project site because as I had explained to you that in my earlier conferences that all the old projects sites in fact the six project sites before we close the accounts last year we had hired an agency to go around all these sides along with our audit form and find out in details about all the costing and wherever it was felt possibility of cost going up, they said we are going to book and we have cleared it up. So we do not see any more such possibilities happening. It is true when you are on the closure of project site some expenses might come up, but we are enough in our contingency to take care of those kinds of some expenses which might come which cannot be seen today. But we do not see any major issues as far as the Company is concerned.

**Abhishek Jain:**

In the last two years itself we had provided Rs. 120 crores so, what I mean to ask would it continue or whatever the provision was required we have provided for 2015?

**Sudhir L. Deoras:**

See let me explain to you, as far as provisions are concerned there are two things we are talking about one is the cost increases which we see going forward that we are expecting some cost increases so we booked extra cost straight away to the project and that is why our bottom-line went for six. Second thing is provisioning policy on debtors that we are not collecting in time we continue to provide for it in our balance sheet but as we are recover that money we write it back. The provisioning policy is very clear, it is actually very tight provisioning policy as per that if suppose I do not collect money for year from a customer I might I have to provide for 25% of that receivable. So that provisioning policy is good in terms of keeping us in our toes to collect our moneys and as I said, as we collect the money we write back all. So there are two different things which we are talking about. That large sums which we booked was because additional cost which we foresaw in the projects which are reaching to the closure.

**Abhishek Jain:**

All right, a couple of more questions, if you would like to answer. First of all, just within one year itself of appointment of Mr. Mani Shankar as CFO, he has left the company. So as a CFO I mean it is such a short duration, any special reason for that?

**Sudhir L. Deoras:**

I have no reasons for that, he joined and he went back, it is his choice.

**Moderator:**

Thank you. Ladies and gentlemen, that was our last question. I would now like to hand the conference over to Mr. Shankarram Shridhar for closing comments. Thank you and over to you, sir.

**Shankarram Shridhar:**

On behalf of Emkay, I would once again like to thank you all for joining the call today. Have a great day.

**Sudhir L. Deoras:**

Thank you.

**Shankarram Shridhar:**

Thank you.

**Chandan Dutta:**

Thank you, sir.

**Shankarram Shridhar:**

Thank you, sir.

**Moderator:**

Thank you very much. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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- Note: 1.This document has been edited to improve readability.  
2. Blanks in this transcript represent inaudible or incomprehensible words.

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