



“TRF Limited Q3 FY2017 Results Conference Call”
February 06, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2017 results call of TRF Limited hosted by Emkay Global Financial Services. We have with us today, Mr. P. S. Reddy – Managing Director, Mr. Subhashish Datta – CFO, Mr. Anirudhdha Iyer - EO to MD, Mr. Rajen Sahay – Head Corporate Communications, and Mr. T K Srivastava - Company Secretary. As a reminder to all participants, 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 to operator by pressing “*” followed by “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. John Perinchery of Emkay Global. Thank you and over to you Sir!

John Jose Perinchery: Good evening everyone. I would like to welcome the management of TRF and thank them for giving us this opportunity. I would now hand over the call to Mr. Reddy for his opening remarks. Over to you Sir!

P.S. Reddy: Thank you Mr. John Perinchery. Good afternoon everyone, before I give my opening remarks, I would like to mention that we also have Mr. Chandan Dutta who is our Deputy Chief Finance, with us, on the call.

Just to give you the highlights of the performance for Q3. On standalone basis the income from operations is Rs. 117.5 Crores as against Rs.84 Crores in Q3 of last year. For the nine months ended December 31, 2016 the income from operations is Rs. 345.7 Crores compared to Rs. 286.1 Crores during corresponding period of last year. The net loss after tax after accounting for comprehensive income on standalone basis for Q3 is Rs. 24.5 Crores compared to a loss of Rs.11.6 Crores Q3 of last year.

For the nine months ended December 2016, the net loss on standalone basis is Rs. 33.2 Crores compared to a loss of Rs. 28.1 Crores during corresponding period of previous year.

On consolidated basis the Q3 income is Rs. 231.3 Crores as against Rs. 201.3 Crores during corresponding period of previous year. Income from operations for the nine months ending December 2016, on consolidated basis, is Rs.697.4 Crores compared to Rs.610.9 Crores during corresponding period of last year.

On consolidated basis the net loss for Q3 accounts for Rs. 33.9 Crores compared to Rs. 22.2 Crores for the corresponding period of last year. For the nine months ending December 2016 the net loss is Rs.44.9 Crores compared to a loss of Rs.41.1 Crores during corresponding period of last year.

The performance during the quarter has been impacted by the cost increases in projects, deferment of delivery by some of the customers, delay in projects and delivery by vendors partially due to cash flow constraints experienced during the quarter. However, the company’s drive for collection during the year helped to reduce the trade receivables on standalone basis by Rs. 90 Crores from a level of Rs. 542 Crores as on March 31, 2016 to Rs. 452 Crores as on December 31, 2016. The same has helped the company to pay back and reduce the term loans by Rs. 37 Crores during the year and total borrowing for TRF India is Rs. 382 Crores as on December 31, 2016 compared to Rs. 419 Crores as on March 31, 2016. There has been a cost increase of about Rs. 23 Crores during the quarter in some of the projects, which is largely due to the projects in advanced stage of completion and also increase in cost of civil work for the ongoing projects.

The company is putting its best effort to complete the projects in advanced stage during the quarter in order to expedite and collect the retention amount. The market continues to remain very challenging and trim and finalization of orders, as we have mentioned in the previous quarter, is taking longer time than expected as a result of which the company is affected - the standalone order book as on 1 January, 2017 is Rs. 815 Crores of which Rs. 485 Crores is project orders and the balance comprises product spare and services.

As you know the company had submitted its draft rehabilitation scheme to Bank of Baroda, which has been appointed as the operating agency by the Board for Industry and Financial Reconstruction (BIFR) for review and onward filing for the same with BIFR. The Bank of Baroda submitted its revival scheme to BIFR on 22 November, 2016. However, vide notification dated December 1, 2016 the Sick Industrial Companies Act 1985 was repealed and BIFR has been dissolved with effect from December 1, 2016. So now we are seeking expert opinion on the future course of action. In terms of way forward, the company is looking at closing those projects in advanced stage to mitigate the risk of cost increases in future, improve



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the order book and share of revenue from product, spares and services, collect retention amount and reduce cost and focus on building capability and strengthen the recruit..... So with these remarks, I open the question and answer session. Thank you.

- Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from Nirav Vasa from Batlivala & Karani Securities.
- Nirav Vasa:** Good afternoon Sir and thank you very much for the opportunity. My first question pertains to the order backlog that we have of Rs. 815 Crores. Can you inform me if are there any orders, which are stuck because in Q2 when we had Rs. 890 Crores of order backlog. I think we had around Rs. 50 Crores of order from TSGENCO, which was actually on hold, any update on that or any other orders?
- P.S. Reddy:** As of now that continues to be on hold, while there is a possibility that this hold could be lifted soon. As of now this is on hold.
- Nirav Vasa:** Any other order, where the execution has gone really very slow?
- P.S. Reddy:** As I mentioned, I think, in my opening remarks that in general in Q3 the projects have slowed down largely because of the cash flow constraints, but otherwise there is no such major order, which has been on hold like the case of TSGENCO.
- Nirav Vasa:** So are we expecting this order to start in this financial year or the next financial year?
- P.S. Reddy:** The indications are that it could start anytime, so in my view I think maybe in the next few weeks only we will be in a position to know when the project would restart.
- Nirav Vasa:** Effectively meaningful reason like revenue recognition will start only in FY2018?
- P.S. Reddy:** No, if we are able to get it in the next two weeks, it is possible that we could recognize within Q4 itself because everything is ready.
- Nirav Vasa:** And Sir can you share the outstanding retention money and maybe if you can out of that spending retention money any major chunky receivables, which are expected to be cleared in Q4 and by the end of Q4 what would be your targeted amount of outstanding bid?
- P.S. Reddy:** If I remember in previous quarter we had made a significant effort in reducing the debtors and that had helped us to liquidate the creditors as well as some of the term loans. That time we had retention money of over Rs 300 Crores.
- Nirav Vasa:** As on Q2?
- P.S. Reddy:** Yes, as on 1 of April 2016 we had retention money of nearly Rs. 300 Crores, today also, it is at the same level because during the first nine months, if you look at our revenues, it has increased and with every Rs. 1 Crore of rupee you will have the corresponding retention money being held back by the customer. But if you see the nine months, our revenue is at Rs. 380 Crores, so even if you consider a 10% retention it would amount to about Rs. 38 Crores increase, so effectively as on 31 December 2016, the retention was Rs. 300 Crores it should have gone up by Rs.38 Crores, instead we are at the same level. It means that we were able to collect the retention partly. Four major projects which we are likely to complete, - three projects are of NTPC and one of DVC, if we are able to close them in the next fortnight also, we should be in a position to liquidate over Rs. 100 Crores of retention.
- Nirav Vasa:** So, these three major projects that you said ... "two of NTPC and one of DVC" ... and what is the status across are you expecting these three projects to be completed in very, very soon or maybe like these deadlines?
- P.S. Reddy:** Very soon, we should be able to close two projects if everything goes well within the next fortnight.



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- Nirav Vasa:** So effectively you are saying and which would be these two projects be both of NTPC or DVC?
- P.S. Reddy:** One of NTPC, other is of DVC.
- Nirav Vasa:** And what is the retention money stuck in each of the project?
- P.S. Reddy:** It would be to the order of Rs. 70 Crores.
- Nirav Vasa:** Each or both?
- P.S. Reddy:** Both together.
- Nirav Vasa:** And you are estimating Rs. 70 Crores of retention money and Sir based on this by the end of this financial year what would be the targeted debt outstanding debt?
- P.S. Reddy:** We are targeting to liquidate the debtors by more than Rs. 100 Crores.
- Nirav Vasa:** And Sir for BIFR you said you are trying to get an expert, but just wanted to understand what is the typical trajectory for a company like us which was planning to go for BIFR, but things did not go on well, so how exactly can we expect, typically some kind of asset sale will be there or something like that?
- P.S. Reddy:** No, let me just bring a little bit of clarity. We had applied for BIFR, our scheme was considered by the BIFR and accordingly an operating agency was appointed by way of Bank of Baroda. Bank of Baroda studied our scheme and submitted it to BIFR and unfortunately now BIFR no longer exists. Now there is a new insolvency code, which has been put in place. In view of this new code, which has come in we are seeking expert opinion on the next course of action because the new insolvency code is totally different from BIFR. So under BIFR, we had put in our plan of coming out of the current situation on our own. So just now we are waiting. I think once the expert opinion comes in then we will share with all of you at an appropriate time.
- Nirav Vasa:** Thank you very much Sir, my queries have been answered.
- Moderator:** Thank you. Next question is from the line of HR Gala from Panav Advisors.
- HR Gala:** Just more clarification on this BIFR thing, although BIFR has been dismantled do you think the operating agency or other banks they have invoked this insolvency of the company?
- P.S. Reddy:** I do not think so, as of now I do not see any such possibilities.
- HR Gala:** So probably now bankers will have to take the decision as to how do they go about implementing the revival scheme, which you had filed earlier with BIFR, am I right Sir?
- P.S. Reddy:** No, bankers do not have to take anything, in fact now it is up to us. I just said that we have our plan to turnaround on our own. We were not seeking any consideration from the bankers, so therefore they do not have any issue with our plan and I do not see any reason why they will have any issue with us post this decision of abolishing BIFR. They should not have any issues related to the company's own plan of turning around.
- HR Gala:** Sir our debt level will be at what level after we repay this Rs. 100 Crores you said our debt is Rs. 380?
- P.S. Reddy:** No, debtors not debt.
- HR Gala:** You said debtors not receivables?
- P.S. Reddy:** Debtors.



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- HR Gala:** So, whatever accounts receivable we are able to receive, we will be able to liquidate the debt also?
- P.S. Reddy:** Yes, it is partly debt and partly the creditors, creditors are also there.
- HR Gala:** Yes, creditors are also there, but Sir can we not get one time fund injections from the Tata Group because for them to fund Rs.300-Rs.400 Crores is not a big thing and then we can permanently be out of the clutches of the banks and then we can think of what kind of revival we can take for the company?
- P.S. Reddy:** See we have been talking about this if you remember in past two teleconferences as well. The point is that we are exploring all possible options for reducing the impact of interest burden on the company. So first we are looking at the reasons within our control; such as completing the performance guarantees tests for these projects, which are in a very advanced stage. However, it is very unfortunate that we are getting delayed for various reasons beyond our control. Once we complete this then a big chunk of money should come to us. That should give us good relief.
- HR Gala:** Sir that is one part of the operational part as to how do we bring in the efficiency, looking at say short to medium to long term you said that the market still looks very hazy, it is going ahead also do you think that we will continue to remain in this loop or we will be able to come out at sometime in future?
- P.S. Reddy:** See as of now as per our plan we should be able to come out of the loop, but when we prepared the plan a year ago. Our point of view was that in about 18 to 24 months economy would significantly improve and order book would increase quite a lot, but as we have seen over the last three to four quarters, while we had generated good number of enquiries, they were not getting converted into orders. I think in the last investor call I had shared that there were nearly Rs. 1700-1800 Crores worth offers, which TRF had submitted to the customers.
- HR Gala:** How much Rs.1700-1800?
- P.S. Reddy:** Yes, and the customers are taking much longer time to take their decision. That is the issue and that is because of the economic uncertainty.
- HR Gala:** That is the reason why the clients are not that willing to take up those projects?
- P.S. Reddy:** Yes, so unless the certainty is there in the environment they will not be able to decide and move ahead. Now it is very difficult for us to say that when exactly the situation will improve. This is the challenge we are facing.
- HR Gala:** So, I think still it will take some time till the things improve?
- P.S. Reddy:** Yes, it will.
- HR Gala:** But the recent thrust, which has been given by the budget do you think that some revival could be there?
- P.S. Reddy:** Yes, budget will definitely give greater impetus to the growth and infrastructure will significantly benefit from it and we are hoping that the banking system should also reduce the interest rate, which they have already started in a small way. With growth coming in and the banking system reducing the interest rate burden we see that economic cycle should revive.
- HR Gala:** Sir some time back in the reply to the previous gentlemen you gave the number of the value of the orders, which are stuck up, which you said they are still on hold what is the value I did not get that number?
- P.S. Reddy:** Referring to the last investor call, we had said one order from TSGENCO where nearly Rs. 50 Crores worth material is stuck with us because the project has been put on hold. The moment the project hold is removed material can be dispatched.
- HR Gala:** That is the only contract of Rs. 50 Crores?



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- P.S. Reddy:** Yes, otherwise there are small value materials, which are always there, so that is part of the project system. This is a major project, which has impacted us.
- HR Gala:** It is heartening to see that our subsidiaries have performed quite well?
- P.S. Reddy:** Yes, if you remember in Q2 also, I shared that the subsidiaries are now doing better than what they were a year-ago. The DLT group got impacted because of demonetization and also due to deferment of a large order; otherwise it would have done well last quarter.
- HR Gala:** How do you think I think all put together the subsidiaries will put a positive number is it?
- P.S. Reddy:** As of now they are, so let us hope that in Q4 things would be better.
- HR Gala:** And now because of the infrastructure thrust given in the budget, I think all these transport equipment, trailers, etc., should do well, is it not Sir?
- P.S. Reddy:** It actually should, in fact Q1 was very good for all subsidiaries and Q2 onwards we had challenges.
- HR Gala:** As far as TRF standalone is concerned, are we dependent on these coal-handling projects in terms of revenue profile?
- P.S. Reddy:** See I would say that we should not look at a coal handling project and per se, we should say material handling projects.
- HR Gala:** Material handling, correct.
- P.S. Reddy:** Yes, whether it is power sector, steel sector, or mining sector, our jobs are all related to material handling. Now we would not like to differentiate a raw material handling system in a steel company from a coal handling project for a power company, whether we handle coal or iron ore it is all same. So, for us what is important is the growth in these core sectors, which is namely steel, power and mining, which is very important for us.
- HR Gala:** Sir, do we do any work for cement say for example they also set up a long, long conveyer belts for moving these materials?
- P.S. Reddy:** Yes, we do, but for historical reasons our share of business from cement sector is very limited, it is almost negligible I would say.
- HR Gala:** Sir, do you expect this year definitely we would end in loss, but what do you think about FY2018?
- P.S. Reddy:** See FY2018 would depend largely on how the customers will be able to take a decision on these orders for both projects and products. So it all depends on how things will take shape in the next three to four months, but our efforts of putting more focus on improving the share of business, revenue from spares and the services I guess, should definitely help us in the short-term and then as we try to recover with these efforts of refurbishment and upgrade jobs in the very short-term. In the medium-term I see the revival of demand, which is going to increase the demand for products and this should help us to recover next year.
- HR Gala:** Sir in export markets do you see any scope there we say associating with Tata projects and such other companies?
- P.S. Reddy:** No, we are associated with the Tata projects. But just now I think India is a better place than any other country.
- HR Gala:** Thank you very much Sir and wish you all the best.
- Moderator:** Thank you. Next question is from the line of Abhijeet Vohra from Sundaram Mutual Fund.



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- Abhijeet Vohra:** Thanks for taking my question. Sir what was the order inflow for three quarters year till date, projects and products separately if you could give us?
- P.S. Reddy:** Just give me some time I will get back to you. We can move onto next question while I answer this.
- Abhijeet Vohra:** Sure and second question is you that mentioned Rs. 23 Crores of project cost increased. Did it increase in one quarter or spread over three quarters?
- P.S. Reddy:** No, this is in the last quarter, Q3.
- Abhijeet Vohra:** So, if Rs. 23 Crores was not there then you are actually breaking even is it in Q3?
- P.S. Reddy:** Absolutely.
- Abhijeet Vohra:** So this can be passed on as a claim Sir to your customer how does that work?
- P.S. Reddy:** No, not at all. I think the claims are a separate issue. I would say most of the cost increase is largely because these projects, which are now coming to a closure. As I said that we are going for closure through PG test in two projects and all those cost which were otherwise not known are now surfacing. And the civil work is definitely an issue. You may be aware that increases in civil cost have been a major issue for TRF for the past couple of years. This continues to hit us and hopefully I think going forward that risk is getting mitigated.
- Abhijeet Vohra:** And secondly there is no dividend income declared from subsidiaries to parent, there is no increase in other income just wanted to clarify in Q3?
- P.S. Reddy:** As of now no dividend in the quarter has been recognized.
- Abhijeet Vohra:** But is there ongoing dividend policy Sir from the subsidiary?
- P.S. Reddy:** It depends on the subsidiaries' performance and their ability to pay dividend, if the subsidiaries perform well and they are profitable, they are able to declare dividend definitely.
- Abhijeet Vohra:** Sir, the order inflow?
- P.S. Reddy:** Yes, order inflow during the year is about Rs. 140 Crores.
- Abhijeet Vohra:** And how would it get split between projects?
- P.S. Reddy:** This is largely product.
- Abhijeet Vohra:** Product, is it?
- P.S. Reddy:** Yes.
- Abhijeet Vohra:** You are not taking any...
- P.S. Reddy:** Since it is negligible it is less than I would say under Rs 10 Crores. This is all products and spares.
- Abhijeet Vohra:** Sir just one last question if I can squeeze. Your order book as on March was Rs. 1100 Crores split between Rs. 600 Crores of projects and Rs. 500 Crores of products. It looks like the products order book has also come down from Rs. 500 Crores to Rs. 330 Crores as on date, so what is the near-term risk or opportunity to replenish the order book.



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- P.S. Reddy:** No, as you said that the order book is dropping largely because we are now executing whatever is on our hands and the new orders are taking longer time than what they are supposed to be. As a result, we have a challenge on the order load, so therefore our focus is to try and increase the share of spares because as a 50-year-old company, we have established our products in the market and we are trying to service the spares and the refurbishment opportunities, which is what we are looking at in the immediate term.
- Abhijeet Vohra:** What is the percentage of income Sir from spares?
- P.S. Reddy:** As of now it would be about 12% to 13%.
- Abhijeet Vohra:** After product revenue is it or the?
- P.S. Reddy:** Total revenue.
- Abhijeet Vohra:** Total revenue. Sure sir I will get back to queue thank you.
- Moderator:** Thank you. Next question is from Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Thank you very much Sir! Sir, my first question revolves around more on the industry part like what kind of opportunity or maybe demand scenario you are seeing overall in the industry right in terms of the new mines auctioning and even the coal mine opening from commercial mining while NMP policy document also talks about accelerating the mining activities so any kind of thought process on that would be quite helpful?
- P.S. Reddy:** See the issue is like this ... I think while the coal block allocation may have taken place the challenge now is the time that is being taken for these mines to open and the orders that are being placed for material handling projects for these mines. So therefore, currently if you look, I think the power plants are operating at a very low capacity utilization which is a challenge. As a result, new projects are getting delayed because even if projects are getting commissioned there is no demand. So, that is the cycle we are in. For the cycle to improve, I think, the starting point would be infrastructure growth; infrastructure has to grow significantly so that the demand cycle is revised and hopefully with the announcement that has been made in the budget, I think, definitely demand should improve, during next year,.
- Deepak Poddar:** Demand should improve is what kind of, so do you have any kind of what is the size of industry currently for us basically? What is the industry size as of now for our kind of products like material and mineral processing equipments?
- P.S. Reddy:** See for us, in case of a power sector, the entire material handling means coal handling in our scope. In case of steel sector, the entire raw material handling, from mining to the stage of steel making, we can supply equipment and in case of mines, crushers and screening equipment is in our scope.
- Deepak Poddar:** So separately do we have in rupees crores the size of the industry?
- P.S. Reddy:** Yes, we do have just give me some time I will get you the numbers related to the size of the industry.
- Moderator:** Does that answer your question Mr. Poddar?
- P.S. Reddy:** No, I think I will just get back to him in a minute. I do not have the figures readily I will answer it.
- Deepak Poddar:** So, should I ask my further questions?
- P.S. Reddy:** Yes please proceed with next question.
- Deepak Poddar:** So apart from this industry size, please comment on your project and product business and basically focus on strategy for going forward on these two separate segments as I see your share of projects revenue has been coming down over the period, which has not been doing well as well?



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- P.S. Reddy:** Yes correct, see as an organization we had issues with the projects largely because of the cost increases in civil and structural work, so therefore we have taken a conscious decision of working on ... focusing on those projects where the risk of civil and structural cost increase is low. So when I said sometime back that going forward such cost increases, while we are closing the ongoing projects, due to civil and structural work should not hit us in future. The reason for increasing the proportion of revenue from product is again because in products the degree of certainty and the risks are far less than projects. This is the reason for trying to improve share of business from products. So sometime back I think one of the question in this call was that but for this cost increase, which was there, we were breaking even that is the point in the strategy of focus on products.
- Deepak Poddar:** So, going forward we would like to take this share to 80%-85% is what that is it would be a right way to think basically?
- P.S. Reddy:** Yes, I will not say now put a number like that 80% or 85%. It all depends on how the demand would grow in future because at the end of the day it is the demand for projects, which will lead to demand for products, but unless there are projects you cannot have demand for products.
- Deepak Poddar:** Yes, that is true, but kind of uncertainly that revolves around the project so ideally our company might want to make that?
- P.S. Reddy:** Correct, but in our case, we also need to know that we are also into segment of ports where we supply the ship unloaders as well as stacker reclaimers, which are used for both applications in the port as well as in the steel and power company. Given government's focus on economic development through ports, it is expected that the Sagarmala initiative of the government is going to be successful and it is going to impact the GDP by 2%. If that happens, we will have significant increase in our share of products.
- Deepak Poddar:** Correct understood and in terms of working capital basically like if I have to separate project and product division how is the working capital basically separately for these two divisions?
- P.S. Reddy:** See just now the projects generally have more working capital than product. The reason being that in projects unless you complete the performance guarantee test you will not get the retention amount, but if your product is also associated with such a larger project then you will have a similar challenge, you may be supplying your product, but you will have to wait until the whole project is commissioned, retention money is recovered. But if you are focusing on standalone products, then if a stacker reclaimer or a wagon tippler is supplied, and are not part of a major project, then there will be no issue such as long retention period.
- Deepak Poddar:** Right, but generally the products that we supply generally go into the projects right?
- P.S. Reddy:** It is a combination; it is very difficult to say. It depends at a point in time what the demand is like.
- Deepak Poddar:** So what colour basically ... how do we see basically working capital if we focus more on the product do we see that increasing basically from the current levels?
- P.S. Reddy:** The question is that if you focus on products then are you focusing on products driven by the projects or are you focusing on products, which are independent of projects. If the standalone products, which are required for say a small project then there is no issue, therefore our ability to focus on those projects, which are not working capital intensive is the key.
- Deepak Poddar:** I understood, so currently how much percentage of share of product revenue would be standalone?
- P.S. Reddy:** Product revenue standalone you will have to give me a little bit of a time for me to give you.
- Deepak Poddar:** And that industry data also I think if you have got?



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- P.S. Reddy:** On the industry we are saying that if you look at overall the product market on about five year basis, then conservatively speaking, the demand for bulk metal handling equipment and importantly actually equipment should be around Rs. 12,000 Crores.
- Deepak Poddar:** Rs. 12,000 Crores right?
- P.S. Reddy:** Yes.
- Deepak Poddar:** So it includes everything basically the material handling, mineral processing and ...?
- P.S. Reddy:** Products, yes it includes all. We are talking about the products that was your question right?
- Deepak Poddar:** Right. I understood, so basically just a follow up on this Rs. 12,000 Crores is the current size, so the government is talking about infrastructure spending and everything, so you did say that we do see some improvement that could come likely, so any kind of growth expectation we have overall industry wide or will be difficult for you to kind of?
- P.S. Reddy:** See at this moment it is a little bit uncertain, but I think in two to three quarters from now we can definitely have a view. Just now uncertainties are much more.
- Deepak Poddar:** And my final question on your EBITDA basically if I adjust this Rs. 23 Crores so my EBITDA margin this quarter might be in the range of about 6%-7% right?
- P.S. Reddy:** Let me just engage with my CFO and answer to you. It will be about 6%.
- Deepak Poddar:** So 6% so is that a kind of sustainable number like I am not sure whether this kind of cost escalation happens every quarter?
- P.S. Reddy:** No, see as I said this is because of the legacy projects. We have the challenges, the moment we are able to close these projects then the trend of cost increases should not be there.
- Deepak Poddar:** So this is kind of sustainable or steady state EBITDA margin?
- P.S. Reddy:** Once you are able to close these projects. You should be getting into the sustainable EBITDA.
- Deepak Poddar:** And these projects are getting closed within next few quarters?
- P.S. Reddy:** I see two projects should be completely closed within two months or so, another two projects I see in the next quarter or so we should be closing.
- Deepak Poddar:** So like these are only the legacy projects specifically?
- P.S. Reddy:** These are the major projects and afterwards I think we will have another two projects, which I guess we should be able to reasonably manage them.
- Deepak Poddar:** Sure I understood. Thank you so much for patiently answering all my questions.
- Moderator:** Thank you. Next question is a followup question from the line of Abhijeet Vohra from Sundaram Mutual Fund.
- Abhijeet Vohra:** Sir what would be your enquiry pipeline Sir for the order flows?
- P.S. Reddy:** The enquiry pipeline?
- Abhijeet Vohra:** Pipeline yes where you have bid and those are yet to get finalized?



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- P.S. Reddy:** I think we have nearly Rs. 1200 Crores of offers, which we have submitted we are awaiting decision on this.
- Abhijeet Vohra:** Sir my second question is for your product sale to third party what will be the product sale entirely to third party not to own projects?
- P.S. Reddy:** Just give me a second my CFO will answer.
- Subhashish Datta:** Around Rs 43 Crores during this quarter
- Abhijeet Vohra:** Rs 43 Crores Sir?
- Subhashish Datta:** Yes Rs 43 Crores is sale to third party.
- Abhijeet Vohra:** And year till date also if you could give?
- Subhashish Datta:** Cumulative, Rs 90 Crores.
- Abhijeet Vohra:** Sir my third question is ... do you have any outstanding claims against your customers, which might be under arbitration.
- P.S. Reddy:** We have.
- Abhijeet Vohra:** How much will that be Sir?
- P.S. Reddy:** It is very difficult to say because this is a very confidential and sensitive information, which is not in public domain.
- Abhijeet Vohra:** So, is it yet to, which stage at least if you could tell us which stage is it?
- P.S. Reddy:** See there are some claims there at different stages. In ongoing basis, we keep realizing these claims, some claims have been in a very advanced stage of discussion, some are admitted by the clients, some clients are finding it difficult to admit though they know that there is claim, so there are different stages.
- Abhijeet Vohra:** The intention of my question Sir is ... there was this cabinet committee relief mechanism right where the private parties if they have won the arbitration against bank guarantee they can release 75% of the won amount so would you be eligible for that?
- P.S. Reddy:** As of now we do not have a case where we have won the arbitration and the client has gone to the court.
- Abhijeet Vohra:** That stage you have not yet reached?
- P.S. Reddy:** Yes, that stage we have not reached. In fact, we have in most of the cases without getting the arbitration through engagement with the clients, we were able to close many of the clients.
- Abhijeet Vohra:** And whatever contesting has been happening right now will it be tried under new arbitration mechanism?
- P.S. Reddy:** See the old ones will continue as per the existing arbitration law, but that is it. The new ones ... definitely yes.
- Abhijeet Vohra:** So, the resolution might be faster?
- P.S. Reddy:** Yes absolutely.
- Abhijeet Vohra:** Sure, Sir great. I will get back to queue. Thank you.



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- Moderator:** Thank you. Next question is from Mehek Sethi from Almondz Global Securities.
- Mangesh Kulkarni:** Sir this is Mangesh Kulkarni here. I just wanted to know that in this auditor's report the retention money amount is mentioned at around Rs 251 Crores and we are saying it is around 300 Crores so what is the exact position for the retention money to be received from the clients?
- P.S. Reddy:** I think that could be because of gross and net kind of an issue, so I will just clarify it.
- Mangesh Kulkarni:** And secondly my question is about this you have mentioned that you are in advance stage of handing over two projects of around Rs 70 Crores to NTPC and DVC, so once you hand over these projects the Rs 70 Crores will be released from this Rs 251 Crores or there will be addition in that?
- P.S. Reddy:** No, it will be released that is all.
- Mangesh Kulkarni:** From Rs 251 Crores it will be released in next 15 days that is what we are mentioning?
- P.S. Reddy:** The addition would be to the extent the Rs 70 Crores gets released by end of the quarter during the quarter suppose there is an addition of say Rs 20 Crores then the...
- Mangesh Kulkarni:** Anything will be around Rs 50 Crores?
- P.S. Reddy:** To that extent we will have this.
- Mangesh Kulkarni:** And this is net and gross that is what you have mentioned?
- P.S. Reddy:** Yes, it is net and gross correct.
- Mangesh Kulkarni:** Sir that is all from my side.
- Moderator:** Thank you. Next question is from the line of HR Gala from Panav Advisors.
- HR Gala:** I just wanted to know that the new orders that we are getting what kind of embedded EBITDA margin are there?
- P.S. Reddy:** This is sensitive information, which is not in public domain, so it is difficult to share this information.
- HR Gala:** Why I wanted to know that because I am sure that the orders, which we had in hand must be having good margins, but because of various reasons, which you explained because of delay in execution, etc., the cost keeps on escalating then at the end of the day we turn into red, do you think that the new orders, new enquiries, which are coming in this Rs 1200 Crores, etc., what you said could have better inbuilt margin than what we had earlier?
- P.S. Reddy:** Yes, this much I can tell you that we are only bidding for profitable orders and we are not going to take orders for a loss that is very clear as a policy.
- HR Gala:** As long as I think we are through this operational hitches then I think our margin can definitely look up?
- P.S. Reddy:** Absolutely while I would say that though there is a tremendous pressure from the customers because obviously, everybody is struggling for capital resources the customers are wanting to squeeze the vendors, but we are very clear that we cannot take orders for loss now.
- HR Gala:** Are we rationalizing our labour force or anything?
- P.S. Reddy:** No, I will not say are we rationalizing only labour force I would say that we are looking at all possible cost reduction measures, we are not looking at one element of cost reduction, so be it reducing cost of capital,



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be it reducing the cost of material, be it reducing the cycle time to improve our turnaround time for the products we are looking at all possible measures.

HR Gala: Sir any capital expenditure is there in this year or next year?

P.S. Reddy: The capital expenditure is to the extent of that required for continuity of the business, otherwise no major capital expenditure.

HR Gala: No major capex, so approximately how much we would be spending in this year?

P.S. Reddy: This year we will be spending less than Rs 2 Crores.

HR Gala: That is all?

P.S. Reddy: That is all.

HR Gala: In next year also nothing major?

P.S. Reddy: See it depends If the demand for our products increases significantly then we will have to know augment some of our resources some of the equipment would to be strengthened or replace. The thought process is there the plans are there, the timing would depend on the demand situation.

HR Gala: Maximum how much we would require for the replacement of some equipment, etc.?

P.S. Reddy: We have a plan for capex of more than Rs 20 Crores.

HR Gala: Thank you.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. John Perinchery of Emkay Global for closing comments. Over to you.

John Jose Perinchery: I would like to thank the management of TRF once again and thank you all everyone.

P.S. Reddy: Thanks Mr. Perinchery.

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