

Q2 FY09 Post Earnings Conference Call Transcript

Management Rep.:

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Moderator

Good afternoon ladies and gentlemen and welcome to the post results conference call of Action Construction Equipment Ltd, hosted by Prabhudas Lilladher Pvt Ltd. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of the today's presentation. If you should need assistance during this conference please signal an operator by pressing * and then 0 on your touch tone telephone. I would now like to hand the conference over to Mr. Apurva Patel of Prabhudas Lilladher. Thank you and over to you Mr. Patel.

Mr. Apurva Patel - Prabhudas Lilladher

Thank you Marina. Good afternoon everyone. I would like to welcome Mr. Agarwal on the call. We will start with Mr. Agarwal giving a brief on the numbers and then open the floor for a Q&A session. Over to you sir.

Mr. Sorab Agarwal - Action Construction Equipment

Good afternoon everybody. On a quarterly basis we have been able to do reasonably well in our top line and we have been able to grow at about 58% and even have an EBITDA adjusted with our service in terms we have been able to grow at about 22.5% on a quarterly basis. And on the half yearly basis it is slightly better at 60% and at about 45% in the EBITDA levels. Our profit after tax in the current quarter on year on year basis has been slightly under pressure because of a lot of factors which I think we will discuss in due course. The outlook remains more or less flattish that is what I see for the next 2 quarters. Because of lot of pressures and factors that have happened in the last 1 or 2 months specially relating to the NDFC funding our equipment and also a lot to the currency pressure. I think Apurva we can start with the questions.

Mr. Apurva Patel - Prabhudas Lilladher

Sure sir.

Moderator

Yes sir. We will now begin the question and answer session. At this time if you would like to ask a question please press * and 1 on your touch tone telephone. If you want to withdraw your question from the question queue please press * and 2 to remove yourself from the queue. Please use only handsets while asking a question. Ladies and gentlemen if you wish to ask a question you may press * and 1.

Mr. Apurva Patel - Prabhudas Lilladher

Sir this is Apurva. Just wanted to know the reason why our EBITDA margin has come down to 5.1%. could you just tell us what has happened there?



Mr. Sorab Agarwal - Action Construction Equipment

It has not come down to 5.1%. if you adjust the EBITDA with our service in term which is around 6 crores in the current quarter, our EBITDA comes to about 12.94 crores which is approximately 9%. it has definitely come down as compared to even the last quarter or year on year quarter. That has primarily been because we had to take a currency loss in August and September.

Mr. Apurva Patel - Prabhudas Lilladher

This was regarding?

Mr. Sorab Agarwal - Action Construction Equipment

This was regarding what does that mean?

Mr. Apurva Patel - Prabhudas Lilladher

Currency loss was on what?

Mr. Sorab Agarwal - Action Construction Equipment

The currency loss on our imports. About 20-25% of our business is importing equipment from China especially from zoomlion. So all these orders were executed and while making the payment we had to let go foreign exchange at a much higher value. So that has been reflected in our material and trading expenses. The cost of material went up by the time we paid up for it and it was sold at prices which were dollar considered to be 40.5, 41. We remitted with dollar at about 43-46 levels between August and September.

Mr. Apurva Patel - Prabhudas Lilladher

Ok sir in quantum how much would this loss be sir?

Mr. Sorab Agarwal - Action Construction Equipment

In quantum the currency loss in the last quarter was about 1.5 crores. Apart from that in the last quarter there was extreme pressure on steel prices. As a matter of fact SAIL and Essar everybody had increased their prices even in August. July, August and September. And from Rs.37-38 level they had taken it upto 45-46 levels. About a crore of rupees was on our purchasing on account of our domestic steel prices in that quarter. In the last quarter. And I would say another about crore profits that could be earned on account of our extra expenses which were there in place for keeping in mind the incremental expense and growth, which became unproductive. So I would say that 1.5 crores for currency, about a crore for steel, about a crore for our manufacturing and admin expenses is what we see is not present in the sheet, which should have been there.

Mr. Apurva Patel - Prabhudas Lilladher

Ok. Sir what have our sales in volume terms been and if you could give the realization as well?

Mr. Sorab Agarwal - Action Construction Equipment

For the last quarter right? Pick and carry cranes were about 750, fork lifts were about 90, backhoe loaders were about 50, fixed tower cranes at about 30, mobile tower cranes at about 55. Collar cranes and equipment at about 80 and tractors about 100.



Mr. Apurva Patel - Prabhudas Lilladher

So we didn't sell any concrete terms?

Mr. Sorab Agarwal - Action Construction Equipment

We did very few, about 8 of them because unfortunately real estate is the worst hit and we were entering at that time. So about 8 of them in the last quarter but that was not worth mentioning. So I kept quite.

Mr. Apurva Patel - Prabhudas Lilladher

Ok sir and the realization for these products?

Mr. Sorab Agarwal - Action Construction Equipment

Realizations were nearly similar to that of the earlier quarter. For a pick and carry crane about 8.7 lacs. Forklift around 6.4. Back hold 12.8, fixed tower crane about 50 lacs, mobile tower crane about 14.5, collars about 1.5 crore each, concrete at about 17 lacs and the tractor at about 3 lacs each.

Mr. Apurva Patel - Prabhudas Lilladher

Sir what is happening on the tractor side sir? Are we seeing the demand coming? Are we planning to incur that capex to increase our capacity further?

Mr. Sorab Agarwal - Action Construction Equipment

Yes. We could have done about 300-400 in the last quarter. Because of some improvement in the product that was pending. We did not release much quantity. We had a good number of orders, we still have. So hopefully in this current quarter tractors would be scaled to maybe around 400 or more.

Mr. Apurva Patel - Prabhudas Lilladher

Sir what do you see this going up to next year sir?

Mr. Sorab Agarwal - Action Construction Equipment

Tractors? I think whatever we do this year, we will do double of that atleast.

Mr. Apurva Patel - Prabhudas Lilladher

Ok so we can go upto say 2000 next year.

Mr. Sorab Agarwal - Action Construction Equipment

Yes maybe more. Yes. Easily.

Mr. Apurva Patel - Prabhudas Lilladher

Sir what sort of capex are we looking at to scale it upto 2000?

Mr. Sorab Agarwal - Action Construction Equipment

Nothing. Nothing at all. Upto 4000 nothing at all.

Mr. Apurva Patel - Prabhudas Lilladher

Ok its only beyond that that.

Mr. Sorab Agarwal - Action Construction Equipment

That we will need to have some extra capex.

Mr. Apurva Patel - Prabhudas Lilladher

Ok fair enough sir. Marina do we have any other questions?

Moderator

Yes sir. The first question comes from the line of Mr. Syed Saggi from Pinc Research. Please go ahead.

Mr. Syed Saggi - Pinc Research

Good afternoon sir. Sir are we maintaining our guidance or?

Mr. Sorab Agarwal - Action Construction Equipment

We are definitely downgrading it. As a matter of fact I think for the top line which we were thinking of at least 40% should be downgraded to about 20% by the end of the year and the bottom line, there would definitely be some increase. But it would be very difficult to, till the time it happens because we have already have a lot of expenses in terms of man power, in terms of infrastructure, in terms of fixed expenses that we have done in the last 6-8 months for incremental business. So unless and until those are sorted out or the quantum of business improves, I think giving guidance line on the top line growth would not be fair on my part. Sort of it will be flattish.

Mr. Syed Saggi - Pinc Research

Ok and we already had given in the past the guidance on volume terms. So downgrading that how will our volumes look like?

Mr. Sorab Agarwal - Action Construction Equipment

For pick and carry I think it should be 3100 or more which would be nearly the same as lat year actually. We did 3200 last year. And for fork lift it would be 400 or more. For backhoe it would be 350 plus. For fixed tower cranes about 150, mobile tower cranes about 200 plus, and for crawlers about 35 and for concrete pumps, I would say about 40 and for tractors about 900-1000 in this current year.

Mr. Syed Saggi - Pinc Research

Great ok. Thanks sir. What about FY10?

Mr. Sorab Agarwal - Action Construction Equipment

I think next quarter would be the right time to talk about it. Maybe if you just want numbers I can give it. But that would be of no relevance because what is happening is that unfortunately everything around us is changing. It is not one parameter that is changing and the biggest parameter that is hurting us is non availability of funds in the market because of which these NBFC's, non banking finance companies which fund our equipment, 80-85% of the equipment is funded. They have slowed down in a major way, especially in the last month and even in the month of September. So I think NBFC funding will hold the key not only for us but even for everybody including automobile because funding is not available easily and I don't think there are lot many buyers. Not more than 20-25% who are, who will be buying

upfront. And what RBI has also done on Saturday for the special credit rights for the NBFC's, I think we should see a change from today onwards. And once this NBFC thing normalizes then I think projecting for the next year will make more relevance. Without that we are just firing in air without any target in sight.

Mr. Syed Saggi - Pinc Research

Right. Is that the reason why material handling segments for operating loss?

Mr. Sorab Agarwal - Action Construction Equipment

That is also because of the increase in expenses which was planned for increased incremental business. But unfortunately that did not happen.

Mr. Syed Saggi - Pinc Research

With input cost not easing off do we foresee our margins to improve slightly or do you see it at the same level?

Mr. Sorab Agarwal - Action Construction Equipment

Input cost will be decreasing because steel has been cut drastically. 15 days back about 10-12% relief was there. Even on Saturday about another 10-15% slash of price was there. This will definitely help us let's say mid November onwards. But I am very sure that this benefit would be off set by the selling price because when you are working to sustain your volumes in a depleting market competition intensifies.

Mr. Syed Saggi - Pinc Research

So we will have to take price cuts.

Mr. Sorab Agarwal - Action Construction Equipment

We have to take price cuts. So I believe that the commodity prices that will benefit would be sort of passed off and we will not be able to retain our selling prices based on the pressure.

Mr. Syed Saggi - Pinc Research

Ok sir that's all I have for now. Best of luck for the year.

Moderator

Thank you Mr. Saggi. The next question is from the line of Mr. Mohamad Shaukat Ali from Quantum Securities. Please go ahead.

Mr. Mohamad Shaukat Ali - Quantum Securities.

Hello. Hi. I wanted to know the realization details again sir. Would you repeat it please?

Mr. Sorab Agarwal - Action Construction Equipment

For Pick and Carry cranes 8.7 lacs, for fork lifts 6.4, for back hold around 12.8 and for fixed tower crane around 50 lacs, for mobile tower cranes 14.5 lacs, for trawler cranes 1.5 crores, for concrete turns 17 lacs, and for tractors it is around 3 lacs.

Mr. Mohhamad Shaukat Ali - Quantum Securities.

Thank you sir.

Moderator

Thank you Mr. Ali. The next question is from the line of Mr. Alpesh Kapadia from Indusino. Please go ahead.

Mr. Alpesh Kapadia - Indusino

Hi Sorab. Sir could you go over the guidance again? You said that you will grow 20% for second half or, last year second half or full year 20%?

Mr. Sorab Agarwal - Action Construction Equipment

It is for the full year. You see as a matter of fact for the last umpteen number of years in the first half our business is generally about 40-45% and in the second half it is much bigger and better about 55-60%. Originally. But because of these factors of NBFC and currency and total mayhem, I think that by the end of this year we should be limited to around 20% growth year on year basis. Although in the first half itself we have been able to grow at 60%. It's a retard I believe and giving any optimistic picture would not be fair on my part because at ground level there seems to be a lot of problem. Not with the infrastructure project but with the sentiment. Because if you look at all the infrastructure companies, they have also done quite well for themselves in the first half and the current quarter also. And about 60% of our business is related to infrastructure. So I am quite bullish on that. so why did they continue to buy with their increase in projects which they are getting. But on the other hand if you look at about 10-12% of our sale is to real estate and about 28-30% to manufacturing and industrial sector. There I believe that, that will slow down drastically.

Mr. Alpesh Kapadia - Indusino

You talked about 4 crore in loss due to currency.

Mr. Sorab Agarwal - Action Construction Equipment

About 3.5 crores.

Mr. Alpesh Kapadia - Indusino

Steel prices and increase manufacturing cost. Now what of these 3 can you control and what you cannot control?

Mr. Sorab Agarwal - Action Construction Equipment

We will control all the 4 as a matter of fact. You will see a drastic change in our manufacturing cost in the last quarter because once we start to effect it now, in the current quarter I don't think we will see the effect. But yes in the fourth quarter the manufacturing expenses will be drastically reduced. I believe even the staff cost will be drastically reduced and we are going to half our admin and other expenses. In absolute terms I am talking of. The effect will not be there in this quarter. This quarter might be total mayhem. But yes we will try and control everything. We have already started working on it a month back. There might be some effect in this quarter also but yes full effect we can see in the next quarter

Moderator

Excuse me sir. Kindly wait while we connect the management line. Mr. Patel? Hello Mr. Patel. The line has disconnected. We are joining him back.



Mr. Apurva Patel - Prabhudas Lilladher

Sure.

Moderator

Thank you for choosing Chorus Call. The conference will begin shortly. Please continue to hold.

Mr. Apurva Patel - Prabhudas Lilladher

Hello.

Mr. Alpesh Kapadia - Indusino

Yes.

Mr. Sorab Agarwal - Action Construction Equipment

Sorry. It just got disconnected.

Mr. Alpesh Kapadia - Indusino

You said that the staff and the admin and manufacturing expenses will drastically reduce. What about the raw material cost in terms of steel prices have come down worldwide.

Mr. Sorab Agarwal - Action Construction Equipment

No that will affect us and definitely we will get some benefit. Even in India in the last 15 days steel prices have gone down by about 25-30%. And the last cut was on Saturday only. So it becomes effective today.

Mr. Alpesh Kapadia - Indusino

But you said you will pass on this price.

Mr. Sorab Agarwal - Action Construction Equipment

We don't want to pass it on but what is going to happen is you know when you are fighting to maintain your numbers in terms of sales in a competitive market then obviously the customer will squeeze you and we will get squeezed. So to benefit we might get because of the commodity prices falling, would more or less be set off with the price realization that might be effected.

Mr. Alpesh Kapadia - Indusino

But when the prices go up you are not able to pass them on?

Mr. Sorab Agarwal - Action Construction Equipment

We did pass it on. With a lag of 1 month, 1.5 months we have always been able to pass on our steel price increases. That is reflected in our last quarter also and even the quarter before that.

Mr. Alpesh Kapadia - Indusino

So consequently if the prices are falling you will have a 1 month benefit right?

Mr. Sorab Agarwal - Action Construction Equipment

We can but for the next 15-20 days. Yes we can have a benefit more than that to be very frank with you. But if you look at the larger picture there will not be a benefit.

Mr. Alpesh Kapadia - Indusino

And what about the currency effect on the import from Zoomlion?

Mr. Sorab Agarwal - Action Construction Equipment

We have already taken a currency hit in the last quarter and in the current quarter also we will have to take a currency hit of quantum bigger than what we paid in the last quarter. Because even in the last quarter at the end of September it was 45-46. now its around 49-50. and a lot of our payments for our imports in the last quarter and even before that due in this current quarter. But yes all the new contracts that we are doing, we are trying to do 2 things. Obviously we are hedging our currency for any import that has been done in our name and we are pricing it also accordingly to our customer. Number 2, for bigger orders we are now encouraging customers to open LC directly in the name of foreign suppliers so that the currency loss or profit is totally to their account and we get our commissions which can be adjusted in the other income.

Mr. Alpesh Kapadia - Indusino

So how much will, currency loss was 1 crore or something.

Mr. Sorab Agarwal - Action Construction Equipment

1.5 crores in September. In the quarter.

Mr. Alpesh Kapadia - Indusino

Keeping the volumes steady by competing on price, why wouldn't we be able to grow revenue?

Mr. Sorab Agarwal - Action Construction Equipment

We will be able to grow revenues on a total year basis. But what has happened is. Lets say about 10-12% of my business which we give to real estate, that goes for a good six atleast for the next 3-4 months. I will be very frank with you. Its not only for me, whether it is setter who is supplying concrete. I am basically doing tower crane. So you can very well understand. No new projects are being started by many of these builders or the real estate people. It is only the existing that they are trying to complete. So till touch time normalcy comes in real estate volumes in terms of tower cranes will go down. And with respect to our pick and carry cranes and mobile cranes about 30% of these are directly, indirectly supplied to manufacturing and industrial projects. And I am very sure that they have all started to slow down. So some percentage hit will be there in the numbers in that sector with respect to infrastructure which is about 60% of our sales. I don't see a problem there. But yes, 1-2 months lag will definitely be created there. Because most of these infrastructure companies also require funds for these projects. But that will be organized, I am very sure the way things are happening. There might be a lag. So on the whole there would be a reduction in numbers in lets say real estate, industrial sales, or manufacturing related sales. Infrastructure related sales should maintain. Whether they will grow and not grow will depend on how it unfolds in the next 2-3 months. Because till 3 months back everything was fine, I mean in terms of projects and numbers. Everything was visible. Especially because of this NBFC credit crunch a lot of people who want to buy a machine are also not able to buy a machine. So that's the biggest problem I believe. Bigger than the currency lag, the NBFC funding is not streamlined very quickly, lets say in the next 2-3 weeks then its not for me, its for more or less everybody whose equipment is sold by funding from banks, will be affected very badly.

Mr. Alpesh Kapadia - Indusino

What about, can you off this real estate slow down and manufacturing slow down through new product lines or exports, even the rupee?

Mr. Sorab Agarwal - Action Construction Equipment

It will definitely happen. Lets say with one of our products, back flow holder which we are still at a nascent stage, now that will deliver a reasonable number in the current quarter and the next quarter and I am very sure, a very good number in the next year. Similarly if you look at tractors, we have hardly done anything so far. They will contribute significantly in the current quarter and the next quarter and next year. So these products will definitely help us in maybe even growing our top line next year. But to give you a precise picture to be able to tell you that what is perceivable and deliverable, I think we require atleast 2, 3 months to first just understand what is happening around us physically. Because if I say something and if it goes the other way, it does not make sense. To be very frank about it, there is nothing I can do.

Mr. Alpesh Kapadia - Indusino

No, we appreciate the candidness. I think what I wanted to understand was how much can you hold the cost down so that you can maintain some sort of profitability?

Mr. Sorab Agarwal - Action Construction Equipment

That we will do at any cost. That I can assure you.

Mr. Alpesh Kapadia - Indusino

Right. You know the stock is trading at 5 PE right now.

Mr. Sorab Agarwal - Action Construction Equipment

The current quarter might be a problem because of the extra currency loss that we will have to take again and certain other factors and it takes time to get our costs in place. It cannot happen in 15 days, 1 month. It only comes after 2, 3 months. So next quarter onwards we will definitely, we will do anything and everything possible, reasonable to ensure our percentage numbers.

Mr. Alpesh Kapadia - Indusino

It should be in what, 10% range of margin or?

Mr. Sorab Agarwal - Action Construction Equipment

I think that by the end of this year, I am only talking of this year, we will be somewhere between, lets say around 9-9.5% EBITDA which is definitely down from about 10.9% of last year and I think in the first quarter of next year we should be back on track with reference to because what we are trying to do right now is, apart from cutting costs our total focus is on ensuring a healthy cash flow. We are working very hard on our inventories. From a level of around 37,38 in the current quarter, by the end of this quarter we will bring it down to 23-25 days. Similarly for debtors which is at about 35-36 about 36 days, I think at the end of this quarter we will bring it to about 23-24, may even improve on it. So a lot of operational efficiencies will also start to come in. and apart from that a lot of excess man power which is already there for the future, which appeared to be so great, that has to be taken care of or substituted in the relevant places or reshuffled or even done away with it, to ensure that extra expenses, expenses without results are not there. And apart from that 2 smallest possible expense we are working out in great detail and I am very sure we will be able to bring our operating margins in control. But it will take atleast 1 more quarter. This quarter you will have to overlook whatever comes.

Mr. Alpesh Kapadia - Indusino

That's fine. I mean the stock has already declined to discount for this weakness in current quarter and.

Mr. Sorab Agarwal - Action Construction Equipment

Most everything I think has been factored in the stock price. More than that. but I think next quarter onwards and the first quarter of next year onwards I think we will bounce back with our numbers.

Mr. Alpesh Kapadia - Indusino

Good luck.

Mr. Sorab Agarwal - Action Construction Equipment

We need lots of it.

Moderator

Thank you Mr. Kapadia. A reminder to all the participants in the conference. If you wish to ask a question please press * and then 1. the next question is from the line of Mr. Mehul Mehta from Standard Chartered. Please go ahead.

Mr. Mehul Mehta - Standard Chartered

Good afternoon sir. In terms of this capital employed it has increased from 145 crores around Fy08 end to 210 crores. so what has led to this?

Mr. Sorab Agarwal - Action Construction Equipment

210 crores?

Mr. Mehul Mehta - Standard Chartered

Yes. Segmental report is showing about 212 crores.

Mr. Sorab Agarwal - Action Construction Equipment

I will have to get back to you. I don't think it can be that much.

Mr. Mehul Mehta - Standard Chartered

Because 160 crores is in cranes segment and 50 crores in raw material handling. That's what it is showing.

Mr. Sorab Agarwal - Action Construction Equipment

Mehul I will have to get back to you on this. I really don't have an idea why it should be that much. It should have been only about 8-10 crores.

Mr. Mehul Mehta - Standard Chartered

Increase of around 8-10 crores, you are talking.

Mr. Sorab Agarwal - Action Construction Equipment

Increase. So I will have to get back to you on that.

Mr. Mehul Mehta - Standard Chartered

Ok. Any major capex we have incurred during this?

Mr. Sorab Agarwal - Action Construction Equipment

That's what it should have not been more than 8-10 crores.

Mr. Mehul Mehta - Standard Chartered

Not more. And working capital we are more or less maintaining?

Mr. Sorab Agarwal - Action Construction Equipment

Yes we are maintaining that.

Mr. Mehul Mehta - Standard Chartered

Ok. Thanks sir.

Moderator

Thank you Mr. Mehta. The next question is from the line of Mr. Umesh Gupta from Dalal and Broacha. Please go ahead.

Mr. Umesh Gupta - Dalal and Broacha

While looking at the guidance of 20% top line in growth for the current year, what you are suggesting that there might be a de growth in the second half as compared to the second half of last year. So what we wanted to understand.

Mr. Sorab Agarwal - Action Construction Equipment

Yes. It might not be a de growth, maybe we will be maintaining the numbers.

Mr. Umesh Gupta - Dalal and Broacha

Ok. We will be maintaining the numbers. What I wanted to understand is this because of the volume decline you are foreseeing or because of the prices decline, maybe because the commodities prices have come down?

Mr. Sorab Agarwal - Action Construction Equipment

No, it is because of, you have to understand why the commodities prices are going down. If we talk of steel and cement. Less cement is being sold, less steel is being sold.

Mr. Umesh Gupta - Dalal and Broacha

I understand. In your case I wanted to know whether its because of.

Mr. Sorab Agarwal - Action Construction Equipment

That is related. So even when the commodities are reducing that means somewhere something less is happening and all that translates on the infrastructure projects also. Because infrastructure projects and real estate are the main consumers of these big commodities. So at the end of it going by the same trend even our volumes will also start to reduce. Yes definitely there would be pressure on volumes but we will be trying very hard to maintain our volumes.

Mr. Umesh Gupta - Dalal and Broacha

Could you give me volume figure for the last year FY08 product wise what you did?

Mr. Sorab Agarwal - Action Construction Equipment

Yes I can do that. Pick and carry cranes we did 3200, fork lifts we did 310, back holds we did 250, fixed tower cranes we did 101, mobile tower cranes we did 200, collar we had just started. We did 1. Then we had done total about 70 tractors. That was only in the month of March.

Mr. Umesh Gupta - Dalal and Broacha

Concrete turns?

Mr. Sorab Agarwal - Action Construction Equipment

We had not started concrete turns in the last year.

Mr. Umesh Gupta - Dalal and Broacha

Ok. Similarly can you volume figure for Q1 also?

Mr. Sorab Agarwal - Action Construction Equipment

Q1 yes. We did about 900 pick and carry cranes, 90 forklifts, 65 back holds, around 40 fixed tower cranes, about 59 mobile tower cranes, 10 trawlers, 10 pumps, and about 110 tractors.

Mr. Umesh Gupta - Dalal and Broacha

Ok and can you also tell us the way the business dynamics are, for example, is it order based and how much is the order base and how much is the spawn based sort of and how does it happen if the commodity prices come down? Do you re price?

Mr. Sorab Agarwal - Action Construction Equipment

We as of now have about a little over 2 months order book. And for the orders that we have generally they are more or less fixed and there is no negotiation. But for the fresh orders obviously the customer, because what we see steel prices are going down, that's why I said that it will reflect. The benefit might not remain with us. They will also start to pressurize for the selling price. It's not only the commodity price going down. Its also pressure from competition because everybody tries to sell maximum to secure orders and that is a problem. We already started facing and I believe that we will face further still. Till the time it stabilizes. So that all the negativities, once they bottom out then the positivities will start to happen but the bottoming out I am not able to see. That is the problem.

Mr. Umesh Gupta - Dalal and Broacha

Ok. Industry constitutes 30% of this and real estate is about 10-12%. Can you give the other break up also? What are the other industries?

Mr. Sorab Agarwal - Action Construction Equipment

60% is hardcore infrastructure related construction. Any type of project whether it is a power plant or pipeline or airport or hydro power project or.

Mr. Umesh Gupta - Dalal and Broacha

60% is like to individual builders or?

Mr. Sorab Agarwal - Action Construction Equipment

No. it is not to builders. It is to project companies like Punj Lloyd, or Nagarjuna, L&T, ACC, Simplex.

Mr. Umesh Gupta - Dalal and Broacha

Ok so 30% is to the individual builders. The industrial one.

Mr. Sorab Agarwal - Action Construction Equipment

No. 30% is to manufacturing sector. Heavy engineering. Like for example the cement industry or the shipyard industry or the steel rolling mills or the steel plants. 30% is heavy engineering and normal industrial projects.

Mr. Umesh Gupta - Dalal and Broacha

And 60% to the.

Mr. Sorab Agarwal - Action Construction Equipment

Infrastructure related construction and infrastructure projects.

Mr. Umesh Gupta - Dalal and Broacha

Mainly to the developers.

Mr. Sorab Agarwal - Action Construction Equipment

No not to developers. Developers means real estate.

Mr. Umesh Gupta - Dalal and Broacha

No I mean the constructors. The bigger construction like.

Mr. Sorab Agarwal - Action Construction Equipment

Real estate related builders is about 10-12%.

Mr. Umesh Gupta - Dalal and Broacha

Ok and last thing. Can you also give the realization of FY08?

Mr. Sorab Agarwal - Action Construction Equipment

Last year?

Mr. Umesh Gupta - Dalal and Broacha

Yes. The volume figure which you mentioned with respect to realization. If you could do that?

Mr. Sorab Agarwal - Action Construction Equipment

No I am not having that unfortunately right now.

Mr. Umesh Gupta - Dalal and Broacha

Ok sir. Will get back later. Thank you.

Moderator

Thank you Mr. Gupta. Participants if you wish to ask a question you may press * and 1. Ladies and gentlemen if you wish to ask a question you may press *and 1.

Mr. Apurva Patel - Prabhudas Lilladher

Marina since we don't have any further questions, we can wind up the call.

Moderator

Alright sir. Would you like to add a few closing comments?

Mr. Apurva Patel - Prabhudas Lilladher

Yes. Thank you everyone and thank you Mr. Agarwal for giving us time and all the very best to you for future quarters sir.

Mr. Sorab Agarwal - Action Construction Equipment

Thanks a lot.

Moderator

Thank you very much. On behalf of Prabhudas Lilladher Pvt. Ltd that concludes this afternoons conference. Thank you for joining us and you may now disconnect your lines. Thank you.

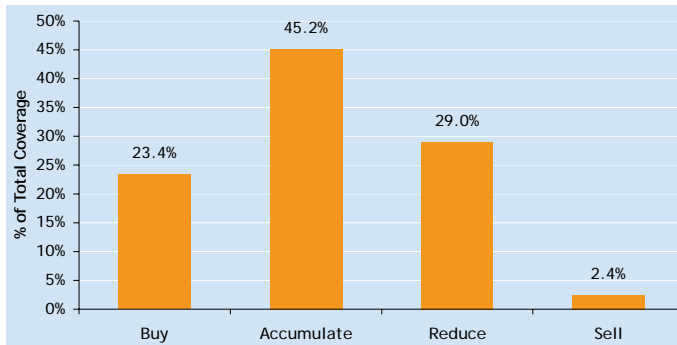
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Prabhudas Lilladher Pvt. Ltd.

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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