

Q2 FY09 Post Earnings Conference Call Transcript

Management Rep.:

Mr. Santosh Nayak, Deputy Managing Director

PL Rep.:

Apurva Patel - 91-22-6632 2257

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Moderator - Rushali

Ladies and gentlemen, good morning and welcome to the Jyoti Structures's Post Results Conference Call. As a reminder for the duration of this conference all participants lines are in a listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should anyone need assistance during this conference call please signal an operator by pressing "*" and "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to turn 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. Good morning everyone. I would like to welcome Mr. Nayak from Jyoti Structures on the call. We will start with Mr. Nayak giving us a brief on the numbers and then open the floor for a Q&A session. Over to you sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you Apurva and good morning to all the listeners for this conference call. What I would like to do is run down the quarterly results and also take this opportunity to run down the half yearly figures to all the people who have been listening to this conference call.

Now this quarter we have achieved net sales of Rs. 420 crores as compared to Rs. 318.15 crores to the last quarter that is 30th. September 2007. This represents a growth of about 32.26% and on the EBITDA we have achieved an EBITDA of 50.46 crores as against 40.22 crores in the last quarter which there is again a growth of 25.45%. The interest cost has gone up from 10.61 crores to 17.42 crores, as a percentage to sales it has moved from 3.33 in the corresponding quarter to 4.14 in this quarter. The Profit before Tax is 31.23 crores as against 28.02 crores The net profit has gone up from 16.96 crores to 20.11 crores which represents 18.56% growth in the net profit. If we were to compare the 6 monthly figures, we have achieved a turnover of 834 crores as compared to 630 crores on gross levels and 821.83 crores compared to 614.80 crores which represents a growth of 33.67 gross. The EBITDAs again, at the EBITDA level we have achieved 98.86 crores as against 77.04 crores. The EBITDA margins as on 30-09-2007 was 12.52%, we have achieved 12.02% for the 6 monthly period ending 30-09-2008.

Interest cost was 3.28% which has now gone to 3.74%. Profit Before Tax has been 64.54 crores as against 53.66 crores each represents 20.28% growth at PBT levels. Net profit is at 40.65 crores as against 32.99 crores and percentage to sales has come down from 5.36% to 4.94%. As far as order book is concerned we have started this quarter starting 1st October, 2008 with an order book of 3,616 crores. The breakup of this between domestic and export and export is, domestic is 85% and 9% is deemed export and 6% is exports. And if this were to be further broken down into segmentwise, we have 60% transmission lines, 20% substation and 20% RE; this was the order book as on 1st October. As far as business visibility is concerned for the next 2 months we have tenders worth 5,790 crores which again if I were to bifurcate into 3 segments, the transmission line component tenders are 3,019 crores of which Power Grid itself is 1,604 crores. Substation has 2,116 crores of tenders to be quoted in the next 2 months of which 1,179 is Power Grid substation tenders. RE is 655 crores, mainly from the state electricity utilities. I am not including the RECPSC tenders which have come up and this would be roughly totalling to 6,000 crores. And I also have not considered the MSCPCL tender which has come in which should be roughly 8,000 crores. So this is on the business outlook.

I would now like to request the analysts to ask me questions from whatever I have said upto now.

Moderator - Rushali

Thank you very much sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Ladies and gentlemen at this time participants who have questions may press "*" and then "1" on their touchtone phone. If you wish to remove yourself from the question queue please press "*" and "2". Participants are requested to use only handsets while asking a question.

Anyone who has the question may press "*" and "1" at this time.

Our first question is from the line of Mr. Sandeep Somani of HSBC Securities. Please go ahead.

Mr. Sandeep Somani - HSBC Securities

Good morning sir. Congratulations on good set of numbers.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning Sandeep.

Mr. Sandeep Somani - HSBC Securities

Sir 2 questions from my side, first is what is your current order book and what is the breakup?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I gave that just now.

Mr. Sandeep Somani - HSBC Securities

I just missed, I am so sorry could you repeat that please?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

3,616 crores on 1st of October.

Mr. Sandeep Somani - HSBC Securities

And our breakup between say transmission line?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

60% transmission line, 20...

Mr. Sandeep Somani - HSBC Securities

Sir out of these how much is the Reliance order pending as of now?



Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

As I said we have been completing the engineering part of it and the survey has been completed and manufacturing of about 4,000 metric tonnes of power has been completed.

Mr. Sandeep Somani - HSBC Securities

So when we will start....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think it is January.

Mr. Sandeep Somani - HSBC Securities

From January quarter?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Sandeep Somani - HSBC Securities

And lastly debt on the books if you can give me?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

250 crores is our working capital limit sanctioned by the banks for the current year and that is fully utilized.

Mr. Sandeep Somani - HSBC Securities

That's the only debt you have as of now?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes.

Mr. Sandeep Somani - HSBC Securities

And effective interest rates we are paying on this?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

11%.

Mr. Sandeep Somani - HSBC Securities

11% on this?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Sandeep Somani - HSBC Securities

And lastly sir CAPEX plans which we had close to 60 odd crores for the year, have we changed the plan or we are still on with the same CAPEX?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We have opened LC for 20 crores and in the last quarter I think it was same figures, this has not changed.

Mr. Sandeep Somani - HSBC Securities

Ok so for the full year we are still doing 60 crores?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think we can take it quarter by quarter.

Mr. Sandeep Somani - HSBC Securities

And lastly if you can share debtors book, debtors on our books as of now?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It is roughly about 125 days.

Mr. Sandeep Somani - HSBC Securities

125 days?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Sandeep Somani - HSBC Securities

Of half yearly ?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Sandeep Somani - HSBC Securities

Thanks a lot sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you very much.

Moderator - Rushali

Thank you Mr. Somani.

The next question is from the line of Mr. Nainesh Rajani of Tata Mutual Fund. Please go ahead.

Mr. Nainesh Rajani - Tata Mutual Fund

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Nainesh Rajani - Tata Mutual Fund

I just want to understand you mentioned that the total debt on your book was 250 crores. Again your total debt on the book was approximately Rs. 224 crores. So are you seeing which incremental debt is for the first half has been only 25 odd crores?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes.

Mr. Nainesh Rajani - Tata Mutual Fund

Alright. On the last year's total debt figure, what was the total interest cost sir?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

9.5%.

Mr. Nainesh Rajani - Tata Mutual Fund

So that has gone up. A couple of things just wanted to know, you did mention that you have bid for tenders worth approximately Rs. 5,000 crores, just wanted to understand from your sense, are you seeing any delays on these as far as the orders are concerned. There would be tenders but on account of the current macro environment that is planning up and the fact that quite a few of the power plants are expected to be delayed either on account of execution from BHEL or on account of certain financial closures not happening as far as our private projects are concerned. Are you getting a sense on ground that these projects that you have bid for as far as the tenders are concerned are expected to be delayed?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

These figures that I gave, 5790 crores are tenders which are due in the next 2 months and these are with specific dates. So this is not like an approximate figure. These are like 21st of November, 22nd of October, 23rd of November. These are the dates of each tender and of this 1,604 is Power Grid itself for transmission line and 1,179 is for substations from Power Grid.

Mr. Nainesh Rajani - Tata Mutual Fund

So these Power Grid orders you are saying would not be delayed?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think all of these have a certain fixed dates for tendering, Nainesh.

Mr. Nainesh Rajani - Tata Mutual Fund

Sir out of the financial closure of these projects happened....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

You have to ask them not me, I can tell you that we have to bid for these projects.

Mr. Nainesh Rajani - Tata Mutual Fund

Alright sir. In case I have anything else I will get back to you. Thanks a lot.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Rajani.

The next question is from the line of Mr. Rabindranath Nayak of Systematics Shares. Please go ahead.

Mr. Rabindranath Nayak - Systematics Shares

Thank you sir. Congratulations for good set of numbers.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Mr. Rabindranath Nayak - Systematics Shares

Sir I want to know one thing, what is the order intake in this quarter?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We started quarter as on 1st of July with an order book of 3,560 crores and we executed 428 crores of that. And we have now started this quarter with 3,616 which means we have added 484, approximately 500 crores of fresh orders in this last quarter.

Mr. Rabindranath Nayak - Systematics Shares

Sir any progress can you please share with us, the South African subsidiary, what is the revenue there and what is order book and order intake in that particular subsidiary?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I have mentioned in the last conference call also that we have an order book of about 240-250 crores when we started the year, year ending is February. And we have 2 orders one from Namibia and one from South Africa and South Africa is 100 odd crores and Namibia is about 150 odd crores. So both put together is about 240-250 crores order book and the projects are going on as per schedule. So as on 28th of February when the year ends I will be able to give the exact figure for the year that they have executed the projects.

Mr. Rabindranath Nayak - Systematics Shares

And no fresh orders.....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No, no, no, no tenders have come after that.

Mr. Rabindranath Nayak - Systematics Shares

Sir what is the progress in Gulf Jyoti so far?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Gulf Jyoti we have received an order from Hyundai worth 104 million dirham for supply of towers to Libya. And they have also received an order from Dubai Electricity Water Works Authority valued at 377 million dirham to be executed over a period of 24 months.

Mr. Rabindranath Nayak - Systematics Shares

So have you booked any profits for that so far...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No, no, I think as far as Hyundai order is concerned the prototype and all is completed and the first shipment will be done in the month of November. And far as Dubai job is concerned it was just last month so we will have to do the engineering, survey. I think the first tower, the foundation that you will cast will be in the month of March.

Mr. Rabindranath Nayak - Systematics Shares

Sir what is the cash in hand, cash in books right now?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I don't have the Balance Sheet as on 30th. September....

Mr. Rabindranath Nayak - Systematics Shares

Ok. Thank you very much.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Nayak.

The next question is from the line of Mr. Sachin Trivedi of UTI Mutual Fund. Please go ahead.

Mr. Sachin Trivedi - UTI Mutual Fund

Hello. Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning Sachin.

Mr. Sachin Trivedi - UTI Mutual Fund

Sir just 2 specific questions. One is on the various or other companies which we have been speaking to, they are saying that they are getting out of rural electrification job. So I wanted to know your view on that, what's happening on that side of the business, if you can share some thoughts?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We have 2 jobs on our hand, one is Damodar Valley Corporation job which is valued at about 362 crores which is progressing very well and the second is the Ajmer Vidyut Vitran Nigam Limited which was about 460 odd crores and that we are completing by December. Damodar valley we intend to complete major portion by March and some by June.

Mr. Sachin Trivedi - UTI Mutual Fund

Sir what is the outlook on this side of the business. Is it because people have been saying that there is a lot of competition, money is not coming in time. So you also are facing the difficulties?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Not really. Damodar Valley Corporation has been an excellent customer paying in time, no cash flow problems. Ajmer Vidyut Vitran Nigam Limited also I can say the same thing.

Mr. Sachin Trivedi - UTI Mutual Fund

And the competition is increasing on this side of the business?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

These are the 2 jobs which are presently executing, we have not received any fresh jobs on this and as soon as we receive I will tell you.

Mr. Sachin Trivedi - UTI Mutual Fund

Ok sir. And sir one final question, this is regarding, you shared that some manufacturing and engineering work has done in Reliance, how much of that roughly will be in sales?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I don't think any thing, I think when we supply the towers and do the foundations, that activity will get built. So I am saying that revenues will start coming from the quarter starting January to March.

Mr. Sachin Trivedi - UTI Mutual Fund

Ok sir. Thanks a lot. Thank you sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Trivedi.

The next question is from the line of Mr. Piyush Harlalka of HSBC AMC. Please go ahead.

Mr. Piyush Harlalka - HSBC AMC

Sir good morning and congratulations for good set of numbers.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you Piyush.

Mr. Piyush Harlalka - HSBC AMC

Just couple of questions. First of all on your margins, I agree that I have been drilling you on margins since very long but now as we are seeing the reversal in the commodity prices. So where do we stand currently and what do we expect going forward?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Like I have been maintaining that almost 80-85% of our contract are with price variation. I think we have discussed this, one fallout of this is that the working capital requirement is lesser, that is one fallout even for variable prices and for fixed prices we have an advantage.

Mr. Piyush Harlalka - HSBC AMC

Like our export order was on fixed price basis?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

That's right we have an advantage there.

Mr. Piyush Harlalka - HSBC AMC

How much will it in the margins in international as you were expecting around 20-30 basis points margin decline.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think whatever contracts we deal we use price between October-December. I mean the prices have started falling in October and we can see that benefit when we actually buy the material in the current quarter. I think at the end of this quarter we can see every improvement in the numbers if there is any.

Mr. Piyush Harlalka - HSBC AMC

But sir out of our total order books, 6% is export so the 6% is on fixed price basis. So how much of like steel component is still left to be bought?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

All of it.

Mr. Piyush Harlalka - HSBC AMC

And steel roughly forms what percentage of total raw material?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

72%.

Mr. Piyush Harlalka - HSBC AMC

Fair enough. Coming next to the CAPEX rate like the total yearly target of 60 crores and you are saying that you have opened an LC of 20 crores in the last quarter and also 20 crores in the current quarter?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No that remains the same.

Mr. Piyush Harlalka - HSBC AMC

So 20 crores is the LC.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes.

Mr. Piyush Harlalka - HSBC AMC

How much you have availed out of that?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We have open LC, the machinery are yet to be delivered.

Mr. Piyush Harlalka - HSBC AMC

So it doesn't reflect you as of now?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No.

Mr. Piyush Harlalka - HSBC AMC

So the term loans or except from working capital whatever the long term that we are going to have is only for this _?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Piyush Harlalka - HSBC AMC

And opened only 20 crores?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Right.

Mr. Piyush Harlalka - HSBC AMC

Ok sir. Thanks a lot.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Harlalka.

The next question is from the line of Mr. Nishant Bharagava of ICICI Securities. Please go ahead.

Mr. Nishant Bharagava - ICICI Securities

Hi. You mentioned about tenders opening in the domestic market. How about in the export market are we seeing any slowdown in the opening of the tender?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Visibility of tenders?

Mr. Nishant Bharagava - ICICI Securities

Yeah, yeah.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Not really Nishant.

Mr. Nishant Bharagava - ICICI Securities

How about in the Middle East?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Middle East also infact I can count large value tenders in Abu Dhabi, in Tunisia, in Kuwait, just quite a few.

Mr. Nishant Bharagava - ICICI Securities

Ok. Thanks a lot.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Bharagava.

The next question is from the line of Mr. Shalabh Agarwal of Sundram BNP Paribas. Please go ahead.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Good morning sir.



Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Sir just wanted to check on around 500 crores of order intake that you would have got this quarter, which were the major order which you could share?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

All of it was Power Grid.

Mr. Shalabh Agarwal - Sundram BNP Paribas

The entire thing was Power Grid?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Any major orders which you can share in that?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

You will be able to relate to the names?

Mr. Shalabh Agarwal - Sundram BNP Paribas

Yes the size of the orders will be more.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It is roughly 160 between 100-150 crores on each order, yeah. I have the names with me but I am not able to find it right now. I kept it as I knew somebody would have asked me. It is substations in Bihar, then Power Grid I think let me call it A1-A2 and there is a small RE job in Rajasthan, all for Power Grid.

Mr. Shalabh Agarwal - Sundram BNP Paribas

So finally one would say these are 4-5 orders which you got of, 150 odd...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes.

Mr. Shalabh Agarwal - Sundram BNP Paribas

So would that also mean that the momentum, the lull that we had seen in the Power Grid is now turning in, we have seen that moment again with huge visibility and order

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Do we see a similar stuff on the SEB side also?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I mentioned to you the visibility on tenders for the next 2 months.

Mr. Shalabh Agarwal - Sundram BNP Paribas

That is 665 crores that you said...

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

655 crores, that's for only RE but on substations we have 2116 minus 1179, so almost 937 crores of SEB substation jobs. So this both put together is 1592. Now out of 3019 you have 1604 as Power Grid so that's 1415. So SEB is 3000 plus.

Mr. Shalabh Agarwal - Sundram BNP Paribas

And sir these are finally related to generation projects or these are strengths you know this grid strengthening jobs?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

If I could share the list with you, if my marketing people allow me....

Mr. Shalabh Agarwal - Sundram BNP Paribas

Broadly these are more meant to the generation projects or....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Ok I will pull that out and tell you. We have RRVCNL, SLR job that is related to their own strengthening project. I think you could come later on I can give the details.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Sure, sure. Thank you sir and all the very best.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thanks.

Moderator - Rushali

Thank you Mr. Agarwal.

The next question is from the line of Mr. Sandeep Somani of HSBC Securities. Please go ahead.

Mr. Sandeep Somani - HSBC Securities

Sir just a followup question. Last time you shared that what kind of export bidding you have done. Can you share this time, you talked about all domestic order of 5800. Can you give us a favour wherein what is the amount of bidding you are looking at from Jyoti Structure in the International market?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We have bid for projects in Tanzania, in Namibia, in Tunisia.

Mr. Sandeep Somani - HSBC Securities

Sir any amount of this if you can give?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

All put together should be about 700-800 crores for export side, yeah.

Mr. Sandeep Somani - HSBC Securities

Sir last question from my side on order side, last time if I remember correct you had close to 2400 crores of export order being bided. So how many success rate on that or we are still awaiting

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We haven't heard anything about it.

Mr. Sandeep Somani - HSBC Securities

Are most of these announced or you are still awaiting?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

One job from Hyundai for a supply contract which is about 150 crores.

Mr. Sandeep Somani - HSBC Securities

Sir lastly that means that your order inflow from Power Grid entering is much better because I understand last time 300 crores of PGCIL you did so that has been pretty good?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

That's right.

Mr. Sandeep Somani - HSBC Securities

Ok. Thanks a lot and best of luck sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Somani.

Ladies and gentlemen this is for the benefit of participants who joined late in the conference call, you may press "*" and "1" to ask a question.

The next question is from the line of Mr. Ankit Babel of Dolat Capital. Please go ahead.

Mr. Ankit Babel - Dolat Capital

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Ankit Babel - Dolat Capital

Just the question on your interest cost, I understand that around

250 crores is the debt level as on date . So if I take the first 6 months average around 240 crores the interest cost is on 60 crores, this amounts to 25%. Could you just give me the breakup that how much would be pure interest and how much would be other charges of interest cost?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

As I said you can calculate the interest on 250 crores and the balance....

Mr. Ankit Babel - Dolat Capital

12.5%?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah at the rate of 11% and then the balance could be attributed to LC discounting trends.

Mr. Ankit Babel - Dolat Capital

And how much would be your banking charges which you are including other expenditure from the first half year?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I don't have the figures but I can give you the charges that we pay. On LC opening it is about 0.6%, on bank guarantees it is again 0.75%.

Mr. Ankit Babel - Dolat Capital

Bank guarantees?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Ankit Babel - Dolat Capital

Sir just want to project these numbers, they should project it to what? Sales is the right thing....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No I am not getting your question.

Mr. Ankit Babel - Dolat Capital

If we want to estimate your LC discounting and other charges, the bank guarantee charges so we should relate it to the sales figure or....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It is for you to relate because bank guarantee charges would include big bonds, it would include performance guarantees. It would include advance payment guarantees. So it will be very difficult for you to do that. I think if you can meet me I can give you the details.

Mr. Ankit Babel - Dolat Capital

Sir as far as your raw material prices are concerned, around 75-80% of PVCs. Is there a cap on PVC?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No.

Mr. Ankit Babel - Dolat Capital

Whatever rise is there or whatever fall in the commodity prices that you have to pass it on?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah.

Mr. Ankit Babel - Dolat Capital

100%?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

100%.

Mr. Ankit Babel - Dolat Capital

Thank you.

Moderator - Rushali

Thank you.

The next question is from the line of Miss. Renu Baid of B&K Securities. Please go ahead.



Miss. Renu Baid - B&K Securities

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning Renu.

Miss. Renu Baid - B&K Securities

Sir most of my queries are already through, I just wanted what will be the breakup in terms of revenue for the different segments?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

In this quarter?

Miss. Renu Baid - B&K Securities

Yeah.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It was 55% transitional line, 25% was substation and balance was RE, 20% was RE.

Miss. Renu Baid - B&K Securities

And sir one more query, regarding the order that we have of 300 crores and we were trying to work with the utilities to get converted to a PV secure. So what is the status, is it still a fixed price or...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No, no, we have subjected our claim of our price variation to them and they are considering that positively. We do not have a confirmation from them yet but I think we have to take it up to their board and then convey to us. So if it is positive I will let you know.

Miss. Renu Baid - B&K Securities

Alright sir. Thank you.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Miss. Baid.

The next question is from the line of Mr. Rahul Gajare of Religare Securities. Please go ahead.

Mr. Rahul Gajare - Religare Securities

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Rahul Gajare - Religare Securities

Sir most of the questions are answered. If you could repeat the orders you have tendered in the overseas market?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

A few like Tanzania, Namibia, Tunisia.

Mr. Rahul Gajare - Religare Securities

And what would be the amount of this?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

About 700-800 crores.

Mr. Rahul Gajare - Religare Securities

Sir would you repeat that?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Sorry?

Mr. Rahul Gajare - Religare Securities

How much is....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

700-800 crores.

Mr. Rahul Gajare - Religare Securities

Ok. Thank you sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Gajare.

The next question is from the line of Mr. Mitul Mehta of Lucky Securities. Please go ahead.

Mr. Mitul Mehta - Lucky Securities

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Mitul Mehta - Lucky Securities

Sir 2 questions, one on your capacity expansions programme and current capacity, how does it look like and what will be the expandable capacity?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

We did not have a capacity expansion programme in the current year. What we had was we are trying to modernize the plants by teaching out to be hydraulic machines and substituting them by CNC machines. So the capacity would remain at 95,500.

Mr. Mitul Mehta - Lucky Securities

And second question on the macro, what's happening on the ground we have been seeing more or less most of the expenditure have been going towards generations. If you could just throw light on what's happening on the transitional side and how things are moving there?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think I am too small a man to comment on the macro scene, what I can do is give you a 2 months outlook. What I have said that as a company we are into 3 segments, transitional line substation and rural electrification. And the tenders that are due in the next 2 months are valued at 5,790 crores, of which 3019 in transmission line, 2116 is in substation and 655 is in RE. So this is the visibility for the mixed.

Mr. Mitul Mehta - Lucky Securities

Thank you very much sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Mehta.

The next question is from the line of Mr. Madan Gopal of Centrum Broking. Please go ahead.

Mr. Madan Gopal - Centrum Broking

Good afternoon sir. Congratulations on very good set of numbers.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you very much.

Mr. Madan Gopal - Centrum Broking

When you mentioned about the tenders which are awaiting for the next 2 months, you mentioned that you have not included from REC and PFC which is around 6,000 crores. Are these relating to APDRP?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No, no, these are on the lines of western region system standing tenders which came in the private sector. This is North Karanpura related lines which have been facilitated by the REC. And they are trying to build a interconnection between the North-East segments and the northern grid. So that is being facilitated by PFC. So these 2....

Mr. Madan Gopal - Centrum Broking

Are likely to come?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

They have, this RFOs have come and they would be due somewhere in the month of November-December, the dates are also been announced for that.

Mr. Madan Gopal - Centrum Broking

So currently the APDRP scheme has been, the scheme has been announced, do you see any order inflow getting in anything out there?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Not yet.

Mr. Madan Gopal - Centrum Broking

So when would be bidding for this?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

What is coming in rural electrification is under Rajiv Gandhi Grameen Vidyutikaran Yojana.

Mr. Madan Gopal - Centrum Broking

And you mentioned again MSTCL order of 8,000 crores so that all you have not included in the 5,000....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No I have not, it's a tender what they are trying to do is they are dividing this whole Maharashtra State in 4 segments and they are inviting contractors who would do substation work packages and transmission packages. So this all put together is about 8,000 crores.

Mr. Madan Gopal - Centrum Broking

Ok sir. Sir one more question of the total order book which you mentioned of 3,616 orders, how much would be PGCL and state sector?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think it is traditionally about 50% average.

Mr. Madan Gopal - Centrum Broking

Thank you very much sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Gopal.

The next question is from the line of Mr. Mufaddal Jariwalal of Asian Market Securities. Please go ahead.

Mr. Mufaddal Jariwala - Asian Market Securities

Good morning sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Good morning.

Mr. Mufaddal Jariwala - Asian Market Securities

I have a couple of questions. One is what was the production in this quarter as compared to the corresponding quarter?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

The last 6 months we had achieved production tonnage of about 40,019 metric tonnes.

Mr. Mufaddal Jariwala - Asian Market Securities

And how much was that....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

40,149.

Mr. Mufaddal Jariwala - Asian Market Securities

And 6 months last year?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Sorry?

Mr. Mufaddal Jariwala - Asian Market Securities

6 months corresponding last year?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I don't have that right away.

Mr. Mufaddal Jariwala - Asian Market Securities

Or Q2 of FY `08?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

For the whole year we had achieved something like 75,000. This year we should be touching 95,000 for the whole year.

Mr. Mufaddal Jariwala - Asian Market Securities

And your capacity of 95,500 metric tonnes?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

95,500.

Mr. Mufaddal Jariwala - Asian Market Securities

That's utilization of about 99%?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah, yeah.

Mr. Mufaddal Jariwala - Asian Market Securities

Ok. Thank you sir.

Moderator - Rushali

Thank you very much.

Ladies and gentlemen participants who have questions at this time may press "*" and "1" now.

Participants who have questions may press "*" and "1" at this time.

We have a followup question from the line of Mr. Shalabh Agarwal of Sundram BNP Paribas. Please go ahead.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Sir just wanted to check as most of our orders are with the PVC, can there be a case with raw materials, declining the raw materials prices that the topline itself is an absolute basis. It does not grow next year or year after that because in the end of passing the....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yes, yes, could be, and I think if the prices decline by 50-60-70% then that could be a possibility.

Mr. Shalabh Agarwal - Sundram BNP Paribas

Ok. Thank you sir.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Agarwal.

The next question is from the the line of Mr. Ashish Kacholia of Lucky Securities. Please go ahead.

Mr. Ashish Kacholia - Lucky Securities

Sir wanted to ask you, there is any slowdown in some of the private sector orders that you were expecting?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Private sector, the generation with private sector like you have Sasan & Mundra, these are the two UMPP. But Sasan related tenders have been floated by Power Grid, responsibility to get the lines on the ground is with Power Grid. So Sasan related lines have come up, even Mundra related lines have been tendered by Power Grid.

Mr. Ashish Kacholia - Lucky Securities

But there was a trend of some of the newer transmission line that were coming up like Torrent or...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Torrent also came up, the Power - Grid Torrent JV came up with a tender for their transmission lines.

Mr. Ashish Kacholia - Lucky Securities

As of now have you seen any trend that any of the transmission lines are being put up around the private sector? Everywhere the lines are being put up only by....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

With Power Grid, except for Torrent which started their own transmission lines from Mundra to Dehgam, he will be completing in the month of December. I haven't see any other, there is one tender out by Jindal Steel that is from Raigad to New Bombay, that was allotted to MP.

Mr. Ashish Kacholia - Lucky Securities

That's about the only the private sector line that you are...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Yeah, yeah.

Mr. Ashish Kacholia - Lucky Securities

And going forward do you see any mode of this trend or you are anticipating that PGCL will be taking the bulk of the load?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think PGCL has been taking the bulk of the load and given the financial markets I don't know how many private sector guys will be able to _ up the funds required for private sector transmission. The situation is so fluid may be when it settles down things will be much clearer.

Mr. Ashish Kacholia - Lucky Securities

Any thoughts by Jyoti Structure of entering into the allied equipment areas such as transformers?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

I think we are happy doing what we are doing, if we can focus on this and do a good job, I think we would have done well for ourselves.

Mr. Ashish Kacholia - Lucky Securities

When do you see the _ from operations turning significantly for Jyoti Structures?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It showed in the current year.

Mr. Ashish Kacholia - Lucky Securities

This is after all our working capital requirements, still will be profited on...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Last year the Balance Sheet had a net cash positive of over 15-16 crores but the trend should continue.

Mr. Ashish Kacholia - Lucky Securities

But significantly it should be cash generating cum....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It is a tricky question because I think it depends on what kind of capital expenditure we operate and what kind of order book we have in the next year. The order book is on like 25-50% growth and if we had completed capital expenditure you can have significant cash in next 2-3 years.

Mr. Ashish Kacholia - Lucky Securities

And any trend in the retention money that is retained by the PGCIL. There was so mention that it might come down over the next few years?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No it has been 10%.

Mr. Ashish Kacholia - Lucky Securities

It is continuous.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It is continuous, yes.

Mr. Ashish Kacholia - Lucky Securities

And any hopes of that going away, any referadations made by the industry?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No I think that is standard all over the place.

Mr. Ashish Kacholia - Lucky Securities

It is not unique to India?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

No, not unique to India.

Mr. Ashish Kacholia - Lucky Securities

Alright. Thanks sir and all the best.

Moderator - Rushali

Thank you Mr. Kacholia.

The next question is from the line of Mr. Mr. Sandeep Somani of HSBC Securities. Please go ahead.

Mr. Sandeep Somani - HSBC Securities

Sir this is followup question, my point was that you were saying that we might see a topline and....?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It was quite a, I cant put a word to it.

Mr. Sandeep Somani - HSBC Securities

Yeah, yeah I agree. I just wanted to come back on this and visibly I have to see say Rs. 100 of contract on which say Rs. 90 is your cost and Rs. 10 is your margin, let's presume. So this Rs. 90 goes down to say Rs. 80 because of lower steel cost, will Rs. 10 is also going to go down or it will remain static?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

It will go down.

Mr. Sandeep Somani - HSBC Securities

Rs. 10 of your margin will also go down?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

How can margin go down?

Mr. Sandeep Somani - HSBC Securities

I am just asking because, no, no, I am just asking on margin front because if I look at 90 + 10...?

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Quite stupid, I think the question first itself was so stupid that how much can topline come down? I think if you are talking of the commodities going down by 50-60% then of course I agree the topline can come down. But to say that the margins also come down was like we should have said that then the prices went up the margins should have gone up?

Mr. Sandeep Somani - HSBC Securities

No, no, no I am just checking with you, I am not saying it will go down. I am just saying that on...

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

You have been attending the con call so often and regularly, you should not be asking me this question.

Mr. Sandeep Somani - HSBC Securities

But on the percentage terms it will drastically go up, I just want to understand that Rs. 10 of your margins remains static that's what I want to estimate, that was my question. Thanks.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Moderator - Rushali

Thank you Mr. Somani.

Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to Mr. Apurva Patel for closing comments.

Mr. Apurva Patel - Prabhudas Lilladher

Thank you. Thank you everyone and thank you Mr. Nayak for taking time out and all the very best to you for the future.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Thank you.

Mr. Apurva Patel - Prabhudas Lilladher

Thank you.

Mr. Santosh Nayak - Deputy Managing Director, Jyoti Structures

Bye.

Moderator - Rushali

Thank you Mr. Patel, thank you Mr. Nayak.

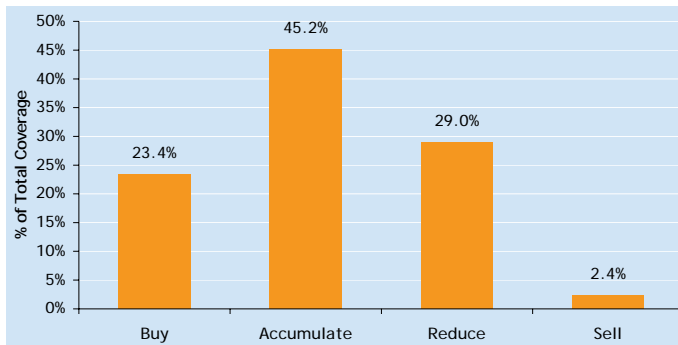


Ladies and gentlemen on behalf of Prabhudas Lilladher that concludes this morning's conference call. Thank you for joining us and you may now disconnect your lines.

Thank you.

END.

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