

Q4 FY08 Post Earnings Conference Call Transcript

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- **Moderator - Subhalakshmi:** Good afternoon ladies and gentlemen thank you for standing by, this is Subhalakshmi the moderator for your call today. We welcome you to the conference call of KEC International hosted by Prabhudas Lilladher. We have with us today Mr. Ramesh Chandak - Managing Director, Mr. Vardhan Dharkar - CFO, Mr. B. L. Chandak - VP (Corporate Finance) RPG Group from KEC International and Mr. Apurva Patel, Analyst from Prabhudas Lilladher.
- At this moment all participants are in a listen only mode, later we will conduct a question and answer session. At that time if you have a question please press "*" and "1".
- I would now like to turn the conference over to Mr. Apurva Patel. Please go ahead Mr. Patel.
- **Apurva Patel - Prabhudas Lilladher:** Thank you Subhalakshmi. Good afternoon everyone. We will start with Mr. Ramesh Chandak giving us a brief on the numbers and then we will open the floor for questions and answers session. Over to you sir.
- **Ramesh Chandak - KEC International:** Thank you Apurva. Let me first thank Prabhudas Lilladher for organising this conference as usual and really thank all participants also for taking interest in KEC.
- The fourth quarter has been very satisfying for various reasons. Firstly that the company has achieved crossed the turnover of 1,000 crores in Q4 which we are very happy about it, also our profits have doubled in Q4. During 2007-08 KECs growth was really powered by large value orders which functioned in new market, new entry in substation, consideration of our operation and also because of the merger of RPGT and NITEL that is the combination of that.
- If we really look at the profitability for this quarter our sales are
- 1,031 crores for the Q4 and EBITDA is about 113.56 crores which is about 11% and the PAT is 60.66 crores against last year's 30.19 crores. The revenue from international business is about 600 crores and from South Asia business is 431 crores, South Asian __. For the full year that is 31st. March 2008 we have achieved a sales of 2,814 crores against last year's 2,041 crores and the breakup of __ I think will be about 65% international and 35% is South Asia and company's profits for the whole year is 172.16 crores, again substantial increase over last year, last year it was 104 crores.
- For KEC the year 2007-08 has been record breaking for order flow also. Our international as well as South Asia order book has improved substantially. The company has a very healthy

order book level of 4,200 crores out of which again 70% is international i.e. 2,950 crores and South Asia is 30% at 1,250 crores and we are confident these orders will continue in this year also because all the areas that we are operating are all growing. During the year 2007-08 the company completed record number of projects, I think this year also we will also be completing whole projects, almost 10 international and 21 South Asia projects were closed this year. South Asia business we look at India, Sri Lanka and Bangladesh countries although there are some slowdown, experience the big sector in the beginning of the month because of the Power Grid all this not showing that is most of the problem of Power Grid are now resolved and we hope that the Power Grid orders will continue to show now.

- The state _ which were really not giving orders earlier has now again started very active and during the year itself we have received good orders from Rajasthan, MP, Jammu & Kashmir, Karnataka and we also received I think about 5-6 substation packages. We have started and we are doing very well in that. Also we feel that the projects in 2008 has gain talked about the growth in power sector putting some more money in APDI getting about 800 crores and also propose the national funds of transmission and distribution which will have some more orders through that fund but our budget has also reactivated that Rajiv Gandhi Gramin _ Yojana which is not happening. So again those orders are floating. So what are we seeing good opportunity in India, similarly Bangladesh, Sri Lanka also very active now and we hope that the business will come from this year also. We are existingly operating in both the countries and exhibiting the project both in Bangladesh and Sri Lanka.
- The company which added NITEL have a good order book and this year has already done more than 100 crores and next year we expect a good growth in that. We are also executing deal about 400 sites under the USO fund, these are the sites which we form and operate mainly in the State of Chattisgarh, Mizoram and Meghalaya and we expect that all these orders we get, all these executions will get completed by June end. So we will be having 400 towers on our books available for rental. This is a good business, new business on which we are supposing is railway business and I think in railway business as we are seeing that the 11 plan targets are very high almost 43,000 crores they are planning to spend on that. Similarly they are also talking about dedicated rail freight _ and substantial amount almost close to 35,000 crores will come in that. Looking at that we have also decided to _ from this particular business this year and we hope that we should be able to do business in this direction.
- When you look at international side the main region we are operating on is the Middle East and with the oil prices continuing from the level where they are currently all economies of Middle East countries are booming. And many infrastructure projects under the region are happening and again we are a major player in this region and we hope that we will be able to maintain a good market share in this. Africa region also we are seeing lot of new countries are taking active interest in that. They have a lot of _ and commodities and because of which a lot of funding is possible. Particularly we look at South Africa and the _ region countries, the growth is very good as it is their _ is also reasonable. Similarly North Africa is also very active particularly Lybia to Lucia, Algeria, Morocco, that area. We are see overall good growth in the African region also.
- Central Asia we have seen, Khazakistan we have seen because of the gas availability, Europeans funds are ready to fund the project and we have already executed, we have completed one project, second is under execution. Similarly other areas are improving. So

overall it looks that the area that we are operating there are opportunities in both the areas and all the areas where power and telecom both are very active. Our objective of building infrastructural growth will continue and we expect that the _ should also be good enough. Now of course this year there will be some pressure on the margins. There will be number of players getting added into the whole business and also to some extent the pressure on the steel prices, there has to be some marginal impact. I would say that the margins will come to more logical level about 10% which is the normal margins, normally most of the infrastructure companies have. So I expect that this year also it will be very good and thank you very much.

- **Moderator - Subhalakshmi:** Ladies and gentlemen. We now begin the live question and answer session. If you have a question please press "*" and "1" on push button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request you may do so by pressing the "#" (hesh) key.
- We have our first question from Mr. Sachin calling from ICICI Prudential. Please go ahead sir.
- **Sachin - ICICI Prudential:** Sir could you throw some light on the kind of margins that you expect going ahead in the business in the wake of way steel prices have moved and secondly what's happening on the PDCL orders, what kind of traction? I believe there is some change in the top management at PDCL also. So how does this thing impact? Will there be a slowdown in the entire set of things?
- **Ramesh Chandak - KEC International:** As you look at the margins, actually the margins will be at the same level where they should be, normally all the margins are at 10%, I think the margins should be around 10%. I don't expect any change, we had some spur in last 1-2 years I think the spurt may not be there. But I think logically the _ projects most often you see on a long term are around 10% and that margins will continue so. I don't see really margins having a substantial change.
- **Sachin - ICICI Prudential:** But do you see that trend? How do you see yourself moving towards trend? Will it happen in one good year, may be next year or how does that happen?
- **Ramesh Chandak - KEC International:** We expect that the, actually the target we cannot make more than that a bigger target. I think even last year I spoke about the margins, always been maintaining that the margins should be around 10% or sometimes you have a good order and your margins goes up. This margin growth is also not because of all the orders but sometimes you get the order which you get much higher margins. I think 10% of the normal margins for the industry and so far as the Power Grid orders are concerned one thing I don't think there will be impact of top management changing running organisation. So 1% cannot make much change because something is changing there and they have a target where targets are very aggressive. I am sure that they will be able to meet their targets and eventually orders will show when they have to meet the targets.

- **Sachin - ICICI Prudential:** Sir the question is that I am trying to figure out is that because one-off margins is obviously ok but most of the market now build up margins which will be in the line of 12.5% for most of the transmission power companies. So will there be a huge slump by almost 20% margins slump to 10% in `09 or something like that?
- **Ramesh Chandak - KEC International:** I think the margins should be between 10 and 11.
- **Sachin - ICICI Prudential:** From 12-12.5 in `08?
- **Ramesh Chandak - KEC International:** Yes. It will all depend on really something was very positive or you get some couple of orders better, the margins will go back to 10% but normally the margins are around 10-11% and that should continue.
- **Sachin - ICICI Prudential:** PGCIL you don't see any delay till next 3-4 months?
- **Ramesh Chandak - KEC International:** I don't see any reason for delay. Ultimately the running organisation if someone goes there will be someone who will take charge for it and rest of the Board is not changing, I don't think there will be a major change in power.
- **Sachin - ICICI Prudential:** Ok. Thank you sir.
- **Ramesh Chandak - KEC International:** Thank you.
- **Moderator - Subhalakshmi:** Thank you Mr. Sachin for your question. Our next question comes from Mr. Kunal calling from Religare Securities. Please go ahead sir.
- **Kunal - Religare Securities:** Good afternoon sir. Sir my question is pertaining to your margins. You said that in the long term the margins should be around 10% for any infrastructure project but if we consider you know the kind of steel costing _ and I believe most of your contracts specially the international ones are fixed price contracts.
- **Ramesh Chandak - KEC International:** Yeah.
- **Kunal - Religare Securities:** So what would we take a hit which is more than the normal kind of margins because of the substantial rise in steel prices?
- **Ramesh Chandak - KEC International:** When I am saying that the margins are around 10% I have actually taken everything into consideration, isn't it?
- **Kunal - Religare Securities:** Right sir.
- **Ramesh Chandak - KEC International:** Then we know what are the steel prices? What are the order book and order book is already there? There is no reason to have any special hit. When you look at the future orders which will _, the future order we know that what is the price level and where it is going? So I don't see that if I have to quote today I will have to consider today steel cost, aluminium cost, zinc cost...
- **Kunal - Religare Securities:** There is no question of orders being bigger today because that obviously you know...?

- **Ramesh Chandak - KEC International:** As far as the orders in hand are concerned I think based on that I want to reassure you that the margins will be in the range of 10%.
- **Kunal - Religare Securities:** Right sir. One more thing I wanted to know, you mentioned that margins will also be in pressure because of the competition. So who are the other players whom you are saying are quite active in the bidding process?
- **Ramesh Chandak - KEC International:** Today I think everybody is active, I think it is a long list now. There is a typical style of __, there are many industries doing good. There will be 20 people coming more, they have to make loss in 1-2 tenders before they really start stabilising the factors. I think already 6 months they have quoted those prices and another few months everything will stabilise. No one can afford to continue to suffer losses.
- **Kunal - Religare Securities:** Are there any substantial names you know they keep referring in terms of when you see participating in bidding someone like the IVSDL?
- **Ramesh Chandak - KEC International:** Everyone is active I think it is already hit and miss. When the new player comes they come in one order, __ and they don't __ for another 4 tenders. When a new person comes there will be __, I think hit and miss.
- **Kunal - Religare Securities:** Ok sir. Thank you so much for your time sir.
- **Moderator - Subhalakshmi:** Thank you Mr. Kunal for your question. Our next question comes from Mr. Nainesh calling from Tata Mutual Fund. Please go ahead Mr. Nainesh.
- **Nainesh - Tata Mutual Fund:** I think my question has been answered, I am just referring to numbers on standalone basis for the year ended just for KEC International if you could still clarify on that sir without excluding NITEL and RPG numbers?
- **Ramesh Chandak - KEC International:** I think if you look at this counter it is about 100 crores thing.
- 131 crores would be NITEL...
- 131 out of 1,031, 131 is from the new entity.
- **Nainesh - Tata Mutual Fund:** And for the year ended sir?
- **Ramesh Chandak - KEC International:** Year ended it is 222.
- **Nainesh - Tata Mutual Fund:** And in terms of EBITDA and profits, give us that breakup as well sir?
- **Ramesh Chandak - KEC International:** PAT is 9.5 crores for the quarter and 49.5 crores for the half year.
- **Nainesh - Tata Mutual Fund:** And EBITDA also can you?

- **Ramesh Chandak - KEC International:** We don't have ready figure but I think we had another couple of crores to that.
- **Nainesh - Tata Mutual Fund:** That's all from my side. Thanks a lot.
- **Ramesh Chandak - KEC International:** Ok. Thanks.
- **Moderator - Subhalakshmi:** Thank you Mr. Nainesh for your question. We have our next question comes from Mr. Sachin Trivedi calling from UTI. Please go ahead
- **Sachin Trivedi - UTI:** Hi! Sir. Sir just wanted to know what was order flow for this quarter?
- **Ramesh Chandak - KEC International:** This quarter I really don't have but really happens is that I can say that last year it was 2,000 crores plus if I take the se entities which they had an order book of about 400 crores to 80 crores. So against this 3,300-3,400 crores which our order book is 4,200 crores on a comparable basis.
- **Sachin Trivedi - UTI:** Ok these 4,200 crores includes L1 also or....?
- **Ramesh Chandak - KEC International:** No, no L1, order means order, not L1.
- **Sachin Trivedi - UTI:** And if you could share with us what is the L1 position?
- **Ramesh Chandak - KEC International:** L1 would be another 800 crores I would say.
- I think _ we should talk about orders in hand.
- **Sachin Trivedi - UTI:** Ok.
- **Ramesh Chandak - KEC International:** Where L1 can remain L1 _ what will you do?
- **Sachin Trivedi - UTI:** Ok sir. One more question I believe in this budget there was additional provision for 2% service tax, is it?
- **Ramesh Chandak - KEC International:** Yes, yes. You will get reimbursement for that, they are pass through items.
- **Sachin Trivedi - UTI:** It's a pass through item?
- **Ramesh Chandak - KEC International:** Yeah.
- **Sachin Trivedi - UTI:** For all the contracts or only for PGCIL contracts?
- **Ramesh Chandak - KEC International:** Just one minute, I am just checking out.
- I think there will be basically pass through in almost all the orders.
- **Sachin Trivedi - UTI:** Ok so no impact of that.
- **Ramesh Chandak - KEC International:** No, no.

- **Sachin Trivedi - UTI:** And sir as far as our international business is concerned how do we manage our metal prices?
- **Ramesh Chandak - KEC International:** The metal prices are not very easy to manage. We have a commodity test which tells us that how much we should provide when we put a bid. But sometimes _ goes beyond what we can plan nowadays. We have very good relationship with many of the suppliers particularly Corus, Mittal and all those. We are able to contact some advanced contact not really taking but say contracts for 3 months, 4 months, 5 months delivery. Rest of it is all, you have to cover that putting that additional provisions into the order itself. We tried India but India does not have, they deal with coils and all other things. It is not really working 100%. LME started when it started again did not work, I think 20th April, the second day they started again. There is no liquidity in the market because until the time hedge funds do not go into the steel future, the real liquidity is not provided. So LME is trying very hard to build the future market for steel. What we are seeing is that the hedge stones are not really very active as of now in the billet market. I think it will take another couple of months by the time this can really get activated but aluminium had started.
- **Sachin Trivedi - UTI:** Sir one more question on the PGCIL front. As far as PGCIL is concerned the entire inflation is the pass through item or is there any cap particular cap for that?
- **Ramesh Chandak - KEC International:** That is always there, there is always a cap. I don't think today there is any cap.
- **Sachin Trivedi - UTI:** Right now there is no cap but...?
- **Ramesh Chandak - KEC International:** There used to be cap I think few years ago, I think right now there are no such caps.
- **Sachin Trivedi - UTI:** Ok. Thanks a lot sir.
- **Ramesh Chandak - KEC International:** Thanks.
- **Moderator - Subhalakshmi:** Thank you Mr. Sachin for your question. Our next question comes from Mr. Singh from Edelweiss Capital. Please go ahead Mr. Singh.
- **Singh - Edelweiss Capital:** Good afternoon sir.
- **Ramesh Chandak - KEC International:** Good afternoon Mr. Singh.
- **Singh - Edelweiss Capital:** Yes sir. Sir I had few questions on NITEL, I wanted to know the revenues, EBITDA and PAT for NITEL for this year and the quarter?
- **Ramesh Chandak - KEC International:** And quarter?
- **Singh - Edelweiss Capital:** Or may be for this year also would be fine.
- **Ramesh Chandak - KEC International:** On 31st March, 62 crores this year.

- 62 crores is the NITEL's turnover actually whatever emerged half year.
- **Singh - Edelweiss Capital:** 62 crores is for half year?
- **Ramesh Chandak - KEC International:** Yeah regular revenue.
- **Singh - Edelweiss Capital:** And EBITDA and PAT?
- **Ramesh Chandak - KEC International:** _ 10% same.
- **Singh - Edelweiss Capital:** But this was about 66 crores in `07 right, NITEL?
- **Ramesh Chandak - KEC International:** 66 crores for the whole year. We are talking of _ 62 crores.
- **Singh - Edelweiss Capital:** And how do you see growth in NITEL going ahead?
- **Ramesh Chandak - KEC International:** Very good. In telecom everybody is talking so those has to be excellent, actually 50%....
- **Singh - Edelweiss Capital:** Sir on the Power Grid side, Power Grid did a capital expenditure of something like 6,500 crores in FY `08 and we know that you know most of the orders came in Q4 of sale of about 2,000 crores. So around 4,500 crores was actually done in the first 9 months but you know that time we do know that there is some kind of slowdown. So I mean the capital expenditure is only on transmission lines and substations. So my question is according to the numbers of Power Grid it doesn't show substantial slowdown even in the first 9 months in terms of capital expenditure. So where is the inconsistency here?
- **Ramesh Chandak - KEC International:** I don't know from where you got your numbers but let me tell you that so far as the orders released on transmission are concerned Power Grid _ least number of orders in last 3 years into `07-`08. But the order released by Power Grid for transmission were less than what they released in 206-2007 and were less than what they released in 2005-2006.
- Now point number 2 I think every single person is asking question on Power Grid, all the earlier questions also asked me the same. In my total order book of 4,200 crores Power Grid is not even 700 crores so our business model in KEC is not driven by Power Grid alone. We should look at it my Power Grid always _, 4,200 crores hardly 700 crores. I have order books from all other areas. The growth of up or down is not dependent upon Power Grid alone in KEC. I think what I am saying is that you are forgetting other questions, you are asking only Power Grid question.
- **Singh - Edelweiss Capital:** No, no, I was just trying to figure out...
- **Ramesh Chandak - KEC International:** Let me tell you that, let me tell you, secondly Power Grid is very efficient organisation in relation to many other Government companies I would say. Now whatever backlog they had in 2007-08 I am very confident that they will cover in 2008-09 because it is not, transmission order is not in our control, not in the control of Power Grid. Once the generation project comes no person whatsoever can stop bringing

down the transmission, no country can afford that you generate power and don't draw the power. So when the generation project comes the _ will automatically come. The reason that Power Grid orders did not show last year at a great speed was there is no pressure as such on the generation because the generation is delayed. And when the generation is delayed no matter how Power Grid is efficient the transmission order cannot come. Actually what you need to really check that how the generation orders are going. It is not important that transmission order has to happen no matter what happens, whether Power Grid is private sector, whatever sector. So far in the history of India in last 50 years it has never happened that the generation is ready and the transmission is not ready. Actually what you have to do, really we have to track whether the generation is happening or not?

- **Singh - Edelweiss Capital:** Ok sir. Thank you.
- **Moderator - Subhalakshmi:** Thank you Mr. Singh for your question. Our next question comes from Mr. Kunal Bhatia calling from Dalal & Broacha. Please go ahead.
- **Kunal Bhatia - Dalal & Broacha:** Hello sir.
- **Ramesh Chandak - KEC International:** Hi Kunal.
- **Kunal Bhatia - Dalal & Broacha:** Hi sir. I just wanted a breakup of your order book of 4,200 crores and executable period?
- **Ramesh Chandak - KEC International:** Breakup in international is 2,950, South Asia is 1,250 executable over 18 months coverage.
- **Kunal Bhatia - Dalal & Broacha:** Ok sir can you provide me with segmental?
- **Ramesh Chandak - KEC International:** Segmental?
- **Kunal Bhatia - Dalal & Broacha:** Yeah.
- **Ramesh Chandak - KEC International:** Largely still is transmission?
- **Kunal Bhatia - Dalal & Broacha:** Largely is transmission. That would be around 60%?
- **Ramesh Chandak - KEC International:** 85%.
- **Kunal Bhatia - Dalal & Broacha:** Ok. Thank you sir.
- **Ramesh Chandak - KEC International:** Thanks.
- **Moderator - Subhalakshmi:** Thank you Mr. Bhatia for your question. Our next question comes from Mr. Samdhani from Motilal. Please go ahead.
- **Samdhani - Motilal:** Good afternoon sir.
- **Ramesh Chandak - KEC International:** Hi! Samdhani.

- **Samdhani - Motilal:** Sir I just wanted to know or understand the commercials of the boom order which you are executing. Basically what would be the revenue model of this particular....?
- **Ramesh Chandak - KEC International:** Of the boom business?
- **Samdhani - Motilal:** Yeah 384 towers which you are....
- **Ramesh Chandak - KEC International:** I think this are under the USO fund so one thing is very clear that there will be 3 tenants on each tower that's a positive sign. When you put the tower on your own you have to really market for the rentals. Here the rentals are guaranteed because you are under the scheme. Whoever is operating in that area has to give me the rental. Ok now rental will depend upon actually various factors but I think today we have, this power we are constructing at a 50% subsidiary. So I think it is a very...
- **Samdhani - Motilal:** What is the cost I mean 125 crores or something for these 384 towers which you are having?
- **Ramesh Chandak - KEC International:** Yes.
- **Samdhani - Motilal:** Ok so it is 50% subsidiary includes in this or I mean...?
- **Ramesh Chandak - KEC International:** No 50% over and above, the past is correct 125 crores. Out of that you will get a 50% subsidiary.
- **Samdhani - Motilal:** Ok so here _ it will be 62 crores order?
- **Ramesh Chandak - KEC International:** No it is not staged liked that, it will come over a period of 5 years.
- **Samdhani - Motilal:** Ok it will come in a period of 5 years and the rentals basically will be per tenantwise per month basis or....?
- **Ramesh Chandak - KEC International:** Yeah.
- **Samdhani - Motilal:** It will be around 25,000, 50,000?
- **Ramesh Chandak - KEC International:** I don't know. I have no idea actually, I am not that up-to-date on that. Initially they have to give reimburse all over the _ and then I think the rental starts. I think there is some model I don't remember it now.
- **Samdhani - Motilal:** So if I want to say payback for this particular project?
- **Ramesh Chandak - KEC International:** I think today you should really look payback from the valuation side. If the valuations are so, that looks very good but I don't know what we will do with that.
- **Samdhani - Motilal:** Ok fine. So what type of topline we can see from this particular project in next 2 years and if I want to put you....?

- **Ramesh Chandak - KEC International:** We really don't give guidelines so I really cannot tell you the exact numbers because we have been consistently avoiding....
- **Samdhani - Motilal:** Ok the second question was regarding your KEC US and JV. I just want to know whether if you can tell me that whether there is any manufacturing setup or it is just a part of marketing or...?
- **Ramesh Chandak - KEC International:** Currently it is mainly marketing. I think to give you the feedback from US market most of the projects there are under write-off clearance. Here write-off clearance is very different than the way the write-off clearance is given in India or Middle East or Africa.
- 30:02
- **Ramesh Chandak - KEC International:** Everything is given in India, Middle East or Africa. So there at least the builder has to go and buy the land there. It is a long process. So it will take some time, I think almost 8-10 months it will take to get the right of most of the projects which are in the pipeline. So something will start only after that period.
- Right now as such there won't be any order book under that particular?
- **Ramesh Chandak - KEC International:** I don't think so.
- Okay sir, thanks a lot. I'll get back to you later.
- **Moderator:** Thank you Mr. Samtani for your question. The next question comes from Mr. Salim Desai from ID&FL. Please go ahead Mr. Desai.
- **Siresh - SSKI:** Hello Sir, this is Siresh from SSKI Sir. Sir, just wanted to know the other expenses, is there a Forex loss or something which was booked or is there a extraordinary..?
- **Ramesh Chandak - KEC International:** That is one thing we don't have. Everybody has been asking me, in the board also everybody was asking me. So one thing is there at least we don't have any exposure on that, fortunately.
- **Siresh - SSKI:** I need to ask in a different way. I mean because of the way international currencies have behaved, has there been any impact on your reported numbers in terms of revenues being lowered or margins being lowered?
- **Ramesh Chandak - KEC International:** Ya correct. See my numbers would have been higher by about 150 crores.
- **Siresh - SSKI:** For the full year?
- **Ramesh Chandak - KEC International:** For the full year, if the dollar had not depreciated.
- **Siresh - SSKI:** You mean to say at the start of the year whatever was the dollar number is the number had that remained the same on 31st March we would have got additional 150 crores?

- **Ramesh Chandak - KEC International:** 150 crores. Also because there is a slight impact on margin because the margin I think not on the entire 150 crore but the pending 30% whatever we contribute from India, rupee term. On that there will be impact in margin. One is that much EBITDA margin has come less in dollars and plus whatever value addition we do in India are valuations in those countries only. Whatever we do forward that also impact is there. There is a small effect on the margins also because of that. But for that our results would have been slightly better than what they are today. It's not making a major impact I would say. In front of a turnover 3000 crores 150 crores is not that big.
- **Siresh - SSKI:** That's well taken. I think the only point was, can you quantify the number how much could have been, 2 crores, 3 crores..?
- **Ramesh Chandak - KEC International:** The margin one?
- **Siresh - SSKI:** Ya.
- **Ramesh Chandak - KEC International:** You can take 30% of 45.. About 4 crores.
- **Siresh - SSKI:** About 4-5 crores roughly one can say that on a full year basis.
- **Ramesh Chandak - KEC International:** Ya.
- **Siresh - SSKI:** So not a very significant proportion in that sense really.
- **Ramesh Chandak - KEC International:** No because our cost are also in dollar terms.
- **Siresh - SSKI:** I was just trying to put it in perspective. Would it be fair to say that if this year as the first month suggests dollar has been showing a different trend, so would you stand to gain if the same trend continues for the next 11 months? The convert also has to be proven, Sir.
- **Ramesh Chandak - KEC International:** If it continues around 40, 4 crores is hardly going to make any difference. If it has happened on a 10-12% variation so couple it with variation how much it will make.
- **Siresh - SSKI:** I understand. My limited point is that what has happened when..
- **Ramesh Chandak - KEC International:** If it goes up naturally we'll be benefited if it goes to 45 rupees.
- **Siresh - SSKI:** So you have not changed, in terms of you have not done anything to change your business practice to reduce this or increase this. There's no change in the way you conducted business last year and you will conduct this year just because rupee has changed?
- **Ramesh Chandak - KEC International:** Naturally we'll take a view, last time also we took a view of the dollar and we quoted accordingly which the margins are better or we would have quoted otherwise. If we really think that the dollar is really appreciating we'll be more aggressive in quoting. See as I said about our currency we are in continuous touch when we

put a bid, so we take a view on that and based on that the way we quote. See the amount which are getting impacted by that are a round about figure.

- **Siresh - SSKI:** Okay fine Sir. Thank you very much Sir.
- **Moderator:** Thank you Mr. Siresh for you questions. Our next question comes from Mr. Nisabri from Asian Market Securities. Please go ahead.
- **Nisabri - Asian Market Securities:** Good evening Sir.
- **Ramesh Chandak - KEC International:** Good evening.
- **Nisabri - Asian Market Securities:** I'd firstly like to congratulate on your good set of results.
- **Ramesh Chandak - KEC International:** Thanks.
- **Nisabri - Asian Market Securities:** My question pertains to the debt number, the cash number and the gross block as on FY08?
- **Ramesh Chandak - KEC International:** Debt is 592 crores. 590 sorry. And the last year debt was 386. And this year we have cash balance because a lot of collection came in the end of the year so if you really look at the net borrowing position or net debt position, it is 522 against 365. An increase of about 43%. And the half year figure did not include the RPGD, this year figure includes RPGD also. If you look at it the sales are gone up by 40% and the borrowings are also up 40%.
- **Nisabri - Asian Market Securities:** And what would be the gross block position?
- **Ramesh Chandak - KEC International:** Gross block is 521 crores.
- **Nisabri - Asian Market Securities:** And what was the capital expenditure in FY08?
- **Ramesh Chandak - KEC International:** About 15-20 crores.
- **Nisabri - Asian Market Securities:** And how do you see it going further in 09 and 10?
- **Ramesh Chandak - KEC International:** 09 200 crores.
- **Nisabri - Asian Market Securities:** 200 crores in 09?
- **Ramesh Chandak - KEC International:** Ya.
- **Nisabri - Asian Market Securities:** That would be largely for the telecom business?
- **Ramesh Chandak - KEC International:** Yes.
- **Nisabri - Asian Market Securities:** And in FY10?
- **Ramesh Chandak - KEC International:** FY 10 I don't know.

- **Nisabri - Asian Market Securities:** And do you see any major borrowings coming up in the next year?
- **Ramesh Chandak - KEC International:** In telecom there is a borrowing. Naturally we are trying to modify our existing factories and increase the capacity of the factories so there will be some borrowing against that. And we are largely investing mainly to increase our construction capability in the overseas market. So I think there a lot of equipments we are buying of our own. So there is possible some borrowing.
- **Nisabri - Asian Market Securities:** Basically right now the debt position is 590 crores so where do I see it, around 700 crores?
- **Ramesh Chandak - KEC International:** No it should be less than that. Borrowing position next year?
- **Vardhan Dharkar - KEC International:** The capability will be there. And working capital debt will have not much increase in that.
- **Ramesh Chandak - KEC International:** I think maybe 700 crores is a good guess.
- **Vardhan Dharkar - KEC International:** 675- 700 crores is I think a good guess.
- **Ramesh Chandak - KEC International:** Ya, 700 crores.
- **Nisabri - Asian Market Securities:** Could you repeat the cash position, I didn't get that number?
- **Vardhan Dharkar - KEC International:** The last day collection particularly power grid and some others, the last day collection was huge. So 68 crores is there.
- **Ramesh Chandak - KEC International:** And the last year was how much? 21 crores. One thing is there, we have 30-45, small small amounts spread over it. And there is always a pressure on the year end to collect funds.
- **Vardhan Dharkar - KEC International:** Each of the government organizations has it's own gadgetry vehicle and they accordingly make the payments. There is a lot of payment which came in last 3-4 days of the month, March. That has turned into cash.
- **Nisabri - Asian Market Securities:** As you see, a lot of the CAPEX expenditure would be for the construction of the telecom towers.
- **Ramesh Chandak - KEC International:** The construction cost is only 100 crores.
- **Nisabri - Asian Market Securities:** 100 crores, okay. The result is additional gross block so that goes from 520 crores to approximately what, 600 crores?
- **Ramesh Chandak - KEC International:** Yes.
- **Nisabri - Asian Market Securities:** Okay, that would be it Sir, thank you.

- **Moderator:** Thank you for your questions Sir. The next question comes from Ms. Renu from B&K, please go ahead.
- **Renu - B&K:** Good evening Sir, Renu here from B&K.
- **Ramesh Chandak - KEC International:** Hi.
- **Renu - B&K:** Hi Sir. Just wanted to know something more on the order book Sir. We have seen a geographical distribution of close to 70% in the overseas market. So how would that mix fall with Central Asia, Middle East and African markets, how would that break into?
- **Ramesh Chandak - KEC International:** As of today North America is 3%, Africa is 19%, Central Asia is 17%, Middle East is 23%, India is about 35-38%.
- **Renu - B&K:** So across geographies which according to you would be one of the most profitable and most lucrative segment in terms of investment and profitability?
- **Ramesh Chandak - KEC International:** They are all same.
- **Renu - B&K:** All comparable whether it is Africa..?
- **Ramesh Chandak - KEC International:** Africa maybe slightly better.
- **Renu - B&K:** And Central Asia would be comparable or..?
- **Ramesh Chandak - KEC International:** Comparable.
- **Renu - B&K:** Sir, In African markets if you could give some view on what kind of investments are expected say from South African markets and other African countries from that side?
- **Ramesh Chandak - KEC International:** I don't have the actual numbers what they want to invest. But I can give you the brief on what it is operating. See, particularly the southern region which is the South Africa region, see their GDP growth is reasonable. They have a shortage of power, South Africa is seeing blackouts on a daily basis. So government is really focused on investing a lot funds in this market. So that market should grow at a very good rate. Now you cannot have a rate in the smaller countries when a large transition comes then there will be a lull for few months, then another will come. Like let us take SRWTR, full transition the next is not going to come for 5 years. Now we cannot exceed and audit the growth. The next one other may come in Wasambi. Now Wasambi it's come, now next one may not come in Wasambi, it may come in Nambar. We cannot sit and audit the growth in that company. I think they have to look at the overall region. The overall region is growing.
- **Renu - B&K:** So say we are making investments for capital equipments in Africa for Nambar project.
- **Ramesh Chandak - KEC International:** Not only Nambar, in South Africa also we have a lot of projects.
- **Renu - B&K:** Right.

- **Ramesh Chandak - KEC International:** So for all those projects we are investing the funds so that we are ready with the construction equipment to execute that. Because those places don't have the capital equipments.
- **Renu - B&K:** Okay.
- **Ramesh Chandak - KEC International:** So when you go to Middle East the equipment is available on rental. When you go to these type of countries like Africa you need your own equipment. Because then if you look at Africa the North region, Tunisia, Libya, Morocco, Algeria, they all have some kind of a gap or retro carbon or something. Again that market is growing. Libya is trying to build a lot of infrastructure. Algeria is trying to do the same thing, Tunisia is trying to do the same thing. If you go to the central parts, central east west, those are heavy to us. And what we are seeing these big countries like China, India, US, Europe, everybody wants to fund their projects. So we are seeing a lot of funding coming from all these countries. So these three countries are growing for different reasons. All regions in Africa are growing for different reasons. But all three are growing.
- **Renu - B&K:** In terms of working capital in these separate regions whether it's North Africa or South Africa, are we seeing any kind of working capital issues or constraints from companies when we are operating in those..?
- **Ramesh Chandak - KEC International:** Working capital required for Middle East and Africa is no different. Only the capital required you need your own funds there.
- **Renu - B&K:** But in terms of payment it won't be..?
- **Ramesh Chandak - KEC International:** See all our projects are funded. You don't go country to country, you go funded projects. So the payment is not a problem.
- **Renu - B&K:** Okay, Sir a couple of more things. In terms of distribution, how much do distribution type of projects be in the total portfolio?
- **Ramesh Chandak - KEC International:** About 500 crores.
- **Renu - B&K:** Only 500 crores? And they would be only domestically or even internationally?
- **Ramesh Chandak - KEC International:** Both.
- **Renu - B&K:** Both of them. And also Sir, you mentioned that you are getting into substation projects.
- **Ramesh Chandak - KEC International:** Ya.
- **Renu - B&K:** So there again what would our strategy be like, more substation standalone projects or again getting the entire package?
- **Ramesh Chandak - KEC International:** Basically we prefer substation together with the transmission line. If it comes with the transmission line then that's better for us.

- **Renu - B&K:** Will we have any issues in terms of pre qualifications for higher voltage substations?
- **Ramesh Chandak - KEC International:** High voltage we are qualified I think to some extent. Maybe it will take some time but otherwise we are qualified.
- **Renu - B&K:** Anyway we would be doing up to 220 Kb at this point of time?
- **Ramesh Chandak - KEC International:** We'll do 400 also, we'll do everything.
- **Renu - B&K:** And Sir, one more thing regarding the American markets, North American markets. Can we expect some in terms of investments and orders coming in from..?
- **Ramesh Chandak - KEC International:** As I mentioned it will take about 8-10 months for right of will to clear. Till that time nothing will happen.
- **Renu - B&K:** Okay, all right Sir. Thank you so much.
- **Moderator:** Thank you for your questions Ms. Renu. Our next question comes from Mr. Nisar from Morgan Stanly. Please go ahead.
- **Nisar - Morgan Stanley:** Good afternoon Sir.
- **Ramesh Chandak - KEC International:** Good afternoon.
- **Nisar - Morgan Stanley:** We have good presence in Middle East and African countries. Are there any regions in geography that we are looking at for expanding our business?
- **Ramesh Chandak - KEC International:** Central Asia is one. There are so many countries in Central Asia, I think we are only in couple of countries. We are looking at Central Asia very seriously. And we are thinking that will be another area which will have a lot of growth area. I think I had mentioned earlier that that is another market that we are getting ourselves ready. As and when the market starts we will be there.
- **Nisar - Morgan Stanley:** And Sir, China is adding a lot of power, in terms of capacity they have added a lot of power plants. So how do you see that market and how do you want to make a entry? How difficult would that be?
- **Ramesh Chandak - KEC International:** I don't think I have competency to enter that market. One reason is that, see like no outside company can come and do a project in India. There are 2-3 countries which are very strong in transmission in their own countries, like Russia, China, India, Turkey. Now these 3-4 countries which the clutches are very strong in transmission. So in these countries if I go they will fight tooth and nail to see that I don't get the order. Similarly if anybody comes to India I will fight tooth and nail to see that he doesn't get the order. So it is better to avoid going to a difficult market.
- **Nisar - Morgan Stanley:** And Sir, how do you see the competitive scenario in Middle East and Africa since you're saying a lot of money's being spent on transmission. So pumped in level there also must be very high, right Sir?

- **Ramesh Chandak - KEC International:** Ya but I think the cost is still same for everybody there. It's not much difference.
- **Nisar - Morgan Stanley:** Sir, normally these markets are dominated by how many players? And have you seen an entry of new players trying to get into..?
- **Ramesh Chandak - KEC International:** A lot of new players have come. See, only when the market is booming now we see so many players have come. There used to be 5-6 and now there are 15 players. Middle East there were 3-4 players and now there are 10 players.
- **Nisar - Morgan Stanley:** Sir, has that resulted in lower margins for the incremental orders you have won in the international markets?
- **Ramesh Chandak - KEC International:** Internationally still margin of about 10% should continue.
- **Nisar - Morgan Stanley:** Okay, thank you very much Sir.
- **Moderator:** Thank you for the question Mr. Nisar. The next question comes from Mr. Navneet Iyengar from Anand Rath. Please go ahead Mr. Navneet.
- **Navneet Iyengar - Anand Rath:** Good afternoon Sir.
- **Ramesh Chandak - KEC International:** Good afternoon Navneet.
- **Navneet Iyengar - Anand Rath:** Just a couple of questions. What would be your sales in terms of tonnage for FY08 and for the quarter if possible?
- **Ramesh Chandak - KEC International:** I think for the year is 161 thousand metric ton. I don't remember the quarter figure. 52 thousand for the quarter.
- **Navneet Iyengar - Anand Rath:** Sir, just going back to Nitel and RPG numbers, if you could, I didn't get the sales numbers for Nitel and RPG as well as PAT numbers.
- **Ramesh Chandak - KEC International:** See, the sales number for the quarter for RPG plus Nitel both put together is 131 crores is the sales. And PAT is 9.5 crores. And for the half year it is 222 crore and 14.5 crores.
- **Navneet Iyengar - Anand Rath:** The EBITDA margins are about 10% you said for Nitel and RPG combined?
- **Ramesh Chandak - KEC International:** Yes.
- **Navneet Iyengar - Anand Rath:** Sir, just to add, your gross block you said was high 21 crores.
- **Ramesh Chandak - KEC International:** Yes.
- **Navneet Iyengar - Anand Rath:** And the CAPEX next year was 200 crores.

- **Ramesh Chandak - KEC International:** Yes.
- **Navneet Iyengar - Anand Rathi:** The funding for this CAPEX would be mostly debt driven, so the amount of debt which would be taken for this kind of a CAPEX?
- **Ramesh Chandak - KEC International:** Yes, there would be debt driven. There would be cash accrual, not entire thing will come to the debt. But naturally I think for telecom we are byoyed. Other things are very small small. About 200 crore.
- **Navneet Iyengar - Anand Rathi:** So 50% would be Nitel.
- **Ramesh Chandak - KEC International:** That's how we balance it.
- **Navneet Iyengar - Anand Rathi:** So 100 crores of probable debt which you could take for Nitel?
- **Ramesh Chandak - KEC International:** Ya.
- **Navneet Iyengar - Anand Rathi:** And the next could be in terms?
- **Ramesh Chandak - KEC International:** Ya.
- **Navneet Iyengar - Anand Rathi:** Sir one more thing. I was not there in your mailing list is case there's any..
- **Ramesh Chandak - KEC International:** We'll include your name.
- **Navneet Iyengar - Anand Rathi:** Surely. Thanks a lot Sir, thank you.
- **Moderator:** Thank you Mr. Navneet. Next question coming from Mr. Nainesh from Tata Mutual Funds, please go ahead Mr. Nainesh.
- **Nainesh - Tata Mutual Funds:** Sir, just wanted to understand when you were talking of margins of 10%, just wanted to understand what RPG transition, although it's consolidated at this time. On a standalone basis if you have to look at RPG it mostly includes domestic orders. So just wanted to understand that margins in RPG, your domestic orders would also be impacted or margins in domestic orders would remain on high levels but overall margins would be impacted on account of overseas orders, Sir?
- **Ramesh Chandak - KEC International:** No. I think the margins are almost same in domestic and international, doesn't change much.
- **Nainesh - Tata Mutual Funds:** But in overseas you don't have price escalation problem?
- **Ramesh Chandak - KEC International:** We provide it in the orders itself, it won't change.
- **Nainesh - Tata Mutual Funds:** So overall blended margins is what you're talking about at around 10-10.5%.
- **Ramesh Chandak - KEC International:** Ya.

- **Nainesh - Tata Mutual Funds:** And second thing just want to know about your railways business. You said next year you would concentrate on your railways. Can you just throw some details what kind of projects are you looking at, what is it that you are looking at doing for these railway projects, Sir?
- **Ramesh Chandak - KEC International:** Basically when we talk about railways we mean we will do the entire thing of railways that is signalling, track laying, earth work. In addition to the railway electrician which we are already doing. So what we were doing earlier and currently is only railway electrician which we want to expand to the signalling and track laying and earth work. So that naturally we'll continue. We've already put in a bid.
- **Nainesh - Tata Mutual Funds:** Is there a pre qualification required for these railway projects?
- **Ramesh Chandak - KEC International:** Yes, definitely prequalification is required but we do get qualified gradually.
- **Nainesh - Tata Mutual Funds:** So are you bidding with some partner or someone?
- **Ramesh Chandak - KEC International:** Ya we are bidding with partner.
- **Nainesh - Tata Mutual Funds:** Who is that partner?
- **Ramesh Chandak - KEC International:** Right now I don't remember his name.
- **Nainesh - Tata Mutual Funds:** All right. That's all from my side. Thanks a lot.
- **Moderator:** Thank you for the question Mr. Nainesh. There's a next question coming from Mr. Sachin Trivedi from UTI. Please go ahead Mr. Sachin.
- **Sachin Trivedi - UTI:** Hi Sir.
- **Ramesh Chandak - KEC International:** Hi Sachin.
- **Sachin Trivedi - UTI:** This is regarding the 100 crores of CAPEX which we will be doing for telecom, or 120. When is it likely to be capitalised in our books?
- **Ramesh Chandak - KEC International:** By June or by August. Within next 4 months.
- **Sachin Trivedi - UTI:** Within next for months. So then start charging depreciation for that?
- **Ramesh Chandak - KEC International:** Yes.
- **Sachin Trivedi - UTI:** Okay Sir, thanks.
- **Moderator:** Thank you Mr. Sachin for your questions. Our next question comes from Mr. Navneet Iyengar from Anand Rathi. Please go ahead Mr. Navneet.
- **Navneet Iyengar - Anand Rathi:** Sir just a follow up. Just wanted to know, what would be the power capacity available for the whole of FY08?

- **Ramesh Chandak - KEC International:** For KEC or for the whole country?
- **Navneet Iyengar - Anand Rathi:** For KEC.
- **Ramesh Chandak - KEC International:** Power capacity has now lost all it's meaning. Power requirement in the whole country is 600 thousand, capacity is 1.2 million. So capacity has no meaning today. We are having over capacities.
- **Navneet Iyengar - Anand Rathi:** Sir, just to put it some other way. If 4200 crore was your order backlog, then out of that pure tower sales would be how much?
- **Ramesh Chandak - KEC International:** Pure tower sales, 25% you can take. I think we don't do pure tower. Pure tower sales of our orders?
- **Navneet Iyengar - Anand Rathi:** Ya.
- **Ramesh Chandak - KEC International:** That is 130 crores total.
- **Navneet Iyengar - Anand Rathi:** Out of 4200 crores?
- **Ramesh Chandak - KEC International:** Ya.
- **Navneet Iyengar - Anand Rathi:** And this would have been..?
- **Ramesh Chandak - KEC International:** This goes to US.
- **Navneet Iyengar - Anand Rathi:** All this goes to US?
- **Ramesh Chandak - KEC International:** Ya, balance is all utilised , all tower manufacturing utilised by our own KPC contracts.
- **Navneet Iyengar - Anand Rathi:** Okay, these are only pure tower sales?
- **Ramesh Chandak - KEC International:** Pure tower only because we want to enter and test that markets. Once I start doing construction in USA I will stop that also. We are basically EPC contracting company, we are not a tower seller.
- **Navneet Iyengar - Anand Rathi:** Sure. This figure would have, for FY08 would you have a number on this?
- **Ramesh Chandak - KEC International:** Which one, tower sales?
- **Navneet Iyengar - Anand Rathi:** Just tower sales.
- **Ramesh Chandak - KEC International:** 30-40 crores. I don't know, it's a infinite amount.
- **Navneet Iyengar - Anand Rathi:** Sir next year RPG plus KEC, what will be kind of capacity which will be added in tonnage terms?

- **Ramesh Chandak - KEC International:** Again I told you or I explained to the earlier persons, the capacity has no meaning. Last year also all our companies put together our capacity was 110 thousand, we supplied 151 thousand. Even if I get orders for 300 thousand I have no problem in supplying. Because so much outsource facility is available in the world.
- **Navneet Iyengar - Anand Rathi:** So any excess of capacity will go to our subcontractor whom you can source.
- **Ramesh Chandak - KEC International:** Ya we call it rap, it will go to the rap.
- **Navneet Iyengar - Anand Rathi:** Thank you Sir.
- **Ramesh Chandak - KEC International:** Thank you.
- **Moderator:** Thank you very much Mr. Navneet. Our next question comes from Mr. Singh from Edelweiss, please go ahead Mr. Singh.
- **Mr. Singh - Edelweiss:** Sir, just a follow up question. This is on depreciation. Our depreciation in 08 is much lower than 07. So if you could please clarify that is it because of some right off of some assets of some kind?
- **Ramesh Chandak - KEC International:** Off hand I don't remember what it is.
- **Mr. Singh - Edelweiss:** 25 crores in 08 and..
- **Ramesh Chandak - KEC International:** Ya I understand it. I think that must be.. Let me revert back to you, I think I don't have the numbers.
- **Mr. Singh - Edelweiss:** Okay Sir. Thank you.
- **Moderator:** Thank you very much Mr. Singh. Participants who wish to ask any further questions are requested to press * and 1 now. There's a next question coming from Mr. Sandeep of HSBC. Please go ahead Mr. Sandeep.
- **Sandeep - HSBC:** Sir, just a repetitive question. But can I get a current order book and international and domestic exposure in percentage term and value term?
- **Ramesh Chandak - KEC International:** Sandeep the international order book in value term is 2950 which is 70% of the total order book. In South Asia, which is India, Bangladesh and Sri Lanka it is 1250, which is 30%. Total is 4200.
- **Sandeep - HSBC:** Sir of 2950 is it, can we break up into say North America, Africa?
- **Ramesh Chandak - KEC International:** North America is only 3% and it is only 130 crore.
- **Sandeep - HSBC:** And Africa, Central Asia?
- **Ramesh Chandak - KEC International:** I think I gave some numbers earlier.
- **Sandeep - HSBC:** I just missed it so.

- **Ramesh Chandak - KEC International:** I don't have that paper now. Shall I give the number? North America 3%, Africa 19%, central Asia 17%, Middle East 23% and India about 35-38%. Around that 1% plus or minus.
- **Sandeep - HSBC:** Thanks a lot.
- **Moderator:** Thank you very much Mr. Sandeep. The next question comes from Mr. Kartake from TDA Capital, please go ahead.
- **Kartake - TDA Capital:** Good afternoon Sir.
- **Ramesh Chandak - KEC International:** Hi Kartake.
- **Kartake - TDA Capital:** Sir, a clarification on the marginal compression that you spoke about. How much of this is the result of reduction in price or to what extent is the change in input cost being passed on? Just for clarity sake.
- **Ramesh Chandak - KEC International:** Can you repeat your question?
- **Kartake - TDA Capital:** I just said when you spoke about margins coming down decreasing to lower extent, how much of this is the result of reduction in overall prices or is that because the cost pressures are increasing the numerator so to that extent the margins look smaller?
- **Ramesh Chandak - KEC International:** Not because of numerator. Basically I think the margins will be lower. But what I'm saying that, I have always mentioned all these last 3-5 years I have been talking to you all, that the normal margin are around 10%. See, we can always have a temporary spurt for different reasons. That spurt will not be there but the margins will remain at the normal levels. So I don't see any reason. Now why the margins are low, again I think competition is there, more number of bidders are there, we are trying to get our market share, we are trying to increase our turnover. So I think we want to gain market share. It's a combination of all that. Plus there is the appreciation of the rupee, then there is the steel price going up. So it's a combination of that. If you add .1 percent here and there the percentage will go up.
- **Kartake - TDA Capital:** Okay. Anyway thanks Sir and best of luck.
- **Moderator:** Thank you very much Mr. Kartake. Ladies and gentlemen, for any further questions you are requested to press * and 1 now.
- **Moderator:** Our next question is from Mr. Shyam, please go ahead Mr. Shyam.
- **Shyam:** Hi, good evening.
- **Ramesh Chandak - KEC International:** Hi Shyam.
- **Shyam:** Just wanted to know this, when is Octave investment likely to be listed?
- **Ramesh Chandak - KEC International:** I think by May end.

- **Shyam:** By May end?
- **Ramesh Chandak - KEC International:** Ya. That is within next 4-5 weeks.
- **Shyam:** Okay. And one more question. I mean I know a lot of questions have been there on power grid, what has been the actual release of power grid orders after this world bank world issue has been re loaned?
- **Ramesh Chandak - KEC International:** I think they are still very slow. They have released few orders. Also what happens that when the power grid, when the generation project is ordered and when it is coming orders do get immediately released. If they know that the generation order is not going well they will hold onto that order. Nobody wants the transmission ahead of schedule. So we thought if in the transmission investment is done it will keep on waiting. So the speed at which the generation project is getting completed, see generation project takes 4 years, transmission takes 18 months. So the generation project has started, some levels are constructed, equipments are ordered. Then only he really activates the order. So I think this is more generation driven than the transmission. The power grid problem is actually a generation problem.
- **Shyam:** Okay. And for your overseas orders, for your average sized orders what is the execution period?
- **Ramesh Chandak - KEC International:** 18 months to 24 months.
- **Shyam:** That is for your overall order book. What is the trend for most of your orders?
- **Ramesh Chandak - KEC International:** That is for every order now days. Even if you order 500 crore the time is 18 months and even for a 20 crore order the time is 18 months.
- **Shyam:** Okay. And regards steel, I mean for what period can you actually go ahead and enter back to back?
- **Ramesh Chandak - KEC International:** 3 months, 4 months, 6 months. Not more than that.
- **Shyam:** Not more than that?
- **Ramesh Chandak - KEC International:** Let me tell you one more thing otherwise it will create a confusion. See normally what happens when we say we have to execute an order in 18 months. The steel is supplied in first 12 months.
- **Shyam:** The steel is, sorry?
- **Ramesh Chandak - KEC International:** The towers are supplied in first 12 months. Last other operations happen. The towers do not get supplied in the end. So actually you supply most of the towers in the first 12 months itself. In that 6-7 months anyway you're covering by stock, inventory, and the advance order. So the position is open within 6-7 months.
- **Shyam:** Okay, thanks a lot.

- **Moderator:** Thank you very much Mr. Shyam. Participants who wish to ask any further questions are requested to press * and 1 now.
- **Apurva Patel - Prabhudas Lilladher:** Subhalakshmi I think we can conclude the call.
- **Moderator:** Sure Sir. As there are no more questions I would now like to turn the conference over to you Sir. Please go ahead.
- **Apurva Patel - Prabhudas Lilladher:** Thank you everyone and thank you Mr. Chandak for giving us your time.
- **Ramesh Chandak - KEC International:** Thank you.
- **Apurva Patel - Prabhudas Lilladher:** And all the best for the future. Thank you.
- **Moderator:** Ladies and gentlemen, this concludes the conference call.

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BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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