

09 November, 2011

Moderator

Ladies and gentlemen good day and welcome to the Q2FY12 Results Call of TRF Limited hosted by Emkay Global Financial Services. We have with us today Mr. Sudhir Deoras – Managing Director and Mr. Ashim Roy – Chief Financial Officer. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference, please signal an operator by pressing *0 on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Pritesh Chheda – Senior Research Analyst of the Emkay Global, thank you and over to you Mr. Chheda.

Pritesh Chheda

Good afternoon everybody thank you for joining us today. We would like to welcome the management of TRF Limited and thank them for giving us the opportunity to host this call. From the management we have Mr. Sudhir Deoras – Managing Director and Mr. Ashim Roy – CFO, we welcome you sir. I would now like to hand over the call to Mr. Deoras for the opening remarks, over to you sir.

Sudhir Deoras

Good afternoon results of TRF for H1 is your hand, while we have done better than the last year at this time you all know we had gone through difficult time, but I think what we have been saying that is a past and company is on the path of recovery and I would say a reasonable numbers, there has been unfortunate thing which is I suppose most of the businesses must have suffered for foreign exchange losses but they are basically unrealized cost but if you discount that you can see that the performance has been reasonable. I would have been happy to push the top line a bit further which would have reflected in the bottom line. We are hoping for one of the projects to cross 40% but that is now happening so this quarter that result will follow obviously. So, overall as I have been saying that I suppose we are on recovery that is the BMHB Bulk Material Handling Business that we keep talking about.

Auto application business good news, York has done very well, but again because of York India and York Singapore foreign losses, foreign exchange losses the number is not reflecting the performance. And also good news to give the AAA, the Lucknow facility now coming up to our expected levels and it is reflecting in our results also. So, I think overall things are moving the way we would like the company to move towards and important thing is with regards to order book which has been caused worry last quarter also we discuss this quarter also, we discuss, again there is a good news and the bad news, the good news is that we are L1 for about 500 crores worth of orders but LY the orders are still not in hand. Tata Steel, Kalinganagar project have started off the first order is I would say more or less in the hand in the sense, we have finalized one order and we seem to be moving in the with capturing good orders from Tata Steel also. So, in this quarter hopefully the order book will also start looking better that is overall picture and I am only hoping because as of today we have discussed with lot of bankers and financial institutions and advisors with regards to foreign exchange, I would like to hear from you people also if anyone has to make any comment on that but market is so volatile that people are saying that wait and watch so that is the major concern what we have, otherwise the thing that we are moving in the right direction. Thank you very much.

Pritesh Chheda

Operator let us start the Q&A.

Moderator

Okay thank you very much. We will now begin the question and answer session. At this time if you would like to ask a question please press *1 on touch-tone phone. If you decide you want to withdraw your question from the questioning queue, please press *2 to remove yourself from the queue. The first question is from the line of Nirav Vasa from SBI Capital Securities, please go ahead.

Question and Answer Session

Nirav Vasa

Good afternoon sir.

Sudhir Deoras

Very good afternoon.

Nirav Vasa

Thank you very much for taking my question sir. Sir, my first question pertains to the order backlog. Can you give the order backlog which is there with the company and break up of that in terms of project and product business?

Sudhir Deoras

The total order backlog is around 1,275 crores and out of that product business is 150.

Nirav Vasa

And sir any order inflows for the quarter?

Sudhir Deoras

You know product orders continue to flow, we normally do not report but what we report is the bigger project orders but as I mentioned in my opening remarks the L1 on two project orders, one is NTPC Project and the second one is NTPC and Tamil Nadu joint venture both are at L1 and we are hoping the orders to come in some time...

Nirav Vasa

Yes. Sir, my second question was pertaining to the amount of money that have stuck in retention, so can you quantify the amount which is stuck up in retention?

Sudhir Deoras

I will give you the number, we have within -- I will take out the number and give it to you. Your question is right, overall I would say that there is a large amount which is getting reflected into retention amount. There are two major projects which we hope to close in this financial year and collect the money where performance guaranteed services are on to give an example, we did Bhilai project, out of eight kind of sub projects or elements of that projects seven have been already have been done, eighth one is under progress just now and once done, we should get all our retention money and operation money from there that is one large chunk will come and we are hoping to do similar things at Aravali which is near Delhi. But you will get the numbers –

Nirav Vasa

Yes, sir last question. What was the amount of CapEx that has been executed in first half of the year?

Sudhir Deoras

Nothing major.

Nirav Vasa

Okay, yes thank you very much sir my queries have been answered.

Sudhir Deoras

Debtors is around 237 crores.

Nirav Vasa

Retention money?

Sudhir Deoras

Yes.

Nirav Vasa

And you are expecting this amount to be released by what time sir?

Sudhir Deoras

Not, this amount because this is on various.

Nirav Vasa

Okay this is total amount?

Sudhir Deoras

Around 70 crores we expect to come out –

Nirav Vasa

In this year?

Sudhir Deoras

Yes.

Nirav Vasa

That is from Bhilai and Aravali Project right?

Sudhir Deoras

Yes, mostly Bhilai, Aravali and then others.

Nirav Vasa

Okay thank you very much sir.

Moderator

Thank you. The next question is from the line of Ankit B from Pinc Research, please go ahead.

Ankit B

Good afternoon sir.

Sudhir Deoras

Good afternoon.

Ankit B

Sir, my first question is in this order we have not received any major orders in this quarter?

Sudhir Deoras

Yes, we have not received any major order.

Ankit B

Okay, so what would be the amount of order inflow sir in absolute term?

Sudhir Deoras

As I said we are L1 on two, one project is worth about 375 crores, another one is around 100 crores and as I mentioned in my opening remark, Tata Steel Kalinganagar Project started the construction activity started and material handling projects orders have started flowing in which you will see in this month which will reflect upon.

Ankit B

So, what could be the opportunities from Kalinganagar sir, approximately?

Sudhir Deoras

I hope around 300 crores.

Ankit B

300 crores, okay. Sir, my second question is that this ForEx loss of around Rs.11 crores and your segmental results where have those losses been accounted for, is it in the subsidiaries or standalone or where?

Sudhir Deoras

It has gone into unallocated expenses.

Ankit B

Unallocated?

Sudhir Deoras

Yes.

Ankit B

Because sir, if we see the margins of the subsidiary that is the automotive division by deducting standalone from the consolidated numbers, we get a sales of around 144 crores and a profit of around 3 crores at PBIT level, which translates to margins of just 2.1%, which is way below 6% to 8% what we have been guiding. So, what could we you know infer from it that what could be the trend going forward for sustainable margins in FY12 and FY13, in the automotive division?

Sudhir Deoras

In the automotive division half yearly margin is 2.4% which includes 5 crores of ForEx loss, so if we remove that 5 crores it would be around 6%.

Ankit B

Yes that is the reason why I asked that where we have adjusted debt. So, for this quarter how much would be going into these subsidiaries and how much into the project division out of 11 crores?

Sudhir Deoras

50-50 is the amount. In this quarter 5.90 is the ForEx loss on the subsidiaries.

Ankit B

5.9 crores?

Sudhir Deoras

Yes and the balance is-

Ankit B

In the project division?

Sudhir Deoras

Yes.

Ankit B

And sir if you see the debt equity ratio at the end of the second quarter it is pretty high at around more than two times. So, what levels are we looking out at the end of FY12 considering the money realizations, which is expected during the course of the month, during the course of the remaining two quarter. So, what level of debt equity are we targeting at the end of the year?

Sudhir Deoras

1.5.

Ankit B

Hello.

Sudhir Deoras

Yes.

Ankit B

Okay so 1.5 and sir lastly what is the amount of foreign exchange loan lined books of accounts?

Sudhir Deoras

See the total loan-

Ankit B

Total in the consolidated is 374 crores, right?

Sudhir Deoras

The ForEx loan in Indian currency in India book is around 100 crores, just one second I will give you

Ankit B

Yes sir.

Sudhir Deoras

In the auto application business it is mainly creditor between York Singapore and York India.

Ankit B

Sir, this foreign exchange loss would be pertaining to the foreign exchange loan which we would be having in the books of accounts right?

Sudhir Deoras

Yes, in standalone it is mostly ForEx loan, buyer's credit netted of by some receivables and creditors.

Ankit B

What would be the absolute amount sir?

Sudhir Deoras

See, the gain loss on loan 5 crores 10 lakhs out of 536.

Ankit B

Okay, hello.

Sudhir Deoras

Yes.

Ankit B

Please excuse me but the point is that I am asking this okay, you are giving a breakup of the 11 crores that how much is related to loan and how much is related to the revenues. Okay, so 5.1 is related to the loans and the remaining around 6 crores is related to revenues, hedging of revenues?

Sudhir Deoras

Yes.

Ankit B

Okay thank you sir, if I will have some more questions I will come back.

Moderator

Thank you. The next question is from Chinmay Gandre from Asit C Mehta, go ahead please.

Chinmay Gandre

Yes, good afternoon sir.

Sudhir Deoras

Good afternoon.

Chinmay Gandre

Sir, regarding the two L1 projects mentioned, I mean tender got open in this quarter?

Sudhir Deoras

Yes.

Chinmay Gandre

And I mean how many tenders were opened by NTPC in this quarter sir?

Sudhir Deoras

Only one.

Chinmay Gandre

Okay, how many projects are in that? We have got two projects?

Sudhir Deoras

Which is a large NTPC tender which is amount around as I said let us take a rough number of 375 crores worth of tender that was open in which we are L1 and the second one is a joint venture between NTPC and Tamil Nadu ports state body and there we have got orders for some machines, we have ship unloader that is about 100 crores.

Chinmay Gandre

So, then regarding, I mean how do you see I mean, because very few tenders have opened in this year like in this quarter, was this the only tender opened this quarter by NTPC, which you got or there were other also?

Sudhir Deoras

No, see what has happened and yes I think NTPC this was the only thing which opened.

Chinmay Gandre

So, overall say this year hardly five-six tender must have opened.

Sudhir Deoras

Let me explain to you a bit about this NTPC business. There are four tenders or large power plants there are either 2x650 or 3x650 new series 650 megawatt which has started and four tenders were have been opened but three we had lost, fourth one we have won but not one order has been released so far because one of the TDSAT company, I think it is the parent company, I do not want to take the name of the company, but they went into the court because they were blacklisted. NTPC has informed us that in November that decision will come and then the orders will be kind of placed on these four companies and this has impacted us in the sense that even those project orders which we might have lost we are in good position to supply equipment to those people, who do not manufacture these equipments, even that is because of that there is a slowdown but we hope that in this quarter all that case would be settled and then the NTPC orders will start flowing in and the new business will start coming.

Chinmay Gandre

Then apart from what has been opened by NTPC so far, how many tenders are lying with the NTPC, which you guys have bid it for but the NTPC has not yet opened and how do you see those tenders broadly, when do you see that opening or there are only issues why they are not opening up?

Sudhir Deoras

We are seeing firstly, NTPC is continuously going up, now 650 series have talked about, our information is that the next series which is coming up is in the next quarter and there would be four or such projects which will be coming up and they want to come out with all those four simultaneously that is the information we have, so by the year end we see lot of tenders coming in.

Chinmay Gandre

And regarding the bulk tender two which got opened up the BTG has been placed so the BoP you expect I mean has the NTPC invited tenders for BoP of those..?

Sudhir Deoras

We are not going to BoP.

Chinmay Gandre

No, not in the sense that coal handling and ash handling-

Sudhir Deoras

We are not doing this as a bulk tender, we have talked to NTPC and they are going to maintain as far as the material handling part is concerned, our balance of plant is concerned, we will continue to have the same practice.

Chinmay Gandre

Have you invited bids for the coal handling plant tender or the ash handling plant tender for the second bulk tender?

Sudhir Deoras

For the 660 one?

Chinmay Gandre

No the 800.

Sudhir Deoras

No, 800 one they are not so far but that is what I am talking about, we are expecting that will happen in the fourth quarter.

Chinmay Gandre

If you see they are invited.

Sudhir Deoras

Yes, 660 is the one which have won, which I have said one of the tender what we won is a 660 series.

Chinmay Gandre

And sir last year you have got three projects for NTPC but the margins are not so on the higher side, you were listening to your previous con call and the two projects you have got during, I mean the L1 in which you are right now, the two projects, the margin are similar to the last projects or they are slightly better or they are what use to get?

Sudhir Deoras

I think it is slightly better but as I have said in the last con call also that the market is very, very tight, everyone wants to have orders but we need to perform better, we need to improve our operations reduce cost, so lot of that work is also happening with the country.

Chinmay Gandre

So, regarding your consolidated EBITDA you still maintain like 6% kind of guidance for the full year?

Sudhir Deoras

Consolidated EBITDA?

Chinmay Gandre

Yes.

Sudhir Deoras

You are talking about bulk material handling business?

Chinmay Gandre

The standalone, everything which comes in standalone, projects and products combined.

Sudhir Deoras

Let me tell you, give me a minute. Okay, any other question I will come back on this, any other thing.

Chinmay Gandre

No.

Sudhir Deoras

Okay, we will respond to this.

Chinmay Gandre

Thank you sir.

Moderator

Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund, kindly go ahead.

Madan Gopal

Good evening sir.

Sudhir Deoras

Very good evening.

Madan Gopal

Sir, could you give us some color on how the other segments of your market that supposedly port and all these going on right now, you are not seeing any orders coming up from there?

Sudhir Deoras

You know port and yard equipments situation is that the orders are there to be taken, you know there is so much of demand of the yard equipment specially stacker reclaimers, etc. I do not want to kind of say this but we have kind of seen those capacity what we have to perform and according to that we have regulating our order inflow in this division, so there is no issue as far as the orders are concerned for port or yard division is concerned. If we are now saying that whatever the part to go and we are now doing a good job in terms of estimation, wining the orders etc. See this 100 crores worth of order which I talked about ship unloader is for that joint venture between NTPC and Tamil Nadu Port Authority is basically port and yard equipment order. So, this order is virtually in hand as I said that we are L1 any day this order will come. I talked about Kalinganagar Tata Steel which requires seven or such stacker reclaimers from us that order should be also coming in any time now. So, we have this port and yard quite healthy order book I would say.

Madan Gopal

Okay, I want somewhat clarity on this Forex loss. How much of this would have been released and so would be unreleased loss?

Sudhir Deoras

See, I answered this question a while ago. Realization is in some lakhs

Ashim Roy

37 lakhs is realized.

Madan Gopal

Okay and what is the nature of this 5.1 crores hit on the revenue because of ForEx loss is it do with exports?

Sudhir Deoras

It has to do with-

Ashim Roy

In standalone it is mostly on loans taken for acquisition of the subsidiary and that is why which is stable in the five years as on date, dropped continuously and mark-to-market loss-

Madan Gopal

Okay sir thanks.

Moderator

Thank you. The next question is from the line of Kamlesh Kotak from Asian Markets, please go ahead.

Kamlesh Kotak

Good afternoon sir.

Sudhir Deoras

Good afternoon.

Kamlesh Kotak

Could you just help us for breakup of the subsidiaries business between DLT, York and AAA?

Sudhir Deoras

Yes, one second.

Ashim Roy

H1 turnover of York is 173 crores, DLT is 65 AAA is 31 crores and then we have around 13.5 -14 crores inter-company so around 156 crores is the H1 turnover of this company.

Kamlesh Kotak

Okay and as regards profitability sir?

Ashim Roy

Profitability I just now said is 2.4% after taking the...

Kamlesh Kotak

And can you break up also between these companies?

Ashim Roy

No, as of now no.

Kamlesh Kotak

Okay and then sir how the traction in this business, I mean in terms of capacity expansion which we planned and the utilization of the same and the outlook in terms of demand for York and DLT?

Sudhir Deoras

See as of now York is doing very well and the York growth is driven by two markets really India and Australia. As you know Australian economy is not doing great but their mineral economy is doing quite well so that is how and our York makes heavy axles which go into mining industry requirements. Australia there is good traction, India has good traction so far so good. As of now the commercial vehicle numbers are okay but we are hoping that no bad news come from the Indian market. One of the good things which York is doing I think I had mentioned about it in the last con call also that in China in which we always looked as a kind of sourcing players that we source someone from China. We started looking in this financial year from the point of view of selling our axles in China. That sounds very interesting because knows that China is a very large local producers. China also has a very large trailer manufacture CIMC, which is the largest in the world also exports from China their trailers, and for that export market the trailer for the export they want the kind of world standard axles, so they use axle from some other European company and we have made a breakthrough there so York has started selling these axles in China also. But I was in China last week, 15 days ago and we met CMIC people they are very keen that York itself manufacturers axles in China so that they can have continuous kind of sourcing from York. So, York as of now looks to be a very promising investment as far as we are concerned. DLT automatically should be doing well because DLT largely as we know is India driven market and Tata DLT joint venture is serving Tata Motors largely but we have been now looking at the possibility of what we call a line two in the sense one, line does not mean the production line what I am trying to say is the line of production, which could be served where Tata Motors may not be there, for example that companies which are in mobile crushers and screening business, which require under gear, a special type of things, companies like Spanwell for whom we are selling those kind of under gears from Tata DLT so we have started developing markets other than Tata Motors and I am hoping that this year we will establish ourselves very well in that line two also. You asked me a question about Tata DLT capacity. We have already put up the new plant in Pune and the shifting has been completed in last month with the shifted to the new facility and we hope that all the requirements Tata Motors has as well as the outside requirement we will start meeting from this new facility.

DLT Sri Lanka, now there are two operations there, one is what we sell in the local market which is again doing very well. Even the size of the market is not very large, Sri Lanka is small country but after their political thing settled down there is a huge amount of traction as far as trailers requirement is concerned and our DLE subsidiary is doing well. DLT which is largely

supplying it is an export oriented unit supplying port trailers unfortunately has not done well in first six months orders have been kind of not coming regularly and that is where we are struggling, I admit that and we have now hired some more marketing, we are strengthening marketing team and going out in the marketplace try and get more orders otherwise manufacturing is set up and everything otherwise is well settled. We are looking for more orders as far as DLT Sri Lanka is concerned. And the third one is AAA, which is largely tipper business serving Tata Motors, it stood very well Tata Motors wants more and more I was Lucknow 15 days ago where we had a meeting with Tata Motors executives and they want us to expand the plant because they think within that six months their requirements would be more or less double than what we are doing today. Today we are doing about 250 per month that is the capacity we have, Tata motors asking us to do 500 per month going forward. So, there is very good traction as far as tipper business is concerned it is doing very well.

Kamlesh Kotak

Okay, so sir what is the capacity about DLT Lanka and Tata DLT I mean two sub quantity?

Sudhir Deoras

Tata DLT is new plant what we have opened up in India is capable of producing 3000 trailers. We also have, we still operate from some rented facility we kept one rented facility going because we believe that we will had to produce minimum a rate of around 4,500 going forward to do that. When I said 3,000 capacity again it is say 1.5 shift operation so there is a possibility of producing more from our new facility but as of today parallelly we are continuing with old plant also but we would be ready with 4,500 capacity by end of the year. As far as DLT plant is concerned in Colombo it can produce depending on how many shifts we operate but going by... it also has to do something with the production mix, what kind of making, but you take unit as road trailer that plant can also produce about 5,000 trailers per year and capacity on which we are.

Kamlesh Kotak

Okay and in case of transmission product sir in India and abroad capacity?

Sudhir Deoras

Transmission product of?

Kamlesh Kotak

York.

Sudhir Deoras

York, capacity as you know we have put up the new plant in Talegaon and Talegaon is now producing at the rate of 24,000 axles per year, second shift operation will bring in 48,000 which will soon start and once we put another line and two shift operation as I said the plant will be producing 96,000 or let us say 100,000 axles per year that is the capacity plant has. And as far as Singapore is concerned we are operating one plant there which has got about capacity of 12,000 axles per year. We also source from China, when I say there is a lead facility which is supervised and audited and quality checks are by York people when the local Chinese operate that plant for us that also has got a capacity of 12,000 axles per year.

Kamlesh Kotak

Okay, so no plant in Australia, I mean it is also an assembling or?

Sudhir Deoras

Yes, it is largely kind of customization is required some time in Australia so we have small assembly set up there and as per the local needs we do some work but I cannot call it as a manufacturing plant. York used to have a manufacturing plant in Australia but by the time you are acquiring we had closed that.

Kamlesh Kotak

And sir coming to the core business or core material handling, I mean from the power sector how much of the tendering is yet to happen for the 12 plant projects?

Sudhir Deoras

12 plants means, plants which is starting now?

Kamlesh Kotak

Yes, I mean 11 plants are all done, so 12th plant projects must be up for bidding now.

Sudhir Deoras

Nothing has happened to it so far.

Kamlesh Kotak

So, what could be the opportunity may be over next two.....

Sudhir Deoras

Going in from the last quarter of this financial year some time ago we discussed the next series of 800 plus megawatt units that series will start in the last quarter of this financial year.

Kamlesh Kotak

And sir on the private sector side any traction happening or they are completely on a standstill mode?

Sudhir Deoras

Private sector my reading is going little slow, coal is an issue, availability of coal we all know is an issue, Indian as well as imported coal. Indonesians price and putting some taxes so there is lot of turmoil in private sector and I see that there is a slowdown there.

Kamlesh Kotak

Okay and sir lastly from the last three NTPC orders which we bagged how much of the work has progressed, is it started billing for them?

Ashim Roy

Yes, billing has started long back, two projects like Barh and Mauda they are almost at 45% - 50% stage now and the third one Vindhyachal is around is 16% - 17% completed now.

Kamlesh Kotak

Okay, alright sir, thank you very much.

Sudhir Deoras

Thank you.

Moderator

Thank you. The next question is from the line of Parthiv Patel from AMG Investments, please go ahead.

Parthiv Patel

Yes, sir I have a question on our EBIT margin, especially project in services business. At consol level, we reported a loss of one crore at EBIT level, can you throw some light actually and what is the proportion of ForEx loss there?

Sudhir Deoras

Yes, one second. You are talking about the segmental thing where we have?

Parthiv Patel

Yes sir.

Sudhir Deoras

I will get back to you, I will have to get this clarification because unallocated expenditure whether this next one is with ForEx or not, I will get back to this particular thing.

Parthiv Patel

Okay. Sir, I have a question on let us say what the steady state margin we would achieve in let us say project and services business? Hello, what would be steady state margins in project and services business?

Sudhir Deoras

The additional margin?

Parthiv Patel

Steady state margin, I mean what is the normalize margin for us in project business?

Sudhir Deoras

Stead straight margin in project business will be around 3% to 4%.

Parthiv Patel

Okay, currently whatever new projects we are bidding they are also at the similar margin levels?

Sudhir Deoras

Yes, I do not know what are you talking about, after EBIT before – contribution.

Parthiv Patel

EBIT margin.

Pritesh Chheda

Sir, I would like to interrupt here. My guess is he is talking about the segment margin especially for the projects business.

Parthiv Patel

Yes.

Sudhir Deoras

Yes, that is what I said.

Pritesh Chheda

Sir, he is asking for the margin outlook in the projects business.

Sudhir Deoras

I replied to that only.

Pritesh Chheda

Okay.

Parthiv Patel

Okay and the question is whatever new projects we are bidding would be at the similar margin levels?

Sudhir Deoras

Yes.

Parthiv Patel

Okay. Sir, I have a similar question on product and services business also where our ForEx is it EBIT or whatever we are showing includes that ForEx loss or not?

Sudhir Deoras

That particular detail I will give you in a minute.

Parthiv Patel

Okay, so I mean these two things I need actually. Sir, can you throw some light why our inventory levels have gone up so drastically?

Sudhir Deoras

Margin thing, I will get back to you.

Parthiv Patel

Okay. Sir, can you throw some light why inventory levels have shoot up?

Sudhir Deoras

You see we have two projects in work in progress, Vindhyachal and Jindal, so we are standard entering into the profit reckoning phase.

Parthiv Patel

Okay and one last question on. You mentioned somewhere in the call that we have MTM loss which is related to related to standalone entity mainly 5.1 crores, I do not know what is about the other six crores which is on revenue loss, you are saying ForEx loss basically-?

Sudhir Deoras

It is mostly on buyer's credit and revenue loss means these are all mark-to-market but arising out of other than road short-term.

Parthiv Patel

Okay sir, thank you very much.

Sudhir Deoras

Thank you.

Moderator

Thank you. The next question is from Chinmay Gandre from Asit C Mehta, go ahead please.

Chinmay Gandre

Yes, good afternoon sir.

Sudhir Deoras

Good afternoon.

Chinmay Gandre

Sir, apart from NTPC which other projects are you looking or where have you bid for the coal handling plant?

Sudhir Deoras

Well, as of now bids are coming out from NTPC with while we are talking to some private players but we see a slow down as but we see slow down as far as private players are concerned but a major player for the big projects continues to be NTPC, this is as far as the power plants are concerned and as far as the steel area is concerned the only steel plant we have started construction in Tata Steel Kalinganagar where we are expecting orders to start.

Chinmay Gandre

What about SEBs?

Sudhir Deoras

We do not have any SEB on the line of sight as of now.

Chinmay Gandre

Sir and further 12th plan, I mean in the presentations made by BHEL, they have said like more than 90% of the 1 lakh megawatts have been awarded for the BTG front, but you will just mention like for the BoP and the MHE front no orders have been placed and normally it is like within one year or so the BoP and coal handling order get released so why is it like, I mean could you throw some light?

Sudhir Deoras

As of now we are expecting, we were visiting NTPC and told in the fourth quarter of this financial year they will start releasing those bids.

Chinmay Gandre

Sir and are we not bidding for SEBs or SEBs are not coming up with the order?

Sudhir Deoras

No, we are open to bid for all these but as of now as far as, no there is nothing like we do not want to bid but as far as I see whatever the lists of bids of what we are preparing there is no SEBs really I have seen there.

Chinmay Gandre

And you maintained your like 1,000 crores order inflow for the full year?

Sudhir Deoras

We maintained that, we are fighting very hard for that.

Chinmay Gandre

Okay sir, yes thanks sir.

Sudhir Deoras

I would like to clarify on that ForEx in the segmental thing. The entire ForEx loss in the segmental account is in unallocated expenses....

Chinmay Gandre

Yes, okay thank you sir.

Sudhir Deoras

Thank you.

Moderator

Thank you. The next question is from the line of Ankit B from Pinc Research, thank you go ahead.

Ankit B

Just a follow up question. What is the progress on the power BoP segment sir, still we are targeting projects worth 500 crores and less or have we changed our strategy?

Sudhir Deoras

Balance of Plant?

Ankit B

Yes.

Sudhir Deoras

You see we continue to target Balance of Plant on that smaller size what we talked about but largely they are in the private industry and we have seen that there is a little slowdown in that area but in the meantime we are preparing ourselves for bigger things to come in but as of now whatever work we have been doing with some of there are four – five private parties with whom our team is in touch but I can clearly see a slow down there because people are not very sure about the coal linkages etc.

Ankit B

So, is the uncertainty level so high that it is difficult for us to predict when can we back those orders?

Sudhir Deoras

Yes as of today I cannot but internally we are now looking at strengthening our team in a manner that we should be in a position to start bidding for the bigger projects because of the smaller projects and private industries are in little difficulty and we shall start looking at other things also, so there is lot of work is happening internally but as of now I do not have anything to really report on that.

Ankit B

So, in the near term we should not expect any orders from?

Sudhir Deoras

No, I do not think so.

Ankit B

Okay and sir just now you have shared that the project business margin outlook going forward would be around 3% to 4%.

Sudhir Deoras

3% turn on –

Ankit B

Yes, so at 3% and this is at PBIT level right, hello?

Sudhir Deoras

Yes.

Ankit B

This is at the PBIT level?

Sudhir Deoras

That 3% what we are saying going ahead would be at yes it is at PBIT level, yes.

Ankit B

PBIT level. So, sir at PBIT level if it is 3% and considering the level of debt we have in our books and the working capital scenario how are we going to make money in to the project division? Hello.

Sudhir Deoras

Yes, project business is at the time is very tight that is what we were telling all along.

Ankit B

But at least will we be making negative margins in this business going forward or at least we will be at the breakeven level?

Ashim Roy

Okay, I will get back to this answer. You just carry on, we will confirm that 3% EBIT level or it is before interest thing.

Ankit B

Okay, so you still have to confirm whether it is PBIT or PBT right?

Ashim Roy

It is after interest.

Ankit B

So, the new orders which we are bidding for we are targeting 3% PBT – pardon.

Ashim Roy

That is after interest that is profit before tax level.

Ankit B

So, the new orders which you are bidding you are targeting 3% PBT level margins, right?

Ashim Roy

Yes.

Ankit B

So, what would be the PBIT level margins which you would be targeting?

Sudhir Deoras

I will have to give you that.

Ankit B

Okay, then should I hold or should I go ahead?

Sudhir Deoras

You go ahead.

Ankit B

Okay. What is the current level of enquiries in your project division other than the Kalinganagar and the L1 projects which is already L1?

Ashim Roy

The active enquiry upon which we are working today?

Ankit B

Yes.

Ashim Roy

It could be over 1,200 crores.

Ankit B

1,200 crores, okay and sir on considering all these things do we see 1,400 crores plus turnover for this whole year, means FY12 on a consolidated basis?

Sudhir Deoras

Yes.

Ankit B

And out of that around 600 crores plus from the automotive and the rest from the product and project division?

Ashim Roy

I would put it this way that automotive could be anywhere between, let us say around 550 and rest would be this side.

Ankit B

550 okay. And sir in this quarter your product division on a standalone basis, the product division margins have improved and PBIT level they are as high as 20% so just wanted to check are these level sustainable because we have been facing a lot of pressure in the first quarters.

Sudhir Deoras

I think 2% this way that way, I think is sustainable because lot of work has happened in plant also in terms of cost reduction area, etc., so I think things are improving as per the operation.

Ankit B

Okay so 2% here and there but the margins are sustainable in that. Okay and sir you are giving me that margin picture or I should –

Sudhir Deoras

I will get back to you on that –

Ankit B

Okay thank you so much.

Moderator

Thank you. The next question is from the line of Manish Goyal from Enam Holdings, please go ahead.

Manish Goyal

Yes sir, my question is on the auto business. Earlier we were expecting 600 crores revenues in the current year so in the York we were expecting around 350 to 400 crores so would it be possible to give some outlook on that?

Sudhir Deoras

Sorry, we cannot hear you at all. Kindly, can you be a little louder or come closer to your-?

Manish Goyal

Yes, in auto business, we were expecting revenues of 600 crores for FY12 and in the York just to break that up in York we were expecting nearly 400 crores and DLT we were expecting 150 crores so would you like to guide on that?

Sudhir Deoras

I think more or less we are moving on those lines, so as I said it could be around 550 crores and 600 crores, what numbers you projected they are moving in that direction.

Manish Goyal

And we have seen improvement in margins in the auto business in the current quarter so can we expect that this kind of margin growth to continue in near future.

Ashim Roy

Yes.

Manish Goyal

Okay and sir next year also can we expect a healthy growth in the auto business sir?

Ashim Roy

Yes.

Manish Goyal

Okay and in the MHE product segment our margins have, segmental margin show that it touched 20% in this quarter, so would you like to comment on that is this 20% margin sustainable in MHE product segment?

Ashim Roy

This is product business.

Manish Goyal

Product business, yes in the standalone.

Ashim Roy

See that is how what we are quoting now it is this product business average percentage includes product manufacture for the projects also and so we say for last few quarters we are telling that we are trying to concentrate more on the product business because there appears to be a sustainable margin in product business. And coming back to the PBIT and EBIT percentage I just have found that our interest burden, expected interest burden is going to be around 2% to 2.25% of our projected turnover, around 5% is the PBIT margin expected on project.

Manish Goyal

Okay so sir just coming back to the MHE products business, so can we expect 18% - 20% growth in top-line and sustainable margins of 20%?

Sudhir Deoras

Yes.

Manish Goyal

Okay and on the CapEx front in auto business what is the CapEx likely in the current year and next year?

Sudhir Deoras

CapEx in this financial year in auto business?

Manish Goyal

Yes.

Sudhir Deoras

No, nothing material really, nothing material this year because whatever we wanted to spend we have spend, we have put up new plant for York in Talegaon, we have put up a new plant for.

Manish Goyal

Yes, so both these plants have come up so what kind of capitalization which would be done for both these plants in the auto business?

Sudhir Deoras

We will answer this question in a minute.

Manish Goyal

Okay thank you sir.

Pritesh Chheda

I have couple of questions here. Hello.

Sudhir Deoras

Yes.

Pritesh Chheda

This is Pritesh. One I just wanted to understand in the auto business we saw good margins in this quarter, just wanted to get a flavor on the auto business margins going forward?

Sudhir Deoras

See the auto business margin you are saying in the current year quarter is better than last year or even.....

Ashim Roy

I think you are considering a foreign exchange losses.

Pritesh Chheda

Excluding foreign exchange losses.

Ashim Roy

Let me say that what we have done in quarter two, we should at least that much we should do in quarter three also.

Pritesh Chheda

And what would be the target margins that you would look at in the auto business especially after considering the round of investments and expansions that we have been doing and when will that target margins appear in those business?

Ashim Roy

At PBT level I am saying PBT level, now I do not want to get confused about EBIT level, etc., just now. But at PBT level if I hope to do around 3% and that is good number.

Pritesh Chheda

So, all companies put together.

Ashim Roy

Yes.

Pritesh Chheda

And that number have we looked at the return on investments that the auto business would generate?

Sudhir Deoras

Well, we had done on internal exercise on that and I think the kind of numbers what we are projecting other than the feedback what we had because of the economic downturn on the two years delay, we are moving the way we would have like to.

Pritesh Chheda

Okay, just to add up few questions here. On the three companies that is York, York India especially but not York Singapore. York India, Tata DLT and Aditya Automotive, with the current capacity what is the peak turnover that these companies can do? So, that means you may consider in York India an axle capacity of 48,000. In Tata DLT 3,000 trailers is what we share as a capacity?

Sudhir Deoras

Okay let me try and give this answer to you. Okay, you go on your next question, in the meantime let me refer to my papers.

Pritesh Chheda

Yes, actually this was the question.

Ashim Roy

In the meantime someone asked the CapEx charges, the CapEx has been added in the auto application business in this last six months and we do not anticipate any further expenditure on this as of now, during the year and next year also in fact it would be marginal.

Sudhir Deoras

Pritesh okay, you asked about India turnover of these three companies, is that right?

Pritesh Chheda

Yes, so York India.

Sudhir Deoras

Yes, let me start on Lucknow plant. We hope to about 80 crores this year.

Pritesh Chheda

So, this is the Aditya Automotive plant?

Sudhir Deoras

Aditya Automotive, 11 plus we are hoping to do about 80 crores.

Pritesh Chheda

Sorry.

Sudhir Deoras

80 crores.

Pritesh Chheda

That is for.

Sudhir Deoras

Aditya.

Pritesh Chheda

Okay.

Sudhir Deoras

As far as Tata DLT is concerned, now Tata DLT as you know we are 50% partner our reflection of book is 50% we expect it to do about 170 crores of turnover.

Pritesh Chheda

This is total right and we put it 50% of this?

Sudhir Deoras

Yes.

Pritesh Chheda

Okay.

Sudhir Deoras

And as far as York is concerned, York India this year it will bring in about 100 crores –

Pritesh Chheda

And if you could tell us the underlying unit assumption for this turnover?

Sudhir Deoras

What is that?

Pritesh Chheda

Volume assumption.

Speaker

Volume number.

Sudhir Deoras

Pritesh I cannot give the numbers-

Pritesh Chheda

Okay no problem. So, but the capacity wise for Tata DLT what you share is 3,000 units for York India what you share is 48,000 units on two shifts basis in the line, right?

Sudhir Deoras

34,000 as of now.

Pritesh Chheda

And for Aditya, what is the capacity?

Sudhir Deoras

Aditya is also making, today's rate is 10 units per day so 250 per month.

Pritesh Chheda

And that is the capacity for it.

Sudhir Deoras

Yes, as of today that is the capacity. But we are seriously expanding the capacity, so in two to three months we will come out with that.

Pritesh Chheda

Okay, thank you sir. Moderator can you just check further questions.

Moderator

Thank you. The next question is from the line of Parthiv Patel from AMG Investments, go ahead.

Parthiv Patel

I think most of my questions are answered I will just give it a pass, thanks.

Moderator

Thank you. The next question is from the Kamlesh Kotak from Asian Market.

Kamlesh Kotak

Hello sir, hello.

Sudhir Deoras

Yes.

Kamlesh Kotak

Any of the projects from our order books are slow moving as of now?

Sudhir Deoras

Yes, see one project which is moving slow, not these coal handling projects what we are talking about but I am talking about port and yard equipments project which is Krishnapatnam that not in terms of supplies in terms of erection of the machines and I think Krishnapatnam Port because of iron and ore issue I do not want to go beyond that you know iron ore export on Andhra Pradesh all the mines have closed down and Krishnapatnam Port was very heavily into iron ore exports so there is a sort of slow down there.

Kamlesh Kotak

And how big is that order sir?

Sudhir Deoras

This order was worth 150 crores when we took this order three years – four years ago and so what is hurting us as of now is that if this project does not move then our retention monies will keep getting block and so we have been kind of now making rounds of Hyderabad to Navayuga company saying that if you cannot move this project then please return my retention amount so this is something which is bothering me just now.

Kamlesh Kotak

Okay and sir what is our vision for 2013-2014 as we are saying 2,500 crores of revenue, is it still in tact and if yes what will be the breakup of the revenue between the automotive and material handling business?

Sudhir Deoras

Can you hold on with this question for another three months?

Kamlesh Kotak

Okay, sure thank you.

Moderator

Thank you. The next question is from the line of Ankit B from Pinc Research.

Ankit B

Sir sorry to again and again ask the same question about the PBT margins. Just one small confusion, you said that 3% PBT margins you are looking for the company as a whole on a consolidated basis right?

Ashim Roy

It was project business.

Ankit B

It is only the project business?

Ashim Roy

Yes.

Ankit B

And for the company as a whole, this would be a slightly higher?

Ashim Roy

Yes it will be higher because product business margins are more. And so we are saying that around at EBIT level 7%.

Ankit B

On the company as a whole on a consolidated basis.

Ashim Roy

Yes.

Ankit B

And project it would be 5% at PBIT and around 3% PBT?

Ashim Roy

This project business and then extension of that and talking about Indian business?

Ankit B

Yes, standalone project business.

Sudhir Deoras

Standalone business, project business we said 3% forward and 2% on interest account for EBIT around 8%.

Ankit B

Yes, for the project division and standalone and for the company as a whole 7% EBITDA margins and around 3% PBT margins, sorry more than that.

Ashim Roy

Yes, it would be around that.

Ankit B

Yes, slightly confusing, okay thank you so much and all the best sir.

Moderator

Thank you. The last question is from the line Nikhil Agrawal from Tata Securities, please go ahead.

Nikhil Agrawal

Hello sir, sorry for the sake of, for repeating the same question. But can you let me know what is the order book break up between project business and product business as of now is the first thing? Second thing, how much new order have we received in both the divisions in last six months?

Ashim Roy

Orders received in project business in last six months nothing, no new order was received, around 75 crores of product order was booked 78 crores business.

Nikhil Agrawal

And if I ask for the breakup of the current order books?

Ashim Roy

150 and it gives the product sale backlog, 1275 is the total.

Nikhil Agrawal

Okay and if you can talk about the margins you said 5% EBIT margins for project division and for the projects, what about the product dividend, product dividend would be around 10% EBIT margins?

Sudhir Deoras

Pardon.

Nikhil Agrawal

The product dividend, what could be the EBIT margin projected EBIT margins? I am asking the projected EBIT margin, EBIT margins for the production division, it would be around 9% to 10%?

Ashim Roy

See, I have already given you the corporate numbers please let us stick to that.

Nikhil Agrawal

Okay, fine from my side thank you.

Moderator

Thank you. The next question is from the Sushil Choksey from Rosy Blue Securities?

Sushil Choksey

Hi Ashim I understand that you are sticking to your corporate guidance on the margins but are the current margin of standalone product sustainable you already guided in the call and the operational margin which we have received if you consider ForEx loss it is somewhere in the vicinity of 5% to 6% on the global basis, so if you are achieving 550 crores turnover 6% EBITDA irrespective of ForEx loss and 18% to 21% being done local product business is achievable if that can be said yes or no?

Ashim Roy

Yes, okay.

Sushil Choksey

That is good enough we will talk, thanks.

Moderator

Thank you. As there are no further questions. I would now like to hand the floor over to Mr. Pritesh Chheda of Emkay Global for closing comments.

Prerna

Hello sir this is Prerna. Thank you sir and thank you everybody. We thank you for giving us the opportunity to host this call and thank you very much. Have a great day sir.

Sudhir Deoras

Thank you.

Moderator

Thank you. On behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us, you may now disconnect your lines.

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

Emkay Global Financial Services Ltd.

Corporate Add: B – Ruby Mills Tower, 7th Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: www.emkayglobal.com

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