



“KEI Industries Limited
Q3 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEI Industries Q3 FY2019 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: On behalf of Edelweiss, I welcome you all to KEI third quarter results conference call. We have with us today top management represented by Mr. Anil Gupta, Chairman & Managing Director, Mr. Rajeev Gupta, Executive Director. Without further delay, I now handover the call to the management for their opening remarks, after which we shall open the floor for a Q&A session. Thank you and over to you Sir!

Anil Gupta: Good morning colleagues. I am Anil Gupta from KEI Industries. Thank you very much for joining this conference call. I will brief you the financial results of this third quarter in FY2019.

During the third quarter of FY2019, the company has achieved a net sales of Rs.1087.48 Crores against the Rs.888 Crores achieved same period last year thus registering a growth of 22.37% over the corresponding quarter.

Operating profit during the quarter is Rs.117.68 Crores against the same quarter in the previous year Rs.84.3 Crores, thus registering a growth of 39.59% over previous period.

Profit after tax has improved to Rs.48.39 Crores from Rs.39 Crores in the corresponding period registering a growth of 24%. PAT is around 4.45% on the net sales.

Further the operating profit for net sales in this quarter has improved to 10.82% against 9.49% in the same quarter of the last financial year.

During the nine months period the company had achieved a net sales of Rs.2968 Crores against Rs.2415 Crores achieved in the same period last year. So the growth in net sales is around 22.88% over nine months period.

Operating profit has improved by 28.36% to Rs.304.66 Crores in nine months compared to Rs.237 Crores in the same period of nine months in the last financial year.

Volume growth in the cable division during the nine months is approximately 19% as compared to previous year same period.

Now during the third quarter of FY2019 the total institutional sales including exports is around Rs.554.5 Crores in the third quarter as compared to Rs.459 Crores during the third quarter last year, so the total growth of institutional sales is around 21%. During the third quarter of FY2019 sales through our dealer distribution network is Rs.356 Crores against Rs.276 Crores during the same period. Hence the growth in sales through the dealer network is around 32% in the third quarter. The total number of active dealers of the company is around 1400.

On full year basis the company is expecting more than 30% growth compared to last year from sales through the network. During the third quarter of FY2019 revenues from EPC division is Rs.176 Crores, this is apart sale of cables to our EPC projects. Against last year same period it was Rs.160 Crores. In nine months of FY2018-2019 EPC sales is Rs.483 Crores against Rs.467 Crores of the last year same period.

Overall, the company is expected to achieve a growth in the current year by more than 20% as a whole. The pending order position as on today is around Rs.3866 Crores and we are L1 in around Rs.650 Crores tender, so I can give the breakup, the EPC division orders in hand is Rs.1508 Crores, extra high voltage cable is Rs.614 Crores, normal cables of our institutional network is around Rs.996 Crores, exports pending orders are Rs.748 Crores. Thus, it becomes a total of Rs.3866 Crores and we are L1 in around another Rs.650 Crores tender of EPC as well as EHV, so these orders are likely to be awarded by March.

The expansion plans in Pathredi, LT power cable first phase is already completed and commissioned and in second phase HT power cable expansion is undergoing. All the plant and machinery has been received in the factory and under commissioning, so we expect to commission the whole project, the balance HT cable project by middle of March 2019 with a cost of approximately Rs.35 Crores. This will enhance our capacity of HT power cables by Rs.200 Crores on an annual basis.

In Silvassa, the company has bought a land and building with an investment of Rs.16 Crores for expansion of our house wire capacity in the first phase. The company is spending approximately Rs.45 Crores in FY2019 and FY2020 for a capacity addition of around Rs.300 Crores in the first phase and in second phase the company will spend another Rs.30 Crores by end of 2019-2020, which will add further capacity of Rs.300 Crores for house wires taking the total capacity of that plant to Rs.600 Crores per year on an annual basis.

These are the highlights, so I will request you, if you have any specific questions you are welcome, we will be glad to answer. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: Thanks for the opportunity. Two questions, first, finance cost seems to be slightly higher compared to last few quarters, so if you can help with what is the reason and has the debt also gone up?

Rajeev Gupta: Can you repeat your question again?

Abhineet Anand: The finance cost for the quarter seems to have gone up, I am just trying to understand whether the debt correspondingly has gone up and what is the reason for that?

Rajeev Gupta: Abhineet, finance cost has increased due to bank charges on bank guarantees, which is in this quarter as compared to last quarter is Rs.6 Crores more because we have received the West Bengal order for which we have given the bank guarantee in this quarter only. So the bank charges on that is close to Rs.5 Crores to Rs.6 Crores is there, but these bank charges are not treated as expenditures while EPC profitability is calculated because there the completion method applies, but the interest cost it will be shown, but when we calculate the EPC profitability then it will be on the completion method, so it will be treated as on proportionate basis.

Abhineet Anand: Going into 4Q this Rs.5, Rs.6 Crores additional will not be there, right?

Rajeev Gupta: If we will receive new orders and we have to give the bank guarantee then addition two or three quarters.

Anil Gupta: Bank guarantee's tenure is around five to six years. Two years is the execution period and then three years is the warranty period, defect liability period, so the entire commission bank is charging at the time of issue of bank guarantee, that is the reason that around Rs.6 Crores worth of bank guarantee commission is paid on the new substantial orders received in third quarter, which was not there in the last financial year.

Abhineet Anand: Okay, thanks and second if you can help with the breakup of LT, HD and others?

Anil Gupta: One more point to add overall finance cost has come down to 3.16% on the net sales as compared to 3.35% in the same period last year.

Rajeev Gupta: You can note down the Q3 numbers: LT Power Cable in this quarter is Rs.396 Crores, HT power cable Rs.216 Crores, extra high voltage power cable Rs.49 Crores, house wire Rs.208 Crores. The stainless steel wire Rs.33 Crores and EPC without cable is Rs.176 Crores and other miscellaneous is Rs.9 Crores, so total comes to Rs.1087 Crores.

Abhineet Anand: Thank you.

- Moderator:** Thank you. Next question is from the line of Rahul Murarka from Jefferies. Please go ahead.
- Lavina Quadros:** Sir, this is Lavina here from Jefferies. I just wanted to understand what is your overall debt status as of today compared to 2Q?
- Rajeev Gupta:** Overall debt status is Rs.755 Crores as on December and net of cash is Rs.728 Crores.
- Lavina Quadros:** Rs.755 Crores.
- Rajeev Gupta:** 755 Crores and the net is 26.53 Crores, so net of cash is Rs.728 Crores as against it was in March Rs.842 Crores minus cash then it was net of Rs.765.9 Crores.
- Lavina Quadros:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Ashish Poddar from Anand Rathi. Please go ahead.
- Ashish Poddar:** My question is regarding your margins, so this quarter was I think one of the best margin we have seen in last two, three years, Sir here I need some clarity while your gross margin contracted in the quarter just because of lower employee cost and other expenses in percentage terms, we saw margin expansion at EBITDA level, but can you please clarify what actually happened during the quarter that we saw these kind of performance on the margin side?
- Rajeev Gupta:** Volume is growing. The sales is increasing and a mix of sale is extra high voltage dealer and the EPC engine, because of this profitability is increasing and these EPC projects is under the completion stage, in this Q2, three projects have completed, so whatever provision was made it has been relaxed, so this profitability increased. In the next one-year, in each and every quarter one or two projects will be completing in EPC division. Earlier also we have guided this margin, will move towards 11%, so it should move at that level.
- Ashish Poddar:** But then why gross margin was lower?
- Rajeev Gupta:** Which gross margin?
- Ashish Poddar:** The gross margin.
- Rajeev Gupta:** That cannot be compared because EPC sale is something different and cable sale is something different. In cables the raw material is close to 70%, 72%, but in EPC raw materials hardly 30% then bought out and the erection commissioning, so total will be

closed to 55% of the raw material portion in the EPC division, so you are looking the combined figure actually as per the result.

Ashish Poddar: You are saying that on the EPC business, there were more booking on the EPC and low contribution of the cable. This is what you are saying?

Rajeev Gupta: In EPC that cable contribution is only 20% or 25% on the total EPC sale then the bought out is also 25%, 30%, balance is the erection commissioning profitability, so there gross margin will be 45% or may be 40% or may be 50%, but in the case of cable the gross margin will be close to 28% to 30%.

Ashish Poddar: You are saying largely because of the better mix or better booking, so it is just timing?

Rajeev Gupta: It is the timing and the completion of the large EPC project because now each and every quarter.

Ashish Poddar: You see this margin is one-off kind of margin and perhaps will see some volatility because of the reason you mentioned?

Rajeev Gupta: No, earlier also if you see because of exchange loss this margin was not available. In the last quarter and previous quarter also this kind of margin was there, but because of exchange loss this margin was not shown in the results because in the exchange loss was booked in the expenses.

Ashish Poddar: I have just one more question, so on the interest cost side Sir you mentioned that FY2018 interest cost was peak interest and now onwards will see lower cost, but I believe that?

Rajeev Gupta: But if you take EPC contract then we need to pay bank charges. Interest cost will remain, but the bank charges have to be there for the bank guarantee. If you do not add the EPC contract then we do not need to give them the bank guarantee so bank charges will not be there.

Ashish Poddar: Okay so in that gives for the next two years on current year and next year we are booking for about Rs.140-150 Crores of capex so do you think that you will have surplus enough cash flow to support that, but we have to raise fund for that?

Rajeev Gupta: In a year as we are earlier guided total debt will be maintained as per 2017 or 2018 balance sheet so that we are maintaining. We are not borrowing extra borrowing. Whatever figures said we are incurring their expenditure, we are meeting from the internal accrual side so that is why just as on December 31, 2018 the net debt is Rs.728 Crores as against Rs.765 Crores net debt in March 2018.

- Anil Gupta:** Although we have grown by 20% that debt is back, and it is not increasing.
- Deepak Poddar:** Thank you so much Sir and all the very best.
- Moderator:** Thank you. We take the next question from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth:** Good afternoon Sir. Congratulations on a very good set of numbers. Sir my question pertains to we have guided for 20% growth this year so this is the volume growth we are talking about or value growth for this year?
- Rajeev Gupta:** Volume growth is close to 18%, 19% and value growth has come to more than 22% so it is not much different.
- Kunal Sheth:** 20% guidance is the value growth right?
- Rajeev Gupta:** Ultimately we have to see the balance sheet in the value terms so value terms we have guided more than 20%. Earlier we have guided 20% for now, it is nine-month results are there and we have grown in nine months 22.88% so we are hoping that this kind of growth we will maintain after even the March quarter also.
- Kunal Sheth:** Sir any sense you can give us on how do you look at FY2020 in terms of growth?
- Rajeev Gupta:** FY2020 again we are targeting 18% to 20% because whatever capacity we have already lined up and order book position as our CMD told you is there in hand at the end of January because whatever order position he has told you is it end of January end that means as on date.
- Kunal Sheth:** Right Sir okay and Sir how has been environment in terms of bidding I mean are we seeing tenders coming up or you are seeing?
- Rajeev Gupta:** Tenders are everyday coming up, but whatever we have to choose from them, we are choosing and we are bidding and we are getting the orders also.
- Anil Gupta:** Whatever is our interest, we are only bidding.
- Kunal Sheth:** Okay and Sir any margin guidance that you are giving for next year?
- Rajeev Gupta:** Next year again we are targeting for 10.5% plus because every year we are trying to achieve more because once the capacity utilization is increasing, the product mix is increasing, the margin will be there, but we have to be a little bit conservative because we were not

knowing earlier that for first two quarters, there was exchange loss so these kind of things comes and happen during the year so we have to take care for them also.

Kunal Sheth: Sir last question, what is the capacity utilization at this point in time?

Rajeev Gupta: Close to 88%.

Kunal Sheth: 88% sure. Thank you so much Sir and best of luck for future quarter.

Moderator: Thank you. The next question is from the line of Harshit Kapadia of Elara Capital. Please go ahead.

Harshit Kapadia: Thank you for the opportunity and congratulations for a good set of numbers Sir, few questions from my side and Sir if you can give me the Q3 numbers for FY2018 as well that would be really helpful for the segment?

Rajeev Gupta: For product wise sales?

Harshit Kapadia: Product wise sales Sir?

Rajeev Gupta: LT power cable sale is Rs.396 Crores, HT power cable sales Rs.115 Crores.

Harshit Kapadia: For LT cable last quarter was same as this quarter?

Rajeev Gupta: Same.

Harshit Kapadia: Okay HT cable is?

Rajeev Gupta: HT cable was Rs.115 Crores, extra high voltage was Rs.38 Crores, house wire was Rs.141 Crores, SS wire was Rs.29 Crores, EPC was Rs.160 Crores and other sales was Rs.10 Crores so it was total Rs.889 Crores.

Harshit Kapadia: Okay Sir my question pertains to if you look at the retail sales which we have given in I think Q1 and Q4 even in Q3 FY2018 was different than the press release which you have given in the model?

Rajeev Gupta: Last year our total sale was Rs.1087 Crores, which now we have reclassified because some small contractor sale was also through that reserve was included so we have excluded that sales so for now that the sale, which was Rs.1087 Crores now comes down to Rs.990 Crores something.

- Harshit Kapadia:** Okay so what you have excluding is the contractor revenue?
- Rajeev Gupta:** That is why we have reclassified for all the four quarters, as well as this three quarter because we want to assess our marketing division of retail as a pure retail.
- Harshit Kapadia:** Okay so you mean to LT cable sale, which was part of your retail has now moved out?
- Rajeev Gupta:** LT cable also part of retail as well as house wire has also part of retail, but earlier the sale through the dealer to the small, small contractor are also included in the retail sales so now we have excluded that sale. It was close to Rs.90 Crores for full year.
- Harshit Kapadia:** Okay it was Rs.90 Crores for full year.
- Rajeev Gupta:** Full year that we have excluded actually so that is why we have reclassified that.
- Harshit Kapadia:** Okay and Sir one thing on your margin front as your cable margin have actually expanded by 70 BPS, can you please clarify what are the key reasons for this margin expansion?
- Rajeev Gupta:** It was also on exchange fluctuation and the dealer mix of extra high voltage retail because of that.
- Harshit Kapadia:** Sir EHV has not grown that significant, it is only 30% because your peers margins have actually your margin have declined, but your margins have increased so is there any kind?
- Rajeev Gupta:** 25:50 basis point margin may fluctuate depending on the product mix and sales. We cannot say exactly it will remain same, but sometimes we have the copper booking order, sometime we have the aluminum booking orders so these margin gets changed from 20 bps to 50 basis point.
- Harshit Kapadia:** You are able to pass on the prices within a week.
- Rajeev Gupta:** That is the business model.
- Harshit Kapadia:** Because some of the companies were not able to take price hikes that the reason why I am asking Sir?
- Rajeev Gupta:** No we are institutional sales, we are having natural hedge whatever we have quoted we are receiving the price. Passing of the price is not issue actually. There may be some changes on quarter-to-quarter basis, but not more than that.

- Harshit Kapadia:** Okay and one of the scheme, which was Deen Dayal Upadhyaya where you are getting orders for the EPC business now we had seen that government has reduced the target for the full year as well as in Saubhagya Scheme latest not that for the next year as well so do you see expect EPC order book?
- Rajeev Gupta:** There are new opportunities for railways and underground cabling has opened up as Anil Ji has said recently we bagged more than Rs.650 Crores order book position for L1 so basically yesterday we got the news that Rs.460 Crores worth of order for underground cabling we are L1 and on that basis he had added in the exiting L1 order position, which we have communicated to you.
- Harshit Kapadia:** But this is for which user industry it for railways Rs.460 Crores?
- Rajeev Gupta:** It is for Nepal Electricity Authority.
- Anil Gupta:** It is a World Bank aided project.
- Rajeev Gupta:** Ultimately we have to increase our sales, we have to seek the market whether it is Deen Dayal or it is IPDS or it is export or it is retail or institution, ultimately our target is the growth of at least 20% on the balance sheet basis. In this segment in which customer it goes, it does not matter to us.
- Harshit Kapadia:** Thanks and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Murkya from Jefferies. Please go ahead.
- Rahul Murkya:** Thanks a lot for opportunity. Sir just one data point you mentioned that for the nine-month the volume growth was around 19%, can you give us for the quarter as well how much was the volume growth for the quarter?
- Rajeev Gupta:** In this quarter, the volume growth is close to 15% to 16%, the reason for that in this quarter copper cable sale has more as compared to aluminum cable sales so that is why the value is maintained there.
- Rahul Murkya:** That is it from my side. Thank you.
- Moderator:** Thank you. We take the next question from the line of Tarang Bhanushali from YES Securities. Please go ahead.

- Tarang Bhanushali:** Congratulations on a good set of numbers. Sir just wanted to understand Sir what would be the channel financing share in our sales through dealers?
- Rajeev Gupta:** Almost our 50% dealer sale is covering under channel financing right now because our sale is increasing every year, 30%, 35% so new dealer until they are covering one year to 18 months' time, they are not covered under channel financing as per the banking arrangement.
- Tarang Bhanushali:** Okay and Sir the export order with Dangote, so this is for which type of cable Sir?
- Anil Gupta:** It is for LT power and control cables and instrumentation cables.
- Tarang Bhanushali:** Sir what would be your advertising and promotional expense for this quarter?
- Rajeev Gupta:** Total in a year, we will be trying to expenditure budget is close to Rs.15 Crores to Rs.16 Crores for a year basis we have not much expenditure on the advertisement, but reasonably expenditure we are doing actually.
- Tarang Bhanushali:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Thanks for giving the opportunity again. Few questions from my side, can you also let me know what is the provision write back you have done in EPC business in this quarter?
- Rajeev Gupta:** It is not the case provision right back, it is case of when this project completes then only the final profits come.
- Harshit Kapadia:** Okay Sir there is no write back, it just lower provision you have provided.
- Rajeev Gupta:** No write back because once the sale is finally booked then the profit comes.
- Harshit Kapadia:** In the second quarter you had mentioned that EHV revenue would you are targeting to doubling the revenue in this year?
- Rajeev Gupta:** Because of the late clearances of the production schedule from the customer side so now we will be reaching in future quarters close to Rs.75 Crores to Rs.80 Crores per quarter.
- Anil Gupta:** It will be reflected in this quarter itself.
- Harshit Kapadia:** Okay in Q4 so you have received the clearances from the customer side?

- Rajeev Gupta:** Yes, we have received the clearances from that Tata power from HPCL and few more orders.
- Harshit Kapadia:** Okay in the export business you had received some Rs.475 Crores worth of order import from Dangote can you just elaborate what is that order, what is supply schedule is there any update?
- Rajeev Gupta:** It is meant for supply by from April 2019 so the supply will start from April and it has to be supplied over a period of one year, entire order is covered by payment in terms site letter of credit so absolutely risk free and customer has already paid substantial advance against the order.
- Harshit Kapadia:** Sir how much is the advance you have received Sir?
- Rajeev Gupta:** Around 10%.
- Harshit Kapadia:** 10% advance.
- Rajeev Gupta:** But that is kept separately.
- Anil Gupta:** That will reflect in this quarter. There are more provisions for the advance so we are in the process to receive the more advance also.
- Rajeev Gupta:** But that it is process in the January only. It has not been reflected in the last quarter.
- Harshit Kapadia:** Can you expect similar kind of orders from Africa region to continue over FY2020?
- Rajeev Gupta:** We are continuously getting good orders from African region, north of this magnitude any individual order, but we look forward to see good amount of orders from Africa.
- Harshit Kapadia:** Okay and just last question from my side Sir. If you can also let us know what is the capex plan for FY2021 as well because even for 2020?
- Rajeev Gupta:** 2021 right now we have not any planned for the capex, because whatever capacity we are lining up, so these capacity will be filed may be Rs.20 Crores, Rs.30 Crores may be in 2021, but not more and as per the present schedule. When we will plan we will communicate to you.
- Rajeev Gupta:** Okay, thank you Sir.

- Moderator:** Thank you. Next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.
- Manoj Gori:** Thanks for the opportunity. I would apologize if I missed on this. Just a couple of questions. One thing if you look at the channel like retail channel and we would be giving them some credit period as well, so do we do any bill discounting over there?
- Rajeev Gupta:** Basically dealer financing they take the dealer financing, it comes under bill discounting.
- Manoj Gori:** Sir secondly if you look at we have been delivering strong institutional sales, so who would be our top five clients for nine months FY2019 and for FY2018 as well?
- Rajeev Gupta:** All the large EPC contractors may be L&T, Siemens, Paribas all the large.
- Anil Gupta:** GET&D, L&T some like Vedanta Group is buying a lot of cables from us.
- Rajeev Gupta:** But no major customer who is buying more than Rs.40 Crores, Rs.50 Crores in a year. We are very diversified customer base in that way.
- Manoj Gori:** Right, I totally agreed with that, so target thing any change in the top five players during nine months FY2019 versus FY2018?
- Rajeev Gupta:** Repeat your question Manoj?
- Manoj Gori:** Are we looking at changes in your topline during nine months FY2019 versus FY2018?
- Rajeev Gupta:** In our case we are delivering the goods to the projects, sometime the project comes from BHEL, sometimes the project from Siemens, sometimes project comes from Vedanta, so it is keep on changing. Country to country also keep on changing. It is not necessary that we will supply to Kuwait only or to Africa only, now we will supply to Nepal also, so in our case, neither the customer is important, neither the country is important, important is the whole world and the whole customer segment to whom we are supplying and to maintain our growth level of more than 20%.
- Manoj Gori:** Sure Sir. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Vivek G from GF Investment. Please go ahead.
- Vivek G:** I just wanted to know about are the tailwind is stronger for our sector after a long time and how sustainable are they Sir?

- Rajeev Gupta:** It is absolutely sustainable. The performance of the company is coming because we are making the companies customer based highly diversified in terms of sectors catered right from power to industry to infrastructure and also the geographies catered. So as we are increasing our export efforts, which is paying results. We are insulating ourselves from any geography specific problems or sector specific slowdown that is the reason for strong growth year after year.
- Vivek G:** Basically sort of a golden period for our cable industries after a long time presently due to government policies or increasing exports or what are the reasons if you find it to be okay?
- Rajeev Gupta:** Exports has nothing to do with the government policy in India.
- Vivek G:** Exports as well as Indian domestic consumption government policy.
- Rajeev Gupta:** Government consumption is increasing and I think there is a general improvement in the offtake in the wire and cable industry within the domestic market, but we are doing substantial efforts to have very diversified markets all over the world, so that we are not impacted by any slowdown in any specific territory.
- Vivek G:** Sir and what about the increase in competition intensity and increasing raw material prices or they are not increasing down?
- Rajeev Gupta:** We are absolutely competitive and we are able to compete with anybody in India whether it is a big competitor or smaller one and so far as price volatility is concerned, we have learned to deal with that, it is a cost pass on whenever we are offering new tenders or new offers to the customers, whenever we get the order we are covering ourselves with the existing inventory.
- Vivek G:** Okay Sir. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Sanjay Dham from Old Bridge Capital. Please go ahead.
- Sanjay Dham:** On housekeeping question, FY2018 end your net debt is mentioned Rs.628 Crores in your September PPT, but I think you said it is Rs.765 Crores at the end of March?
- Rajeev Gupta:** At that time also we have told on the conference that in March it will be maintained at the level of March 2018 or 2017 level, because as our sales grow quarter-by-quarter debt level will go up by March then again it will be going down because June quarter.

- Sanjay Dham:** My question was you said that the net debt at the end of December were Rs.728 Crores versus Rs.765 Crores in March 2018?
- Rajeev Gupta:** Yes.
- Sanjay Dham:** In your PPT, in your September 2018 presentation, which is there on the website, net debt is mentioned at Rs.628 Crores, is there any reclassification anywhere?
- Rajeev Gupta:** September 2018, the figure is right. That has not changed, but the December 2018, now it has come up to 728 Crores, net. Again I am saying by March again it will be reflecting to the level of March 2018, it will increase further for the quarter then again will be coming down from the May or June because future quarter will be closing to more than Rs.1200 Crores.
- Sanjay Dham:** I was just asking about Rs.765 Crores pertains to which time?
- Rajeev Gupta:** Rs.760 Crores was March 2018. September 2018 was the figure that you were telling.
- Sanjay Dham:** That was September 2018 is it, because in your presentation 628 it is given at the end of FY2018 which is why I am asking.
- Rajeev Gupta:** FY2018 figure was Rs.765 Crores.
- Sanjay Dham:** Not Rs.628 Crores?
- Rajeev Gupta:** Not Rs.628 Crores.
- Sanjay Dham:** That is one and the second thing is interestingly in your institutional business I was just looking at the names that you have mentioned most of them were private names, so it does government organization figure in this?
- Rajeev Gupta:** Government has mainly EPC contracts. We have taken order from L&T. We have take EPC contract.
- Sanjay Dham:** Thirdly in the retail sales that you do, the finance company offers the financing and the bill discounting happens at that end, so your balance sheet?
- Rajeev Gupta:** What happens is they do the dealer financing from which in our case we have done recourse of 50% to them, so they become a liability, they will come into bill discounting limits, so this borrowing includes that figure also.

- Sanjay Dham:** That is perfect and has there been any change in any off balance sheet figures either in relation?
- Rajeev Gupta:** There is no off balance sheet, after Ind-AS coming into picture, everything is on balance sheet, including bill discounting, buyer credit, everything is on balance sheets are nowadays.
- Sanjay Dham:** Thank you so much and wish you all the best.
- Moderator:** Thank you. Next question is from the line of Pratik Poddar from Narnolia Financial. Please go ahead.
- Pratik Poddar:** It has been answered. Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Abhineet Anand from SBI Cap Securities. Please go ahead.
- Abhineet Anand:** Just your PC audit is very strong, what is the expectation in terms of 2020?
- Rajeev Gupta:** 2019, 2020 again we are targeting a growth of 18%, 20%.
- Abhineet Anand:** From EPC side?
- Rajeev Gupta:** From EPC side also we will be targeting a growth of 15% to 20% next financial year, because now we are getting the good orders.
- Abhineet Anand:** This year what is the target?
- Rajeev Gupta:** Next year our target should be close to Rs.1150 Crores or may be Rs.1200 Crores in EPC division.
- Abhineet Anand:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.
- Vinod Bansal:** My question was channel financing you said that most of financing is on recourse basis and therefore it comes with part of debt, what is the process through which you could make it non-recourse with banks?

- Rajeev Gupta:** It is ultimately depend on the bank. As our program will be getting old, so now banks will be offering non-recourse also. But you see ultimately the responsibility of ours, because dealers are ours, so ultimately responsibility of ours, whether it is on balance sheet or off balance sheet ultimately the responsibility is of ours.
- Vinod Bansal:** I understand that but you said it dependent on the bank and age of the debtors typically from?
- Rajeev Gupta:** It may be off balance sheet then Rs.1500 Crores they are offering without recourse to us, but right now it is 50% recourse to us.
- Vinod Bansal:** For every Rs.100 of channel financing done 50 is appearing in the debt?
- Rajeev Gupta:** Yes, appeared in debt.
- Vinod Bansal:** Out of the debt how much would be this amount of 50 going in the debt?
- Rajeev Gupta:** The total bill discounting is Rs.110 Crores, so close to Rs.50 Crores will be from the dealer financing.
- Vinod Bansal:** And if it 50% of our dealers are covered in the channel financing facility or all these sales of the 50% population in channel financing or will be part of the sales?
- Rajeev Gupta:** It is part of sales actually, but when this new dealer comes, it takes 18 months to get under the channel financing and small dealers we are not covering because lots of manual documentation work is also there, so only the large dealers we are covering under channel financing.
- Vinod Bansal:** I get your point, but my question was if the dealers were a three years old dealer, his entire sales would be under channel financial right not just a part of it?
- Rajeev Gupta:** There may be 80% because few dealers do not want to come under channel finance sometimes they take the cash discount.
- Rajeev Gupta:** Thanks a lot.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraints we take this as a last question. I would now like to hand the conference back to the management for their closing comments.

Anil Gupta: Thank you very much colleagues for participating in this conference call. I hope that we are able to answer all the queries. If still you have anything to know you can write to us or you can call us. Thank you very much for your time.

Rajeev Gupta: Thanks everyone and thanks Amit Ji for holding this conference call.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Edelweiss Securities Limited we can close today's conference. Thank you for joining and you may disconnect your lines now.