Punj Lloyd Limited Q2FY13 Post Results Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to Punj Lloyd's Q2FY13 Post Results Conference Call. We have with us today the senior management team of Punj Lloyd. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should require assistance during this conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Vinay Sood, Head, Investor Relations. Thank you and over to you Sir.

Vinay Sood: Good afternoon everyone, and welcome to the second quarter FY13 Earnings Conference Call. Joining us today on the call are members of our senior management team, Mr. Luv Chhabra, -- Director, Corporate Affairs; Mr. P K Gupta – Director; Mr. Raju Kaul – President and CFO; Mr Sanjay Goel -- President and CEO, Punj Lloyd Engineering. I believe you have received the investor communication and results. Just to recap, current order book stands at ₹25,413 crore, consolidated revenue for Q2 stands at ₹2,778 crore, EBITDA at ₹314 crore, and PBT at ₹17 crore.

Before we begin, I would like to mention that some statements made during this call may be forward looking in nature, and disclaimer to this effect has been sent to all with the conference call invitation. Also, I would like to emphasize that while the call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. I will now request Mr. Chhabra to make the opening remarks and then we can start with Q&A.

Luv Chhabra: Welcome to this earnings conference call for Q2FY13. I understand that the investor communication and performance overview is already with you. So, we should now move on to the question and answers.

Moderator: The first question is from Pritesh Chheda from Emkay Global Financial Services

Pritesh Chheda: Sir, just if you could give us, what is the order inflow number for the quarter and the first half and if you could give us the consolidated debt at the end of the first half?

Raju Kaul: The consolidated debt is around Rs 6000 crore, as at the end of September 2012, and inflow of order in H1 is Rs 3945 crore.

Pritesh Chheda: What would it be for quarter 2 specifically?

Luv Chhabra: Order Inflow in quarter II is Rs 1920 crore.

Pritesh Chheda: What would be FX debt and non FX, and the blended cost of that?

Raju Kaul: It is approximately 65% to 70% in India and 30% to 35% outside India. The blended cost of debt is around 11% as of now. Indian debt is primarily Rupee denominated.

Moderator: The next question is from Srinivas Rao from HDFC Mutual Fund, please go ahead.

Srinivas Rao: Just continuing on the previous question, your Debt at the end of first quarter was ₹5700 crore, so against that you are saying now it is ₹6000 crore?

Raju Kaul: Yes, it is around ₹6000 crore

Srinivas Rao: There is a ₹300 crore increase.

Raju Kaul: That is primarily in working capital.

Srinivas Rao: Also, if you can just update us on the progress made for reducing Debt or improving working capital.

Luv Chhabra: Srinivas, there has been some marginal improvement in the working capital cycle. That is one bit. The much longer term plan, which is to significantly or in some measure bring down our debt, is likely to take some more time. The reason is that we are in a challenging macro and micro environment. So the proposed sale of some of our investments is taking longer than anticipated. But we are on track and at it and we hope that in the next 6 to 9 months you will see some visibility in reduction of our overall debt numbers.

Srinivas Rao: If I look at the quarter 2 EBITDA, it is almost 11.3%. So, are there any one-time or exceptional things in this quarters' EBITDA?

Raju Kaul: We have taken a write-off of around ₹53 crore.

Srinivas Rao: So, reported EBITDA margin is about 11.3% and if we add this number it will be even higher, which is much higher than what we have seen for many quarters now. What would be the reason for that?

Raju Kaul: The mix of the orders which we execute keeps changing. This quarter, compared to the previous quarter, the pipeline execution has gone up, power has also gone up, process, infrastructure, and tankage have come down.

Srinivas Rao: I am trying to understand whether it is sustainable?

Luv Chhabra: It basically depends, as Raju explained, on the proportion of our orders executed in a quarter. The sustainability will be in the same ballpark range in the future quarters. We are not seeing any untoward surprises or any untoward significant increase in costs etc.

Srinivas Rao: The next question is on the outlook for order inflows, you touched upon it a little bit, but if you can explain, where are you seeing more traction, also if you can highlight what is happening in Middle East and also in Oil and Gas there, where do you see things improving, and where do you see things getting more challenging?

Luv Chhabra: All of you are aware that the Indian market continues to be extremely competitive. A look at some of the bids will demonstrate that typical road projects have 22 to 25, sometimes even 30 bidders. That gives the level of competitive intensity. But having said that, I personally believe that the opportunities in infrastructure will continue, whether it is building, highways, or other infrastructure projects.

Srinivas Rao: Can you update us on the ONGC Heera project arbitration progress?

Luv Chhabra: It is not an arbitration, Srinivas. We had decided to temporarily suspend the arbitration, and go through an Outside Expert Committee of ONGC.

P. K. Gupta: This Outside Expert Committee is appointed by ONGC. They are well known people from the industry and they go through the whole case or claim. We have already completed 6 meetings and normally the case is sorted out within first 10 meetings itself. At the most, they can go to 12 or 14 meetings. So 6 meetings have already happened and we hope that some result should come out by March next year.

Moderator: The next question is from Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: There has been an increase in interest cost while there is no significant increase in total debt on the balance sheet, so how could you explain that?

Raju Kaul: While we had repaid some of the long term debt, which was taken two to three years back, which were obviously at a lower rate of interest, the working capital utilization, which is at a higher rate of interest, for the new projects which have come in the last one to one and a half years has gone up.

Rajesh Agarwal: That means the interest cost has gone up because from long term you have shifted to short term.

Raju Kaul: That is a temporary phenomenon. It happened because those long terms loans were due for repayment.

Rajesh Agarwal: What is the increase in other current liabilities, you have Rs500 crore over March 2012?

Raju Kaul: The increase is trade related and out of normal business operations

Rajesh Agarwal: What is the reason for increase in long term loans and advances of Rs 300 crore?

Raju Kaul: It consists of advances to suppliers, advances to subcontractors and some capital advances

Rajesh Agarwal: To our subsidiaries and all?

Raju Kaul: It is primarily trade related.

Rajesh Agarwal: What was the effect of currency fluctuation in this quarter?

Raju Kaul: There is a gain of around Rs 40 crore in the quarter.

Rajesh Agarwal: And we have taken that in operating income?

Raju Kaul: Yes, that is part of operating income.

Rajesh Agarwal: The Rs 53 crore adjustment that we did to remove the qualification, where have we actually adjusted the same?

Raju Kaul: That is in the operating cost.

Rajesh Agarwal: Which specific project was it relating to?

Raju Kaul: This was for DCU, Baroda.

Luv Chhabra: Raju, you also need to explain that a part of the increase in debt in consolidation is because of our development projects.

Raju Kaul: This debt of around Rs 6000 crore would include Rs 318 crore of disbursement which we had taken against our BOOT type projects being executed by SPVs.

Rajesh Agarwal: Okay, have we expended the interest cost because if they are into development, we can capitalize the same?

Raju Kaul: That is getting capitalized. But in consolidation the debt gets consolidated.

Rajesh Agarwal: Okay, the debt gets consolidated, but there is no change in interest cost because of that.

Moderator: The next question is from Amit Dalal from Tata Investment Corporation Ltd

Amit Dalal: I would like to understand the accounting of your various subsidiaries. For instance, you have shown in your balance sheet that you have not dealt with in the holding company's accounts, losses which have taken place in the Indonesian company, the Kazakhstan Company, and the Punj Lloyd Pte Limited. The total of those losses is coming to something in the order of ₹ 2000 odd crore

Raju Kaul: Whatever losses or profits we have it is part of the group's results.

Amit Dalal: But it says very clearly that it is not dealt with in the holding company's account.

Raju Kaul: We can explain the matter to you separately after we look at the relevant section of the Annual Report that you are referring to.

Amit Dalal: The subsidiaries losses which you have shown for instance are ₹ 1865 crore loss which has come around in Punj Lloyd Pte, which delivered a profit of ₹ 440 crore last year, and the same thing has happened in the case of Punj Lloyd Indonesia, from a ₹ 65 crore profit you have become ₹ 94 crore loss, and in each case you have written that it is not dealt with in the holding company account and under the heading "if it is dealt within the holding company", you have written nil.

Raju Kaul: These are all fully owned subsidiaries.

Amit Dalal: It should come in your P&L.

Raju Kaul: Yes, it is part of the P&L.

Luv Chhabra: Just to clarify, that all these have been taken into account in the consolidation of accounts, and we are reconfirming that.

Amit Dalal: Now what is the situation? Are these losses expected to be controlled, like a ₹ 1865 crore loss is a huge number?

Luv Chhabra: Punj Lloyd Pte loss is because of Simon Carves losses and this Company is in Administration. That is something that has been publicly disclosed, not once, but multiple times.

Luv Chhabra: The Company was put into Administration and therefore the debt which was over 200 million GBP had to be written off by Punj Lloyd Pvt. Ltd. Simon Carves was owned by Punj Lloyd PTE which is the holding company.. It is in a sense a one off incident.

Amit Dalal: Therefore this loss, which has come in the balance sheet now, you were saying that you had taken through P&L?

Raju Kaul: All the losses of Simon Carves were taken through the P&L in respective years.

Amit Dalal: If you had such a huge write-off last year, then in the first half, the improvement in the results should be reflected, but it is not there.

Luv Chhabra: That is a cumulative effect of three to four years.

Amit Dalal: What is the status of all these companies now, in terms of things going forward?

Luv Chhabra: Sembawang is a profitable entity. Punj Lloyd PTE is a profitable entity.and the Indonesian entity has a considerable amount of projects right now.

Amit Dalal: But Indonesia would still be recording losses?

Raju Kaul: Not now.

Amit Dalal: You all have a huge increase in inventory. Even last year's balance sheet, the current liability increase and the increase in inventory is almost the same. So, is there a problem of completion, exactly where is it that you all have not been able to record sales from the inventory?

Raju Kaul: Inventory is primarily because of the number of new jobs that have started. Libya should be moving now, so obviously it is all adding to the inventory there.

Amit Dalal: But your revenue increase is perhaps equal to your inventory increase. Even for the whole of last year it was the same situation. The trend continues this year even, so what worries me is, why is it that you are not able to complete the jobs on a rotating basis so that you have higher debtors rather than inventory.

Raju Kaul: Jobs are getting completed, but like we explained to you, in the previous conference call also, that Heera, Libya, they should be moving before the end of this year, so hopefully we will see that amounts coming down in the inventory as well.

Amit Dalal: So how much is Heera and Libya now part of your revenue or part of the inventory?

Raju Kaul: Heera is around ₹ 500 crore, and Libya in the inventory should be around ₹ 500 to 600 crore.

Amit Dalal: But you have a total inventory size of ₹ 5000 crore, so the increase in inventory is non-Libya.

Raju Kaul: That is all for the running jobs. There is no problem on balance jobs.

Amit Dalal: So you have accounted for this inventory properly in terms of ability to realize against revenue?

Raju Kaul: These are all running jobs, so billing is yet to happen. Whatever is not billed is part of the inventory.

Amit Dalal: Is there any controversy regarding that because on one side you can look positively that this company has a huge inventory built up and revenues will be recognized in subsequent periods or you have a cumulative inventory, which is not getting disposed off, because that inventory has its own problems. So, as of today how much confidence do you have that this is something that will be recognized in time to come. Besides Heera and Libya, what about the rest of the inventory which you have in your balance sheet.

Raju Kaul: Apart from what I have indicated earlier, there is increase in inventory because of Assam and Myanmar projects.

P. K. Gupta: Another point is that there are three to four refineries, which we have completed, like Barauni, Vadodara, Panipat and Bina. So in these projects, about Rs 500 crore is receivable.

Amit Dalal: That is right, those are receivables. I am happy if the receivables go up.

P. K. Gupta: We have already completed 100% of the work and refineries are up and running for the last one year. There are some small documentation pending, spare parts have to be handed over. All those things are to be done. In addition to that, there are issues with respect to the liquidated damages, where our contract is stating clearly that some of the free supplies were supposed to come from the client, which have not come and we have applied for an extension of time, which is under discussion and you know once the extension of time is discussed, we will have the related claims to the extension of time, so that is why it is taking time, and this will continue to appear in this inventory till all the payment due to us is received.. But the work is 100% finished against these refinery work.

Amit Dalal: You are saying that these are disputes with the customers and that is why they have not been revenue-ised, is that correct?

P. K. Gupta: Yes, disputes or understandings, you can say.

Amit Dalal: You mean there are problems like the ONGC situation, where you are not able to resolve with the customer yet.

P. K. Gupta: The customer has not put it on dispute. They are discussing it.

Amit Dalal: And now this quarter, your revenue growth has come up year-on-year, but you are obviously facing problems in terms of EBITDA build up. To what extent do you see order books improving for you going forward in terms of your EBITDA realization?

Luv Chhabra: I am sorry; you made a statement that we are having problems of EBITDA build up. That is incorrect.

Amit Dalal: Build up as a percentage of revenue, sorry?

Luv Chhabra: It is doing fine, if you look at the EBITDA numbers, they benchmark fairly well with others in this particular field.

Amit Dalal: Okay, but they are definitely lower than your past EBITDA margin, which you have shown in your P&L.

Luv Chhabra: That, as I explained earlier, is a function of the competitive intensity in our industry. The markets are dynamic and when the competitive intensity increases, there is likely to be some pressure on EBITDA.

Amit Dalal: And your PAT, you expect it to become positive at some point, or that is something that will take a little time.

Luv Chhabra: On a standalone basis, the PAT is positive. But on a consolidated basis it is negative. I think the major impact as you can see, is because of the high interest cost.

Amit Dalal: Yes, substantially, the interest cost is higher even in the standalone. I think the biggest problem is when I go through the balance sheet, it is like staggering to see the number of subsidiaries that you all have, and the consolidation impact that must be having. I would really appreciate; if we can offline understand that.

Luv Chhabra: It is completely transparent and you can get a full understanding of the consolidation off line. The reason why we have a significant number of subsidiaries is because we operate in so many countries. In many of these countries, we need to set up local companies so that we can bid for jobs. Examples are Kazakhstan, Indonesia and Malaysia, etc.

Amit Dalal: Indonesia is an investment also for you?

Luv Chhabra: That is through a subsidiary,of Sembawang,which owns 50% of a coal mine.

Amit Dalal: Strategically, how did that fit into your whole picture?

Luv Chhabra: Well, it is an investment. Coal assets are valuable assets. There is a team in Sembawang that has immense experience in exploiting coal assets and that team has been deployed in Indonesia to exploit this opportunity. They will, in future, look at adjoining coal mines where they can get an attractive valuation and look at exploiting coal from those mines too.

Moderator: Thank you. The next question is from Rajesh Agarwal from Moneyore**.** please go ahead.

Rajesh Agarwal: Since you have booked ₹ 40 crore FOREX gain this quarter, then what resulted in a decrease in other operating income.

Raju Kaul: There is not much of scrap sale, or any write back. Last quarter we had a sizable amount of scrap sale and write-back. This quarter we do not have much of it.

Rajesh Agarwal: Okay, so this ₹ 50 crore is inclusive of ₹ 40 crore of forex gain, and other operating income has been very less.

Raju Kaul: Yes, compared to the previous quarter it is less.

Moderator: The next question is from Inderjeet Singh from Macquarie Capital.

Inderjeet: Can you kind of throw some color on what is the bidding pipeline, especially on oil and gas side in India? The second question is that in the Middle East, there have been conflicting reports about earlier very strong order inflow pipeline and things again starting to slow down there, so if you could just give your comments on that.

Luv Chhabra: Your question is specific to oil and gas sector in India; am I right?

Inderjeet: Yes, India and Middle East, and if you could also then kind of broaden the comments to infrastructure, which is a big focus in India.

Luv Chhabra: Let us split the oil and gas market into two parts. The opportunities in the offshore part of oil and gas in India continues to be strong. The downstream part is slow, I think it is challenging because the financial position of the downstream oil companies is something that is well known. We believe that the downstream sector will continue to remain challenging in India for some more time, till the issue of their under recovery is settled and they get compensated for the under recovery in time. In Middle East, there are segments of the oil and gas and petrochemical sector, ie process business, which will remain strong. One of them is polysilicon. As you know, we are doing a very big job in polysilicon in Qatar, and we believe this model will be replicated in many other countries in the Middle East; there will be large opportunities for such projects in countries like Saudi Arabia. Other than that, the Middle East pipeline for oil and gas seems to be fine. There is no great concern, but both the Indian and Middle East markets continue to be competitive. The infrastructure side in India will definitely pick up, but again, as I mentioned earlier, it is an extremely competitive market, particularly in the highway sector. It is typical to see that projects of the size of Rs 500 to Rs 700 crore, often have more than 20 or 25 bidders. That trend is likely to continue for some time. What may happen however, is that there will be a move away from the BOOT type of projects to EPC type projects. Some of the companies have found it challenging to complete the financial closure in the recent 25 or 30 highway projects that they have won on BOOT basis. Other sectors in infrastructure, and I include buildings in that sector, The roll out of building, housing and commercial space looks to be pretty robust in India.

Inderjeet: Okay, and in terms of the NHAI, EPC opportunity that was being talked about, and NHAI had put on its website all these bids, have you actually progressed on that front or still awaiting any more clearances required for these bids. And we were given to understand that there are opportunities around 2500 km, so are we participating in all of those bids as Punj Lloyd?

Luv Chhabra: There have not been too many pure EPC projects of NHAI under revised norms that have come for bidding. Where we believe that we have a unique strength for such projects in this sector, we certainly will bid. And our focus would be on the larger size projects.

Moderator: The next question is from Navin Jain from JF Financials.

Navin Jain: Could you please throw some light on what is happening in Libya. What is happening with our orders in Libya?

Luv Chhabra: In Libya, the new government has recently been formed. As you know, we had two drilling rigs in Libya, which were operational through our subsidiary Punj Lloyd Upstream. Of those two rigs, one rig has moved to Gabon, and it is doing drilling activity for Oil India. The second rig, which is in Libya, is operating, it is being given work front, and it continues to drill. Then we have 5 infrastructure projects, which were under execution when the crises hit Libya.

Pardeep Tandon: Out of the five projects, three projects they have asked us to restart. We have not finalized under what terms and conditions we will restart the work. With the new government just being formed, they are planning their position vis-à-vis foreign companies, and shortly it will be done. We are hopeful of at least restarting some of the projects.

Luv Chhabra: And on the gas pipeline project, we will have to wait a bit longer. There have been issues of law and order there, and it will take a bit more time for the oil and gas work to resume. We have, of course, filed our claims with the client, not only for the oil and gas, but also for the infrastructure projects.

Navin Jain: Sir, how large are these claims?

Luv Chhabra: Total claims are pretty large because it comprises not only of idling, but also the cost involved if we have to revive the project. There has been an extensive damage to compressors, for example in the gas pipeline project. So, it is a fairly significant amount. The compressors, for example will have to be sent back to the manufacturer for refurbishment because shells have gone through the compressor.

Navin Jain: Would it be reasonable to expect some execution in the infra project, let us say in the FY13 itself?

Luv Chhabra: That is the expectation, that in FY13 we will start with execution of some, if not all the infra projects.

Navin Jain: Okay, and also wanted some more details about the coal mine that we had invested in Indonesia, in terms of reserves, in terms of status, what is happening there?

Luv Chhabra: The coal mine reserves are anticipated to be between 50 and 70 million tonnes. It is a 50:50 equity shareholding arrangement between an Indonesian subsidiary of Sembawang and the owner of the coal mine. Right now the progress is slow because there has been a significant reduction in the prices of coal. As you are aware, in the last three to six months, coal prices have come down significantly. The final process of licensing, etc., is being completed. We expect that this is a temporary phenomenon, and will not last more than a few months, and thereafter the coal exploitation can start.

Navin Jain: What is the CAPEX plan for the year, both for the construction business overall, and also the development business?

Luv Chhabra: On the development side we currently have three projects of which one has been completed, which is a 5 MW solar power project in Rajasthan at Bap, which is some distance away from Jodhpur. That plant is producing power satisfactorily. Then we have an annuity road project - Khagaria to Purnia, which is in Bihar. That project is expected to be completed by end of next year, though the scheduled completion is in 2014 and hopefully this should result in an extra annuity for the SPV. The third project is a housing project for Delhi Police at Dheerpur, on the outskirts of Delhi. There is some delay in this project because, there is a small area of land on which construction is not possible as it is under green belt of the Delhi Master Plan. The Delhi Police through DDA, is arranging to get that green belt removed. As soon as this happens, which is expected in the next couple of months, the construction on this project will start. We have in the meanwhile achieved financial sanctions for this project.

Navin Jain: How much is current debt in these three projects taken together?

Luv Chhabra: It is approximately Rs 320 crore currently on all such projects, but most of this debt is on a non-recourse basis, and it is ring fenced around the special purpose vehicles that are executing or owning the projects. You would note that in many of these projects, the debt equity is high (typically 3:1 or 4:1 or sometimes even slightly above 4:1), which is why as the quantum of debt drawdown on these projects increases, on a consolidated basis the debt will seem pretty large. However part of this debt for the BOOT type projects needs to be segregated for the purpose of analysis of the EPC business.

Navin Jain: Right Sir, I understand that, but by the end of this year, how much do we expect this Rs 320 crore to go up to. I want to understand what is the kind of CAPEX that will be done in these three development projects in the year and also for the core construction business?

Luv Chhabra: By the end of financial year, if for the Delhi Police housing project all approvals are in place by December, there could be an increase in debt on all these projects by close to ₹100 crore.

Navin Jain: How about core construction CAPEX?

Luv Chhabra: CAPEX on construction projects depends on new project wins. So the way it happens is that if we have won a project in a particular geography, the first endeavor is to use internal equipment that is available. If that is not available, then the next step is to rent or lease new equipment. And again, if that is not possible, then we resort to incur CAPEX. It is therefore hard to predict in advance what the additional capex will be as it depends on which projects we win in a particular geography. Right now, I don't expect that CAPEX numbers will be significant.

Navin Jain: But in H1 how much we have done, and based on what you have right now, in terms of order inflow in the last six months or so, is there any significant need of CAPEX for those projects at least, and at least if you can share what will be there for the first half.

Luv Chhabra: For the existing projects, most of the CAPEX has already been incurred.

Raju Kaul: It is around Rs 22 odd crore for the first half at the consolidated level.

Navin Jain: One last clarification, in this Rs 320 crore that we have totally spent on development projects so far, how much of that would have got spent in this year?

Raju Kaul: Let me clarify, this Rs 320 crore includes Rs 90 crore on account of a joint venture, with IL&FS which is TRDCL. So Rs 90 crore debt has been there for the last 2 years. For the current development projects, we have taken drawn 220 crores of debt and in .H1 of the current financial year it would be around Rs100 crores.

Moderator: The next question is from Nitin Bhasin from Ambit Capital.

Nitin Bhasin: I was looking at your order book, and just wanted some sense from you in terms of what is happening with the offshore as well as the processing tankage orders in India. Also, what is happening on the ONGC investments in the country, the pipeline orders, which you talked about two to three years back, will they come back any time soon. So, the hydrocarbons view from you?

P. K. Gupta: As far as the offshore sector is concerned, there are a lot of offshorebids that are in the pipeline. It is not only ONGC on which we are concentrating; we are also concentrating on offshore orders in the Middle East as well as South East Asia. The only offshore order, which we are doing for ONGC is WO-16 which is on a good wicket right now. In addition to that, we are doing offshore orders for British Gas, BPCL, as well as GSPC. We have bid for many of the offshore jobs for ONGC, for which the decision is yet to come. It is going slow, hopefully this will be decided before the end of this quarter but we are still waiting to see the results.

Nitin Bhasin What about pipeline project for GAIL?

P. K. Gupta: We are doing a big job for them, and we are almost on a completion phase, and the pipeline is supposed to be commissioned by December end. In addition to that we are working on a line for them in Kochi, and there are further expansions coming from GAIL side as well as IOC for which we are bidding in the normal course.

Nitin Bhasin If you were to say let us put up a number in terms of growth wise, you think next year or this year the balance of the year, the inflows, in the hydrocarbon, would they be more certain from offshore upstream or from something like tankage or the pipeline?

P. K. Gupta: As far as tankage and pipeline are concerned, not many big jobs are expected. The new big pipeline, which is going to come, is from GSPC, but that is also delayed because of the Gujarat Elections. Although we have gone ahead with the PQ procedures, but the bid is delayed because of the elections.

Nitin Bhasin We hear that in India possibly, we have enough of refining and pet chem capacity available for the next three to four years, and new projects are under consulting process, or design process right now. Do you think that is the case, and India will not see hydrocarbon CAPEX at least for the next two to three years.

P. K. Gupta: Yes, it is challenging. Mr. Chhabra has just explained that in the downstream side, the whole marketing scenario is quite challenging, and I am sure that it is going to remain the same for the next one or two years.

Nitin Bhasin In terms of borrowing right now, one is, the projects where you just mentioned briefly awhile back that all the SPV projects have ring fenced debt, so no challenge on the parent here. But in terms of Punj Lloyd as a listed entity requiring more working capital, how is the bank behavior right now in terms of interest cost, do we see for Punj Lloyd over the next one year debt repayments or more debt intake, that is one, and do we see interest rates go down for Punj Lloyd?

Luv Chhabra: Interest rates going down is really a function of Central Bank policy at the moment. There has been enough said, and enough debate going on this subject including what the Honorable Finance Minister has said. Our own estimate is that yes, there will be some reduction in interest rates by the start of the next financial year, but , in terms of getting working capital funds available for the EPC projects, it is a function of the geography. Typically, we don't see an issue in Middle East and we don't see any significant issue in most markets in South East Asia, and we don't see too much of an issue in India But I believe the liquidity position was bad some back and it has improved over the last couple of months.

Nitin Bhasin Can you borrow ECBs, because if you say that the Indian interest rates possibly are sticky in nature, it is a function of the Central Bank, as a corporate, are you looking to change it to ECB in the near term?

Luv Chhabra: The challenge for borrowing in ECB for projects in India is the exchange rate. The revenues are being earned in Indian Rupees, whereas the repayment or the interest payment will be in foreign currency. Now, we don't know which way the exchange rate will go. Therefore, our philosophy generally is that the currency in which we earn should be the currency in which we borrow, to the extent that it is indeed feasible.

Nitin Bhasin If we could get a breakup from you in terms of your India Rupee denominated debt right now?

Raju Kaul: The Indian Rupee debt is between 65 and 70%. So, roughly it will be about Rs 4000 crore or in that ballpark range.

Moderator: As there are no further questions from the Participants, I now hand the conference over to Mr. Vinay Sood for closing comments.

Vinay Sood: Thank you very much ladies and gentlemen for joining us on this call. We now conclude the conference call.

Moderator: Thank you gentlemen of the management team. On behalf of Punj Lloyd that concludes this conference call.