"Larsen & Toubro Limited Q1 FY20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Larsen & Toubro Limited Q1 FY20 Earnings Conference Call. 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 this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arnob Mondal. Thank you and over to you, sir.

Arnob Mondal: Good evening, ladies and gentlemen. A very warm welcome to earnings call for Q1 FY20. We will follow the usual format where I will first run through the analyst presentation. We have uploaded the presentation around one hour back and I hope you have downloaded it so that you have had a chance to go through it and you will be able to follow it as I walk you through. After the end of the presentation, we will open the session to question and answers.

With that, I will first go to the disclaimers slide. Here, of course, I will take this as read, except for the fact that just as a gist we often make some forward-looking statements which may or may not materialize due to causes beyond our control. So, there's just a disclaimer that we would like to put on the table before we get into the main presentation and commentary on the results.

Just before going to the next slide, I would highlight two important things that happened this time. One was the Mindtree acquisition. All of you would be aware that we bought over the stake from Mr. V G Siddharth of slightly over 20% that happened just before the year-end. And during this quarter we bought some shares the open market and we also concluded the open offer which was closed on the 28th of June. As on the 30th of June, of course, the open offer stake had not been transferred to our control, so we had slightly less than 30% of shares. And since we did not have any Board representation here, Board representation was approved by shareholders in general meeting in July, the investment that we made till then of around 30% has been shown as an investment. And Mindtree as a result has also not been shown as an investment in an associate company, and hence Mindtree has not been consolidated in this quarter's results. That will happen from Q2 onwards.

The second point to note is that in this quarter, we also got CCI approval for divestment of electrical and automation business for Schneider Electric. And even though there are quite a few formalities left to be completed, some conditions of course from Schneider's side, but from our side as well. There are some legal formalities that carve off certain factories, including the transfer of land and building and plant and machinery to their names, and things like that. And while it may take some time, a few more quarters before the transaction is finally concluded, we are fairly certain of it being concluded. In the interim, going by the recommendations or by the requirements of accounting standards, this business is now classified as discontinued operations. The effect of this is that in the P&L you will not find any revenue or expenditure line items. It will appear just as a one-line consolidation under PAT as profit after tax from discontinued operations.

Of course, some of the comparisons that we will do are including E&A, because when we gave our guidance in the beginning of the year, obviously it was considering electrical & automation for so far this year continue, we will continue with that till it finally gets that divested. In the balance sheet as well, all the assets and liabilities whether they be fixed assets or working capital or debt or any other liabilities are also removed and it appears as an asset held for sale as a one-line item in the balance sheet as well. So, these are the two main events that happened during the quarter.

I will now go to the next slide, which is a highlight slide, slide number #4. Here you can see that we have done well on all operating parameters, its a very decent set of numbers in a difficult environment. Order inflows grew by 11%, more on that later. Order book, of course, is a derivation of order inflows and revenues along with the opening order book, and that has grown by 9%. Essentially, because our absolute quantum of order inflows is significantly higher than revenues. As far as revenue is concerned, it grew by 10% which is decent in present circumstances. The profitable growth has obviously translated to a higher EBITDA overall at a corporate level of 20% growth. And the EBITDA obviously has held on till the PAT level as well, because PAT has grown by 21%

Going to the next slide, which is slide number #5, dealing with key financial parameters. As far as order inflow is concerned, we have grown by 11% as you can see, slightly Rs. 38,700 crores. And a large part of this has come from PSUs and private sectors, I will deal with that in a bit in the next slide. Here I have covered the order book and covered revenue, EBITDA, reported PAT, net working capital is something which you can see has gone up to 23% this quarter against 21% in the end of Q1 FY19 and a lower level around 18% at the end of last year. So, it has faced a significant increase in here , I would like to touch upon why it has gone up so significantly.

Firstly, in this quarter we have seen all around sluggishness in releasing payments by both central and as well as state government, as well as in some cases PSU and private sector. Of course, the central and state government sluggishness was probably because of the election overhang. But be that as it may, in fact, state government orders particularly we saw significant holdback of payments, and in some cases, reasons given were that state budgets have not yet been approved. That was one major reason for increase in working capital. Another thing is that I think all of us are well aware that we are operating in an extremely tough liquidity environment. Media media has reported on things like NBFC, liquidity, and banks bleeding, recapitalization and lack of credit and slowdown in the economy and stuff like that.

And what has also happened is that some of our vendors who are much smaller than us have also been affected by this tough liquidity. And so, in this quarter, we have actually supported vendors to a large extent and we have released a significant amount of payments to vendors which has brought down the vendor credit which is sitting in current liabilities, which in turn has led to an increase in net working capital. So, these are the three essential reasons for an increase in the net working capital. And we do hope that going forward as the environment improves, we will be able to claw back some of the increase going forward.

Of course, I always maintained that working capital since it is across hundreds of sites, it is one of the most difficult things to monitor and control. But by and large I think you can be rest assured that we are taking every effort, businesses are taking every effort to control that. The return on equity compared to Q1 FY19 of 14.6% has gone to 15.4% in Q1 FY10, and this is for trailing 12 months. So, we continue our journey of steady improvement of ROE. And our target achieving 18% by the end of FY21 still holds good.

We now move to the next slide, which is order inflow and order book. This year in this quarter in a very difficult environment, as I mentioned earlier, we have grown our order inflows by 11%. And the order into momentum has largely been sustained through PSU and private-sector orders. As I mentioned, one thing which was very clear is that the central government and state government ordering became very, very sluggish during this time. And, of course, we do think that there again it's largely due to an election overhang. And to give you an idea, 90% of our orders have come from PSUs and private sector, almost equally divided. That's the extent of support that we have got from PSUs and the private sector.

So, actually speaking, in the beginning of the year I think all of you will recollect that we guided for skewed order inflows towards the second half of the year, primarily because we had assumed that there will be an election overhang and the first half would witness a slowdown in ordering momentum. Fortunately, we have gone by 11%. As far as the order book is concerned, you can see that it's still a very healthy Rs. 294,000 core order book and this, of course, provides a good operational hedge against cyclicality in different sectors that are inherent in the space that we operate in.

Slide #7 in the order book we have shown Rs. 294,000 crores. Now there are six business verticals, we call them independent companies, which are almost of equal size of around 13% to 14% of the order book. And hence, we think that our order book is sufficiently diversified and there is no dependence on one single vertical within our business portfolio.

Now I will move to the next slide, Slide#8, which deals with sales and costs. Here you would have seen a 10% revenue growth. This entire revenue growth has come from domestic. Domestic revenues have actually grown by 15% and international has de-grown by 1% and is primarily due to flat order book in international, it remains the same practically at around Rs. 62,000 crores approximately. MCO expenses is by and large in line with the revenue increase. The finance charge of financial services and operational finance lease that we have today has grown quite a bit, and this is in line with the loan book of financial services, which if you had gone through the results, you would have seen that it grew by 15% or so. As far as staff costs are concerned, there's been a 10% increase, and this is essentially on the back of resource augmentation in the services business of L&T Infotech, L&T Technology Services, and Financial Services. In fact, on a net basisif you take the average of Q1 FY19 versus the average of Q1 FY20, we have added around 10,000 people in terms of headcount.

Now we move to Slide #9, which deals with stack up from EBITDA going right down to PAT. EBITDA, as you can make out, has grown very healthily at 20%. The next item, other income has rolled significantly and this is essentially because of treasury income on a higher average investment base. In fact, we had created a fair amount of liquidity buffer which has of course, stood in good steeds as far as the Mindtree acquisition is concerned. But during the quarter on the standalone balance sheet we had an average of around Rs. 12,000 crores of investment versus an average of Rs. 8,000 crores in last year. And treasury yields have also gone up to around 7% versus 5% last year.

As far as finance cost is concerned, that has also gone up because our debt has also gone up and average debt again in the standalone entity was around Rs. 25,000 crores versus Rs. 17,000 crores a year back. And here again, as I mentioned, its essentially on account of the liquidity buffers that we have built up. Taxes expenses have gone down, there were some changes, one reason was the change in the treatment of dividend distribution tax. Non-controlling interest has gone up, primarily representing a high share of the profits from entities, subsidiaries which are listed. The joint venture and S&A Company PAT reflects IDPL Roads and Forgings, as well as the Mitsubishi Power Equipment Manufacturing joint ventures. And the previous year if you recollect, includes a one-time INVIT gain. And that is one of the reasons why it has become negative, primarily because of IDPL initial stage of road losses that we continue to bear. And without that one-time gain.

Discontinued operation, as I mentioned earlier, represents a PAT from electrical and automation business, and that's around Rs. 1.1 billion, it has grown by 31%, they have done fairly well. So, PAT before exceptional has actually grown by 29%. Of course, the reported PAT has grown by 21%. Now, the exceptional represents impairment in a road SPV, this was headed by IDPL. And we impaired the equity here because the financial creditor has referred it to NCLT and the proceedings admitted in NCLT. So, by way of abundant prudence, we have impaired the equity investment in this particular JV as well.

Now coming to the next slide, which is a segment competition on side #11. This is essentially for reference and here you will notice that we have classified electrical automation again as a discontinued operation and we put it right towards the end. Just for reference, in case anybody wants to see the details of individual segments.

Now moving to the next slide, Slide #12. This is again essentially for reference which gives us breakup of order inflow composition. And here again, you can see both the geographical breakup as well as a vertical wise breakup. And in the vertical wise breakup a notable item is power which accounts for 17.3% of the total order inflow, and more on that later.

Going to the next slide, which is deals with the order book, this also is for reference. But one thing you can see again here is that in the past, we have talked about our foray into what we call near-shore geographies outside the Middle East, essentially parts of East Africa, including Mauritius, North Africa, as well as East Asia and Southeast Asia wherever possible. And we have been plugging away at that and the results are there for all to see. And in fact, if you take the total international order book, around half of the order book is now from non-Middle Eastern countries as on end of Q1.

Now, we move to the next slide, side #14, which gives you the revenue competition. Here too this is essentially for reference, and you can make out that as far as the geographical spread is concerned, fairly spread out across Middle East, USA, Europe, essentially through L&T Infotech and Technology Services, as well as the rest of the world. And infrastructure here again is a big daddy as far as we are concerned, and they account for 47% of the total revenue pie.

Going to the next slide, Slide #15. Infrastructure segment which happens to be our largest segment. Order inflow was fairly decent. And this time we got some notable inflows, some airport orders, we got a water order from Sri Lanka, we have got a desalination order from Gujarat, we have got a gold beneficiation order from Saudi Arabia, as well as our defence telecom network order. All these have led to a decent order inflow in this segment. Revenues have grown by 14%, and it's a very noteworthy growth in this difficult time, as I mentioned earlier. And the strong revenue growth is on, number one, we had a robust opening order book. And secondly, its a conversion of the order book into revenues across business verticals.

As far as margins are concerned, the margins, of course, reflect a stage of execution and job mix and its an outcome of seasonal volatility where it's also dependent on the percentage of completion. So, right in the beginning, every quarter I continue to say that please do not view quarterly margins as representative of year as a whole, and certainly not for project duration which typically goes up to three years.

One point I must also mention as far as revenues are concerned, you can see that the revenues are almost entirely driven by domestic. Domestic revenues have gone up from Rs. 84 billion to Rs. 106 billion, whereas international revenues have declined a bit. And that is essentially because of some large marquee orders which we had in international markets tapering off now, where they are nearing stages of execution.

We now move to the next slide which is power. Here, of course, I think most of you would be aware that we got a very large EPC order which replenished the Q1 order book. And this is an order in Buxar in Bihar, 2x660 megawatt and it is very significant for this sector, because this sector was being played by a lot of issues of overcapacity is concerned, we have boiler and turbine manufacturing capacity in excess of 20 gigawatt to 25 gigawatt, whereas annual ordering is barely around 7 gigawatt - 8 gigawatt every year. So, this order is very significant for us. We are also targeting around another 7 gigawatt of coal-fired power plant EPC orders which is on our prospect list. If all those get ordered out then we really hope that we will be able to garner some more business there.

Emission control equipment, both flu gas desulfurization as well as a selective catalytic reagent for sox and nox emission control, they are around 30 gigawatt of retrofitting prospects in the pipeline. And we are now seeing this coming out fast and thick, primarily because most of you would be aware that the contentious issues of whether PPAs could be revised because of increased capital cost halfway through the power plant operation have been settled, that's why you are seeing orders coming out thick and smooth. We are also targeting some Bangladesh jobs, and hope to get some international business as well from there. Here the revenue decline of 48%

is essentially because of the low opening order book, all of you would have seen quarter by quarter the order book has been depleting. Of course, this quarter it has got replenished. And margins here again 4.1% to 3.3% are reflective of job mix and stage of execution. So, I will not read too much into this, and here again like infra margins are also subject to a fair amount of quarterly volatility.

Another point to note which I keep on reiterating is that the profits of Mitsubishi JV, both in boiler and turbine and other JV companies, smaller JVs like Howden and Sargent & Lundy are consolidated under equity method, so they do not find a placen either revenue nor at EBITDA level.

Going to the next slide, which is a heavy engineering segment. Here, you would recollect that last year, they had a very strong order inflow and they still carry a fairly decent order book of around Rs. 4,000 crores or so, and that opening large order book has led to significant revenue ramp-up in this particular quarter of 162%. It's stellar revenue growth and essentially driven by the opening order book. One point as far as the orders are concerned, in the current quarter we have also seen some order inflow getting impacted by deferment from contracts. The order revenues that we have notched up, which is close to Rs. 900 crores or so is actually essentially high-tech manufacturing and today we are executing around 35 reactors simultaneously. So, our shops are practically running at full capacity.

As far as margins are concerned, optically there's a significant drop in margins from 36% to around 20%. But here again, I must also point out that last year under new standard, IndAS 115 we were required to start recognizing expected credit loss on contract assets. And because Q1 of the last year they managed to control their contract assets significantly, they landed up with a credit whereby they got around Rs. 40 write-back of expected credit loss provisions. So, to some extent that has also led to an optical reduction in the margins. But 19.5% is a very healthy margin level as all of you would understand, by any standard whatsoever.

And the reason why they get such high margins is essentially because of global competence. They demonstrate technology, they have mastered thousands of welding processes, for example. They have a proven track record and they have also managed to extract cost efficiencies, all leading to very healthy margins.

Going to the next slide, which is a defence engineering. Here, this sector continues to be plagued by, you could call it very slow policy change initiatives, whereby while the government for years has been articulating its desire to involve private sector participation in defence manufacturing in a meaningful manner, very little has actually translated to actual ordering to the private sector. Its predominantly public sector driven and even today a fair amount of nominated orders go to the public sector. So, the slow pace of policy changes continues to inhibit this particular sector. However, we did get a fairly significantly large order, slightly less than Rs. 5,000 crores a couple of years back, so that was tracked artillery gun Vajra. And the execution of that is on in full swing and that is the main reason why you see a 33% growth in revenue of this particular sector. And this order continues to drive both revenues as well as margins. Here again, margins reflect a state of execution and job mix, as well as of course operational efficiency. So, this is our quarterly variation which I think you should wait till the year-end before taking a view on the full-year margins.

Going to the next slide, which is hydrocarbon. Here, all the order flows are entirely domestic, this quarter we have hardly had any international orders. And of course, a large international order which we are expecting to happen in Q1 moved to the early part of Q2. So, hopefully that pertains well for the Q2 numbers. The revenue growth here is again on the back of higher order book. And what you can see is that revenues now in this particular business account for close to 50% of the total revenues which is in line with its business because hydrocarbon is a global business.

What we are seeing is that firm oil prices is also leading to a very healthy prospect pipeline in country that we target, which is essentially Saudi Arabia, Kuwait, UAE, and Algeria. The margins are fairly stable between 7% to 7.6%. And this has been obtained again through efficient execution. And here though the margins may see slightly lower on an optical basis compared to other segments, the fact is that because of its superlative working capital management, this particular business runs up one of the highest return on invested capital that we have in most of our business verticals.

Going to the next slide which is information technology and technology services. I think here before commenting on the results I think here all of us are aware that this space is going through a very difficult period in two parts. One is increased localization in the US particularly, which is leading to higher staff costs for most IT majors and also increased protectionism by way of visa restrictions and higher visa fees, and this is a quarter that is usually impacted. And this business is no different as far as that is concerned. However, growth has been decent, L&T Infotech's revenues grew fairly well and it was led by CPG, retail and pharma, high-tech, media and entertainment, as well as by energy and utilities. L&T Technology Services, which is essentially into outsourcing of R&D, engineering, also had decent revenue growth led by its transportation vertical, plant engineering and medical devices verticals.

We combine both these segments together for the purpose of segment reporting, and obviously, if any of you would like to get better granularity into operations, both of these companies are listed company, so you can go through their investor presentations and fact sheets which are listed on their site. Be that as it may, the margins have fallen slightly and here of course the reasons that I mentioned earlier, which is essentially due to increased staff cost and higher visa fees

Going to the next slide, which is developmental projects. This, of course, is a bit of a difficult segment, in the sense that there's a large one of last year when we sold container port in Kattupalli, we had a large one-off gain which was sitting in revenues and margins there. So, strictly speaking, the margins are not comparable but the segment today does not include port because we have divested that, it includes powder development business and Hyderabad metro. I mentioned that Kattupalli port divestment last year rose the revenues and margins. This year the revenues you can make out have largely been driven by Nabha, around Rs. 990 crores. And in fact in the case of Nabha, P&L marginally increased by 1% from 75% to 76%, in spite of some planned outage for maintenance.

Hyderabad metro, all of you would be aware that we achieved partial COD in different phases, 30 kilometers in November 2017, 16 kilometers in September 2018, and 9 kilometers in March 2019, total 55 kilometers. And the remaining part is well underway. So, hopefully over the next one or two quarters, we should be able to commission the full metro. Since this is still under construction and we are yet to see the benefit of a network effect, as well as completely computerized scheduling of trains, the margin profile is still emerging. And once it's fully commissioned then we should be able to give you a better idea of the margin profile. Be that as it may, Hyderabad metro has grossed up revenues of Rs. 190 crores, the increase over last year was slightly over Rs. 100 crores, Q1 of last year, and the increase is essentially on increase in the fare box revenues. Hyderabad Metro is also EBITDA positive. Here in this segment revenues and EBITDA are not included as far as IDPL roads and transmission lines are concerned, because these are also consolidated at PAT level under equity method on a single line item.

Going to the next slide, Slide #22. Other segments, this is a residuary segment and it comprises a construction and mining equipment which is called CMB, rubber processing machinery, industrial valves and realty. Now, here you would have seen a 14% decline in revenues. And while rubber processing machinery has done reasonably well on both revenue growth as well as decent margins, you would recognize that last year Q1 had a fairly significant amount of bulk handover of apartments in our Parel project which led to a bump up in revenues in that particular quarter. This year we don't have that. So, that's why you see a revenue decline. And if you see the margin moving from 26.5% to 24.1%, even though all businesses have done reasonably well as far as EBITDA margins are concerned, realty has slightly higher margins than the rest of it. So, the lower share of revenues of realty compared to the previous year has led to a small dip in the blended margin profile of this particular segment.

Here again, I would like to also highlight that ever since IndAS 115 was implemented where we started accounting for revenues on handing over of flats, the revenue profile has become a bit lumpy from quarter to quarter. But here again, I would like to point out that on a slightly longer-term basis or even on a yearly basis, it's not as if the revenues are one off. To give you an idea, today we have a number of projects which we are executing, two in Powai, one in Parel, Raintree Boulevard in Bangalore we also launched the second phase of that, and we have also launched a residential project in Sea Woods, now that the Mumbai Trans-harbor link has started work so connectivity has improved, so land prices have also gone up there, and we felt it was an opportune time to launch a residential project there.

The total number of apartments launched under these projects is around 4,500 apartments. We have handed over 1600 apartments approximately, give or take a few here and there, for which obviously the revenues have been credited to the P&L. So, we still have to hand over 2,900 apartments where revenues will come over the next two to three years or so. And out of the 2,900 apartments we have sold fair amount, close to around 1,900 apartments and we are yet to sell around 1,000 apartments. So, the limited point I am trying to make here is that while revenues may be lumpy from quarter to quarter, on a slightly longer-term basis they are certainly not one-off.

Now going to the next slide, slide number 23, which deals with financial services. As a group level here some of the numbers you see may not tally with what they have reported, for example, as far as PAT is concerned, we obviously knock out the net controlling interest before incorporating the numbers in our consolidated financials, so going by those. But this business has seen strong growth in a challenging environment, and even though disbursements fell a bit, there loan book increased by 16%. I think all of you would be aware that there have been many concerns around the NBFC space, particularly after the IL&FS as well as Dewan Housing issue surfaced.

But the point to note as far as this business is concerned is that in a very difficult environment they have managed the liquidity very well, both liquidity as well as interest rate sensitivity and asset-liability maturity mismatches. In fact, as far as the ALM buckets are concerned, every single time bucket 0 to 30 days are going right up to different buckets within a one-year period, the receivables are more than the payables. So, they are in a decent position as far as liquidity management is concerned. Their focus continues to be on retailisation of the loan book, holding on to robust NIMs and fee income which is around 6.8% today. I also mentioned prudent ALM, they are focused on improving their quality of assets which has led to lower credit cost and increasing the diversity of funding sources instead of being completely dependent on banks and mutual funds. The PAT in this quarter has been impacted by a credit provision on the exposure that they had subscribed to some bonds issued by housing finance company, and because of the change in credit rating they provided for 50% of the exposure, and that's why you will find the smaller dip in the PAT compared to Q1 of last year.

We will go to the next slide, Slide #24. This we have purposefully kept as the last slide segment-wise. Here, the growth has been essentially obtained through good performance of standard products and metering business, the metering business, of course, was very positively impacted by the Saubhagya initiative where the government has been trying to reach metered power to all houses across the country, including rural and semi-urban areas. This has seen a marginal improvement as well and this margin improvement represents both operational efficiencies as well as a better realization from a favorable sales mix.

With that, I now go to a very complicated slide which is right number 25. Here, of course, like usual I will not dwell on each and every factor, but essentially that round circle at the bottom represents our strategy over five years, essentially it captures the essence of our five-year strategy upto FY21. And we think that that is a rock-solid strategy. The outside semi-circle represents various external factors which affect us directly or indirectly. There are four broad segments to that as well, one is a sectoral driver that affects us, one is macro driver, one is government policy and of course, there are global factors. I have highlighted some of the points in green which today tend to be slightly favorable as far as we are concerned. But more than that, I would like to briefly give a commentary on the environment as well as outlook in general.

When we declared our results last time around, elections were yet to happen, now we have a stable government, the election outcome is known. We do think that that will lead to continuity in policies and channelization of resources into productive areas, particularly as far as infra is concerned. There one thing which I think all of us are aware of is that there's been some deterioration in economic indicators. But if you really look closely, these are centered around the consumption and industrial activity, things like fall in four-wheeler sales or IIP all over the place. Whereas as far as we are concerned, we generally operate in areas of infrastructure where data doesn't find a place in many of the economic indicators that you are seeing. And that is one area where we are seeing significant strength, even though most of that strength is coming from the public sector. And even the private sector there has been some investment momentum, but it's not broad-based as yet.

All of you are aware that every year we do a bottom-up assessment of the prospect pipeline project by project by project, which we aggregate at a corporate level. And we find that bottoms-up assessment is still very strong. In fact, even at the end of Q1 when not any state government or central government projects were ordered out, the production pipeline is strong and even today it stands at around Rs. 840,000 crores.

Now come into the domestic order book. I mentioned that we have a domestic order book of slightly over Rs. 230,000 crores. The broad composition is that our private sector accounts for 23% of that and central government, state government and PSUs account for the balance 77%. The sectors which are showing strength in investor momentum are essentially roads and road adjacencies like expressways and special bridges and flyover projects. Metro is seeing a fairly decent investment momentum primarily because almost every city in the country is looking at a metro rail solution for terrible problems of urban traffic condition. Water projects prospect pipeline is still very strong, whether it is supply and distribution projects, or whether it's wastewater covering effluent treatment plants or sewage treatment plants, or even lift irrigation program.

Power transmission distribution is still decent, even though we do think that the Saubhagya initiative will probably start tapering off a bit maybe from FY21, because a large part of it has got ordered out by the end of this year. Hydrocarbon is also seeing decent strength in both onshore and offshore in the domestic market and international markets as well. And as far as railways are concerned, while we have not seen much traction from Indian Railways, the High-Speed Rail program is starting to happen now and some tendering activity has started. As far as private sector is concerned, we are seeing some strength in airports, commercial buildings, and healthcare, nothing very much in industrial. And whether that is episodic or whether it helps in up-swelling the investment momentum is extremely difficult to say at this point of time, we will have to wait and watch. There is nothing very much happening on the industrial CAPEX front. And of course, the PPP space is something which apart from hybrid annuity projects is not seeing much traction. Of course, in airports, we also have PPP, so that is seeing the traction. But other areas are not seeing much traction.

Our guidance remains unchanged. And just to reiterate, we have guided for an order inflow growth for a full year of between 10% to 12%. They have guided for revenue growth of 12% to 15% for the full year and inside EBITDA margins are concerned, you would be aware that we write our businesses excluding services business from Infotech, Technology Services, Financial Services, and developmental business. Now excluding these services business, we have guided for stable margins compared to last year. One small point I again would like to reiterate over and over again that please do not view quarterly results as representative of the full year, and do not interpolate or extrapolate it, that's rife with the danger of going seriously wrong.

I have come to the end of my presentation, but I will also request you to go through the annexures and this time in annexures we change our format of one annexure a bit, we have given an annexure of segment margins primary to link the segment margins that we talk about in our presentation to link it with what is published in the advertisement. So, we have reconciled it right to segment PBIT, which in turn is reconciled with PBT, which is appearing in the main face of the profit and loss account. There are also other annexures like balance sheet, cash flows, the share of profit from JVs and S&A companies, which are there for reference, you can refer to those at your leisure.

With that, I would like to open the session to question and answers. Over to you, Aman.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will move to the next question that is from the line of Sumit Kishore from JP Morgan. Please go ahead

Sumit Kishore: My first question is in relation to intra-segment margins, not as much for the quarter. But management commentary post FY19 results in the annual meet was that infra segment margins in FY20 will improve versus FY19. Is there any change, given the evolving environment? And there were certain cost overruns owing to client-side issues, which was supposed to be recouped in incoming quarters. What is update on the same?

Arnob Mondal: Firstly I will deal with your second question, we never said it would be recouped in coming quarters, we said that we have raised claims on plans for cost overruns. And our experience is that that typically takes a significant amount of time. In fact, in some cases, we have seen the timeline extends into a couple of years as well. So, that’s not a couple of quarters, I think we said a couple of years. But because you can go seriously wrong if you try to focus on timelines there. As far as margin guidance for infrastructure, while we don't give guidance for individual segments, but yes we did say that we expect income margins to improve from margins that we saw last year. And that still holds good.

Sumit Kishore: Okay. So, my second question is owing to recent developments in AP, is there an impact on the execution of a portion of that L&T’s order book in that state, and including the coastal road project in Mumbai, what would be the quantum of such contracts where execution is impacted currently?

Arnob Mondal: Actually, as far as the coastal road is concerned, it would be total something may be between Rs. 5,000 crores to Rs. 6,000 crores would be my estimate. But could take a couple of months before… we expect it to come back, all the clearances as required by law were obtained. Fortunately, we are in very initial stages, so our exposure is very minimal there. As far as Andhra is concerned as well, our exposure as far as balance sheet exposure is concerned is not very large. And we are in discussion with the state government to see whether we can find a probable solution, because all these projects were competitively bid actually, it's not that we got them from nomination orders. We signed contracts, mobilized initial resources. So, we will have to wait and see whether at all it will have any impact. So, I guess over the next few months we will get better clarity on both the coastal road outcome as well as Andhra Pradesh projects.

Sumit Kishore: So, as of now there is no impact on the Amravati projects that L&T has in its books?

Arnob Mondal: We have Amravati projects as well in our realty books, but we will have to wait and see how that pans out. We have signed contracts with the government, and India is a country where there is still sanctity of contract and avenues for redressal if required.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, one thing on the order flow side, we see pretty strong numbers despite E&A not being a part of the mix. So, in terms of your comment also you mentioned the prospect continues to remain strong. So, in terms of outlook do you perceive that the inflows could be more export driven than domestic if the environment remains a bit sticky in the near-term for the next couple of quarters? And what will the split of the prospect list across segments be?

Arnob Mondal: First thing, I think please recollect what we said at the beginning of the year when we declared our Q4 numbers. We also said that we expect order inflows to be more rear ended this year than it was last year. Last year it was much more evenly spread. And that was predicated on the assumption that general elections will have some overhang on awarding investment momentum in the first half of the year. And that is exactly what is playing out. But at the same time, I also mentioned that the prospect base is still by and largely intact, its not that a large number of projects have been dropped. And I mentioned the total amount of Rs. 840,000 crores. Now, a very brief idea of how that stacks up, it sacks up in infra excluding power transmission distribution the prospect pipeline is around Rs. 540,000 crores. Taking power generation is around Rs. 50,000 crores and power T&Ds are around Rs. 1 lakh crores. Hydrocarbon, a large number of prospects have been ordered out in the international space and we have not won those. And prospect pipeline there is around Rs. 120,000 crores. Metallurgical and mental handling is relatively small, around Rs. 20,000 cores, and heavy engineering and defense taken together is around Rs. 10,000 cores.. So, that's how that Rs. 840,000 stacks up.

Of these, as far as international is concerned, international accounts for approximately Rs. 155,000 crores and essentially is centered around hydrocarbon, power transmission distribution and some smaller quantum in infrastructure. So, domestic is still fairly strong, the pipeline today is fairly strong. And that's why we have kept our order inflow guidance unchanged in spite of having a blockbuster performance in order inflows last year.

Renu Baid: Sure. And sir within the quarter will it be possible to highlight in terms of the within the other segment what would be the mix of realty? Because sec despite realty revenues qualitatively being bit softer, the margins still are relatively healthy at 24%, realty typically tends to have 45%, 50% kind of margins. So, just trying to see what would have been the mix of realty in this quarter versus last year?

Arnob Mondal: Renu, I cannot give you that level of granularity, I am sorry, but cannot give you that level of granularity. But suffice to say that realty margins have suddenly fallen off a cliff, it's not that, we have also done decent revenues in realty in this quarter as well. It's just that last year we had a large number of flats handed over in our **Parel** project.

Renu Baid: Sure. And lastly on the working capital side, as in most of the segments have seen growth in line with your comments also in the business environment. But in heavy engineering where you would have expected more export-driven orders, there the capital employed has seen a substantial jump. So, are there any one-offs or certain elements there or whether last couple of quarters, especially the fourth quarter and again 1Q has been pretty firm there.

Arnob Mondal: In working capital, there is no one-off, Renu, it's a buildup which happens over a period of time, there is no large one-off there.

Renu Baid: Right. Because the overall capital employed is still similar, as in higher on a QoQ level as well.

Arnob Mondal: See, capital employed also includes fixed assets. For example, last year defence capital employed went up a bit because we brought up a separate production line in Hazira for the Vajra artillery guns. So, CAPEX would also influence the capital employed.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: Sir, congratulations on a good set of numbers. My question is with regard to the point that you mentioned on AP. So, while I do understand that clarity is still to emerge as to whether or not there will be any impact, is it possible to get an indication as to what portion of our order book or what quantum of the order book would have some exposure to AP?

Arnob Mondal: It would be between 2% to 3% approximately on the order book.

Subhadip Mitra: 2%, 3% of the Rs. 294,000 crores?

Arnob Mondal: Yes, correct. The orders which are less than 25% complete, total AP orders would be more.

Subhadip Mitra: Okay. So, these would be only the orders which are less than 25% complete which may have some impact?

Arnob Mondal: Correct. If they get finally canceled and if we exhaust all our avenues of redressal as well.

Subhadip Mitra: I understand. And on the coastal road project, you did mention that that's about Rs. 5,000 crores odd, how do you see that panning out? Because it's supposed to be very important project from the state's perspective. So, what kind of timelines are you looking at?

Arnob Mondal: See. We have just now started the coastal road, we have hardly spent any money there. It's a very small amount that we have spent. Fortunately, it's happened in the early stages and not when we are half-way through the project. See, we got the project and the state government got all necessary approvals that were required by law, it is just that because of public litigation that the High Court has taken a contrary decision, in spite of earlier Supreme Court decision. So, we do understand that the state government is appealing in the High Court, so maybe within a couple of few months' time, we think that we could see some resolution of this is happening, because everything we go by signed contracts. And whatever permissions were required to be obtained were obtained. So, if the Supreme Court director state government to get necessary clearances once again or additional clearances, they will probably go about that, which could take a couple of months or so.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: This working capital if you can just send us help us understand what was the impact due to the receivable days and what was the impact on the payable days, was payable more impacted or which portion of this has been impacted more for the 2% increase?

Arnob Mondal: The receivables was not impacted at all.

Renjith Sivaram: Okay, so it's largely due to our vendor support we had to pay?

Arnob Mondal: Correct.

Renjith Sivaram: And if liquidity situation if it continues like this, is there something to worry about or are we see that improving?

Arnob Mondal: Our sense is that we do think that it will improve, because if you recollect Union Budget was just declared less than a month ago. So, now those will be cascaded in percolated to individual departments, state governments will pass their own budgets, there is political stability, there is a bank recapitalization on the card, the center is sort of giving a sovereign backing to NBFCs which could improve credit growth, could kick-start investments. So, we do think that it will start gradually improving. But I guess the question that you asked is somewhat like a crystal ball gazing exercise. So, here again I am making a forward-looking statement.

Renjith Sivaram: Okay. And again, this road EPC was kind of slowed down last year, so is that road EPC awarding those projects, are you seeing traction?

Arnob Mondal: See we are not bidding for standard NHAI roads. We typically tend to look for expressways rather than plain roads. Expressways, of course, are considerably value addive, typically vanilla road may be about around Rs. 12 crores, Rs. 13 crores per kilometer and an expressway would be in excess of Rs. 40 core per kilometer. So, there is a lot of value add there and there are some expressways and flyover projects across the country. So, I think the next wave of investment in the roads area would be more focused on expressways rather than plain vanilla highways.

Renjith Sivaram: And of this high-speed rail what is the status now and where do we stand there in the high-speed, it's a big project. So, is there any increase into overall project costing, is that hindering because we read from the media that the project cost has increased or something like that?

Arnob Mondal: I think we will have to wait and see, we are still in a very early stage, some tendering has just started. We have to wait and see what sort of investment momentum happens on that front. Too early to say that this point of time, Renjith.

Renjith Sivaram: Okay. And which road project was impacted

Arnob Mondal: There was a Halol - Shamlaji road project where if you recollect a couple of years back there was an SDR where bankers converted the debt into equity. So, they became a majority equity holder there. And their essential contention from what I understand is that the benefits that we were supposed to receive from the state government have not been forthcoming. So, we are treating that as instance of default, and that's why they have filed a case in NCLT for insolvency.

Moderator: Thank you. The next question is from the line of Venugopal Gare from Bernstine. Please go ahead.

Venugopal Gare: I was just wondering, firstly I just want to understand and get some quick clarity on the working capital side. In the opening remarks, you mentioned that given that it was an election quarter, understandably there would have been issues with respect to state governments, etc. where you said that they didn't even have their… even after election getting over the budgets were not ready that's the reason these releases of payments were not done.

Arnob Mondal: That was in some cases, but overall, we have seen flourishes across the board, particularly from state governments.

Venugopal Gare: But then you mentioned the receivables were not impacted at all.

Arnob Mondal: Yes, otherwise our execution could have ramped up significantly.

Venugopal Gare: Okay, from that perspective! Got it. The second thing is, these coastal road orders as well as the Telangana cancellation, I mean not the cancellation one they wanted to cancel. This is a part of your order book currently or has it been removed? Because when I see the order backlog calculation, there seem to be some gaps. So, has there been anything removed in this quarter in the order backlog?

Arnob Mondal: We removed around Rs. 6,000 crores of orders which were not moving.

Venugopal Gare: Okay. And these are not these two orders basically?

Arnob Mondal: Yes, these are not these two orders.

Venugopal Gare: Okay. Lastly, on the Mindtree things, see, I think it is very apparent that you borrowed money in anticipation of the purchase that you had to do. So, there was a cost of borrowing and of course, it's also, you know, which would have been a cost for you in this quarter. But correspondingly there was no PAT because you had not consolidated it, right? So, to that extent would be would it be fair to say that your PAT should have been slightly higher if had you consolidate the numbers?

Arnob Mondal: Yes, it would have been higher if we had consolidated.

Arnob Mondal: But what about the dividend income that they had given, is that factored in this quarter, the Mindtree special dividend?

Arnob Mondal: See, we account for it on receipt basis.

Venugopal Gare: Okay, it's not yet come in, so it's not in this quarter, basically?

Arnob Mondal: Not in this quarter.

Moderator: Thank you. The next question is on the line of Abhishek Puri from Axis Capital. Please go ahead

Abhishek Puri: Sir, two questions, first on the other side, since you have already clocked a good number in Q1 and the order prospect line also remains very strong for you, is there a chance of higher ordering from the government side in the second half which can take up the order inflow more than the 10% to 12%, higher than 10% to 12%? And second, if you can give us a flavor of the payment terms and these contracts, have they changed due to liquidity considerations at this point in time, specifically because you have got some large power orders and some from the other PSUs as well?

Arnob Mondal: Payment terms are pretty much the same, it's not that they have changed, the payment terms became much tighter quite some time back. If you recollect, 10 years back the milestone payments used to be much more frequent, we used to get advances in every order, but those days have long gone, payment terms have become tight a long time back. So, there's nothing very much different. As far as your order inflow guidance is concerned, I think it's too early to say, number one. Secondly, you have been tracking this sector for a long time Abhishek, so you do realize that trying to predict order inflows with any level of certainty is fraught with the dangers of going seriously wrong. So, I think we would wait and watch to see how things pan out towards the later part of the year before guiding you on whether there could be an upside or downside. So, I don't want to even speculate on that at this point of time.

Abhishek Puri: Sure, that is understandable since it's on a bidding basis, so obviously difficult to track. But since your prospect pipeline remains at the same level as the start of the year, despite bagging such large orders in Q1. So, just trying to understand your flavor. But in the private sector side could you give us some flavor there as well, because in your commentary you say industrial CAPEX and PPP, there is not much traction but your private sector order book is 23% of the overall order book. So, where is that coming from and where are we tracking it or how are we categorizing it, maybe the airports is in that, right?

Arnob Mondal: Airports is in that, commercial building orders we got some last year as well is sitting there, a fair bit of healthcare orders are sitting there as well. And of course, some orders of meteorological and material handling are also sitting there. Some factory orders which we got last year, last year we got close to Rs. 2,000 crores of orders, mainly cement, is also sitting there. So, all that constitutes your 23% of the order book, together.

Abhishek Puri: **U**nderstood. You have not talked about that segment in your overall list of prospects when you have given the feedback. So, is there any number attached to that commercial building, healthcare building, and factories segment as well?

Arnob Mondal: We can get into that level of granularity. As I said, these are just a prospects on the horizon. So, we not like to speculate on what could happen there. But suffice to say that healthcare prospects are decent.

Abhishek Puri: Okay, that's helpful. Sir, my last question is on the EBITDA numbers that are there on the annexure that you have given, segment margins. The previous year has been categorized at about Rs. 3,867 crores and 13.7% EBITDA margin in Q1 and FY19, which is for the last year. And in the beginning slide were you had given the cost break up, the EBITDA has been mentioned at Rs. 2,700 crores. So, just want to understand what will be the difference there?

Arnob Mondal: Look at the annexure, we have given reconciliation write at PBIT level, which is which is what we reported in our published advertisement.

Abhishek Puri: Yes, so there PBIT is about Rs. 2,700 crores whereas on your slide number #9 where you give the group performance EBITDA to PAT breakup, there the EBITDA is Rs. 2,700 crores. So, that's what I am just trying to understand.

Arnob Mondal: One thing is that that also includes electrical and automation which the main P&L does not have, that's under discontinuing operations, that's one difference as well.

Abhishek Puri: So, that's not Rs. 150-odd crores, right?

Arnob Mondal: But if really look at the published advertisement in the segment page, Rs. 2,700 crores reconsideration is given right down to Rs. 2,017 crores PBT. It's a bit more, I don't want to get into a reconciliation exercise, but profit before tax of Quarter FY19 was Rs. 2017 crores on the main face of that advertisement. And in the segment information that PBT how it becomes Rs. 2017 crores is there in the published segment information itself. So, you go through that and we will take it offline if required, okay.

Moderator: Thank you. The next question is on the line of Inderjeet Bhatia from Macquarie. Please go ahead.

Inderjeet Bhatia: My first question is on this order inflow number; I think you mentioned Rs. 6,000 odd crores orders were removed. Is it possible to kind of give which sectors, because actually in power we see you have announced order inflows of Rs. 6,700 crores while there is an announcement of a mega order there. So, are there any large orders in power space which have been kind of knocked off?

Arnob Mondal: No, that is not power space, there are some orders in the metal space and a fair bit of real-estate orders that were not moving that were knocked off. I think everybody knows stresses and strain the real estate sector is going through in general, and this is an outcome of that.

Inderjeet Bhatia: Okay. So, then how come power order inflow for the entire quarter is lower than, I am assuming, Rs. 7,000 crores is the threshold for that mega order. So, we have announced a mega order in power which is Rs. 7,000 crores…

Arnob Mondal: No, that is inclusive of GST. Order value is inclusive of GST, but what to account for here is net of GST

Inderjeet Bhatia: One very simple request, you have given this new annexure which in terms of you have broken down to PBIT level, but I think in the previous presentations we could get actually right up to the tax and to PAT level. If we could also kind of maybe for this kind of give us on the core ENC, what is the PAT level, if you have that number handy?

Arnob Mondal: Sorry, I don't have that number handy.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDC securities. Please go ahead.

Mohit Kumar: Sir, I have two questions. First is, have restated the last year order book to exclude the electrical automation order inflow?

Arnob Mondal: Yes.

Mohit Kumar: Okay. And second sir, has there been any meeting with high level negotiation committee of Andhra Pradesh? And were you called in the quarter?

Arnob Mondal: I am not aware of that granular level details. If I recollect, that high level committee was to discuss solar power tariffs reduction, if I am not wrong.

Mohit Kumar: There are two committees, one is for infrastructure one is for whatever.

Arnob Mondal: We are actively involved in discussions with the state government, it is done at a business level.

Mohit Kumar: So, last question, the prospect for international hydrocarbon, has it changed from the beginning of the year when you guided and compared to the July?

Arnob Mondal: Yes, I mentioned that a number of projects were ordered out and some projects were also deferred.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: My first question is, if I look at the revenue growth of the services business, it is after quite a lot of quarters that that growth has moderated. Now, since we are giving a guidance of 12% to 15% of top line growth, would you be able to give a rough split of how much of that would come from services and how much of that is likely to come from the non-services business?

Arnob Mondal: I am sorry, I will not be able to review that, we guide as a whole, but suffice to say that we do some detailed budgeting exercise based upon which we give our guidance. So, all these are factored in our guidance.

Pulkit Patni: No, sir my question really is, could the core business or the non-services business grow at early double digit this time around, given as I said that for the first time your finance and IT business have actually grown in the mid to low-teens, which was actually growing it in high-20s in the previous, six seven quarters.

Arnob Mondal: If you do the math, it does translate if services business continues to grow moderate, and we meet our growth guidance.

Pulkit Patni: Sure. Sir, my second question is when you say that part of the reason finance costs have gone up is also because of partial COD of Hyderabad Metro. Could you give a sense of how this finance cost could look like on full commissioning? 55 out of about 70-odd kilometers, should we look at financing cost going up much higher in maybe third quarter of this year. Any help on that would be very useful.

Arnob Mondal: Pulkit, I am sorry to disappoint you, but you'll have to wait for a couple of quarters before I can do any sort of picture on that.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: So, the infrastructure margins have kind of come down by around 40 bps. So, I mean, this has been happening for the last year also. So, just wanted to check with you which subcategory and income segment spreading kind of margin pressures?

Arnob Mondal: Ravi, right in the beginning I very categorically said that please do not look at margins on a quarterly basis, particularly. But yes, I think it was also known that from Q3 last year, Q3 last year onwards we started taking some fairly significant cost provisions in our transportation infra project. So, to that extent that has also affected, because it was not successful, not all that high in transportation infra last year in Q1. So, to that extent it's also there but as I mentioned, a lot of it depends upon state of execution, whether some large projects cost margin recognition thresholds, wait for a few more quarters before trying to extrapolate fuller margins on infra.

Ravi Swaminathan: So, just wanted to find out from when would be Mindtree's numbers be reflecting in the consolidated numbers?

Arnob Mondal: Hopefully it should be reflecting from we have now been classified as a promoter now, so it will be a line by line consolidation. Of course, with non-controlling interest adjustments and all that as well.

Ravi Swaminathan: Understood. And final question from our side, so could you give us the number of Hyderabad Metro's total project cost and the existing debt in its books?

Arnob Mondal: You will have to again wait for some time before we get into that level of detail as far as Hyderabad Metro is concerned.

Moderator: Thank you. The next question is from the line of Gurpreet Arora from Quest Investment. Please go ahead.

Gurpreet Arora: Just one quick question on the water segment. You have been highlighting the prospects for last few quarters. You have been also highlighting the sort of audiences you have been gathering. Off late there has been a lot of noise on new sub-segment in the water sector being added. So, is that a significant addition to our pipeline of Rs. 8.4 lakh crores? And your views on that, please.

Arnob Mondal: I don't know, are you referring to that Jal se Nal, that particular thing which was announced?

Gurpreet Arora: Everything, river interlinking and everything.

Arnob Mondal: River interlinking could give us decent opportunity.

Gurpreet Arora: Okay, and anything specific on the water pipeline and lift irrigation if you can highlight, any orders won in Q1?

Arnob Mondal: We won decent orders but you will recollect that last year Q1 we got some blockbuster orders from lift irrigation from Madhya Pradesh. Difficult to match that performance in one quarter, but pipeline is strong and we do expect to land up with a recent order inflow number this year as well.

Gurpreet Arora: My last follow up on this is that, I mean, recently we saw you bagged a big desalination order in Gujarat, that had an O&M concept. Now we have been maintaining that we don't want to get into asset heavy businesses. So, I understand O&M is not entirely owning the asset, but how do you consolidate these things please?

Arnob Mondal: O&M as you rightly mentioned, its not an asset ownership, we get paid for building the asset, its just that we have an O&M portion for a few years after handing over the project.

Gurpreet Arora: At the winning stage the project cost would even involve or add the O&M part for 10 years, is that how the biding is done?

Arnob Mondal: Yes, correct.

Moderator: Thank you. The next question is from the line of Jagmohan Singh from Master Capital Services Limited. Please go ahead

Jagmohan Singh:

Jagmohan Singh: Sir, what is driving the increase in a borrowing 63 billion on Slide #29 in others in the borrowings, which is excluding financial services and development project.

Arnob Mondal: Let me put it this way, large part of that is borrowing on the standalone entity. I also mentioned that to some extent we are building up liquidity buffers. On the other hand, there was also another compulsion that our gross debt equity ratio in the standalone entity had fallen to something like 0.2, and we normally target a debt equity ratio of around 0.4. So, we brought it up to around 0.35, 0.36 or thereabouts. That's an essential part of our capital structure management which also ties in with our return on equity targets.

Jagmohan Singh: Okay. And my second questions is, what is your guidance on revenue and order inflow related to power segment?

Arnob Mondal: We don't give any specific guidance relating to individual segments. I am sorry to disappoint you on that.

Moderator: Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead

Girish Achhipalia: Just on the other income side, if we look at it QonQ there's been some decline there. You explained it, but just in terms of any mark to market impact in the quarter on the way the treasury has moved, etc. I mean, if you can quantify any number here which could be one-off for this quarter?

Arnob Mondal: It's not a decline, it's an increase, Girish.

Girish Achhipalia: So, if I am looking at other income in fourth quarter, it is about Rs. 611 crores.

Arnob Mondal: Oh, you are looking at fourth quarters.

Girish Achhipalia: Yes, fourth quarter versus first quarter now.

Arnob Mondal: I will have to get back to you on that. Actually sequence Q4 to Q1 is not really way in which we look at it, because our business tends to be very lumpy from quarter to quarter.

Girish Achhipalia: Okay, fair enough. Because the last two, three quarters it was above Rs. 600 crores, so I thought is there any one off there? I'll take it offline. Thank you.

Moderator: Thank you. We have a follow-up question from the line of Inderjeet Bhatia from Macquarie. Please go ahead

Inderjeet Bhatia: Arnob, a couple of questions. One is on the E&A deal, is there going to be any renegotiation on price or that prices is set even after whatever changes CCI has recommended?

Arnob Mondal: The price is set.

Inderjeet Bhatia: Okay. So, despite certain businesses to be retained or that will not get impacted?

Arnob Mondal: No, what business is to be retained, those are very small businesses which are decided upfront when the MoU itself was signed. That is not something which has come about now.

Inderjeet Bhatia: And one thing, in the staff whether there was any provision made for say pension liabilities being revised up because of yields falling?

Arnob Mondal: Part of it goes to OCI actually, large part of it goes to OCI.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to Mr. Arnob Mondal for closing comments. Thank you and over to you, sir.

Arnob Mondal: Thank you, ladies and gentlemen for a very patient hearing for a very long presentation, and a very interactive session thereafter. With that, we will close the session. Thank you and good night.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Larsen & Toubro Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.