WALCHANDNAGAR INDUSTRIES LIMITED
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Dear Sir(s),

Subject: Transcript of Conference Call of Walchandnagar Industries Limited ("Company") held on May 20,2019.

In terms of applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations") read with corresponding circulars and notifications issued thereunder, please find enclosed the transcript of the Conference Call which was scheduled on, Monday May 20, 2019 at 3.00 p.m.

The aforesaid information is also being uploaded on the website of the Company www.walchand.com.

This is for your records and request the same be treated as compliance under the applicable clause(s) of the SEBI Listing Regulations.

Thank you.

Yours sincerely,

For Walchandnagar Industries Ltd.,

G. S. Agrawal
Vice President (Legal & taxation) & Company Secretary

Enclosed: Conference Call Transcript

"Walchandnagar Industries Limited Q4 FY 2019 Earnings Conference Call"

May 20, 2019

MANAGEMENT:	**MR. CHIRAG DOSHI -- MANAGING DIRECTOR, WALCHANDNAGAR INDUSTRIES LIMITED** **MR. G. K. PILLAI -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, WALCHANDNAGAR INDUSTRIES LIMITED** **MR. SANDIP DAS -- HEAD (ACCOUNTS), WALCHANDNAGAR INDUSTRIES LIMITED**
MODERATORS:	**MR. ASHISH SHAH -- CENTRUM BROKING LIMITED**

Moderator: Good Day, Ladies and Gentlemen and a very warm welcome to the Walchandnagar Industries Limited Q4 FY 2019 Earnings Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Shah from Centrum Broking. Thank you and over to you, Ashish.

Ashish Shah: I welcome all the participants for the Q4 FY 2019 Earnings Conference Call of Walchandnagar Industries. We have from the management Mr. Chirag Doshi -- the Managing Director; Mr. G. K. Pillai - who is the MD and CEO; Mr. Sandip Das -- who is Heading Accounts.

And I would request the management to begin with the opening remarks and then, we can proceed to the Question-and-Answer Session. Thank you.

Chirag Doshi: Thank you, Ashish. Good Afternoon, Ladies and Gentlemen. This is Chirag Doshi, I am the MD of Walchandnagar Industries Limited and I am joined on this call by, as Ashish mentioned by our MD and CEO – Mr. Pillai; and by Sandip Das – who heads accounts for any accounts related queries that you may have. So, welcome to all of you on this call for discussing the results for the quarter ended and for the full financial year, ending March 31, 2019.

The Results for Q4 FY 2019 and for the Financial Year Ending March 31, 2019 were taken on record by the board at its meeting held on 16th May, 2019.

Just quickly before I get into the financials, this may be sort of repetitive for some people, but I would like to briefly introduce Walchandnagar Industries to any new investors who are on this call and who may not have heard us earlier with regards to the transformation story that we have been through.

We are a company which is over 100 years old now and has been sort of well renowned for its design, engineering and high-end precision manufacturing capabilities. We were earlier very well known for our work in manufacturing of equipments for the sugar, cement and power sectors. But during the last five years, we have made a strategic decision to realign our focus away from the commodity type, EPC businesses and towards the high-end engineering and critical manufacturing and fabrication business in sectors such as Defence, Aerospace, Nuclear Power, and Heavy Engineering products like gear boxes catering to a diversified industry base. Just a quick summary on sort of what we are doing and where we are positioning the organization.

Now, I will share the broad quarterly and full year financial numbers with you in terms of our sales and profitability.

For this quarter, we had a sale of Rs. 98.32 crores of operating revenue; and for the full financial year it aggregated to approximately Rs. 364 crores. The operating EBITDA, which excludes other income in this quarter came in at Rs. 13.66 crores versus Rs. 24.41 crores in the preceding quarter of this fiscal year; and for the full financial year, the operating EBITDA stood at Rs. 78.92 crores as against Rs. 75.29 crores in the previous financial year, which was a growth of nearly 500 basis points. It is important to note here that our EBITDA this year was higher even on a reduced sales number which just shows sort of an improving trajectory in our EBITDA margins as we go ahead.

In terms of other financial parameters, we have long-term debt of Rs. 261.13 crores and a total debt of Rs. 477.78 crores in the balance sheet. As of March 31, 2019, we had an order book of Rs. 822 crores with approximately 56% of value comprising of orders from our core manufacturing business. This quarter and the financial year end performance is consistent with the company's strategy of maximizing revenue from its core manufacturing business, especially from the DNA sector.

Some of the key performance highlights for this last quarter as well as for the year gone by are as follows:

We continue to see significant traction and growth in our Aerospace business and a high order booking visibility going forward. Aerospace revenues this year grew by 18.5% year-on-year as compared to 2017 - 2018.

Another highlight, we achieved a turnover of Rs. 65.45 crores from our Foundry Division for the year ended FY 2018-19 that has been the highest in Walchandnagar's history.

In our Defence business, this last quarter we delivered the first gear box as part of the Goa Shipyard order for 10 offshore patrol vessel gear boxes being built for the Indian Coast Guard, the first of its kind as part of the Make in India Program.

We also did a sale of 145 centrifugal machines in financial year 2018 - 2019, which was a 72% increase compared to a total of 84 machines sold in the entire fiscal of 2017 -18 and we look forward to an even increased number for the year ahead.

Finally, we continue to be excited about the ongoing momentum in the Defence and Aerospace industry in India; and in particular, we see tremendous growth in our Aerospace business. We believe, we are very well positioned in the industry to capture the significant growth opportunity in our addressable markets that lie ahead, given our long-established relationships with independent Government agencies, such as ISRO for Aerospace, DRDO for Defence, NPCIL for Nuclear, and Bharat dynamics for our Missile program.

So, that is just an overview of the year gone by. Thank you for your time. And now, I would like to leave the floor open for questions. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Abhishek Jain, an Individual Investor. Please go ahead.

Abhishek Jain: So, I have got two questions for the management. In this particular quarter, the fall in revenue has been quite sharp. Can you give the reason for this?

G. K. Pillai: Yes, I will take that. Yes, Good Afternoon to you. You are right, in terms of the revenue which has for this quarter the Q4, the revenue from operations has been Rs. 98.32 crores. There were certain items, which were almost completed to the tune of Rs. 20 crores, but could not be shipped on account of certain inspection and clearances from the customer. From our side, almost all the work has been completed. These are for the Defence division, a product called Road Mobile Launcher. That has been the main reason why the fall in actual top-line happened in this Q4.

Abhishek Jain: Okay. But sir, if I look at the raw material cost, the raw material cost is quite flat compared to the year-on-year period, it is Rs. 52 crores against Rs.56 crores.

G. K. Pillai: Primarily you will find that most of the work has already been done, it is in work in progress. It is only the actual shipment could not have been completed. So, in terms of raw material cost that has already been booked in this quarter itself.

Abhishek Jain: Ok, so the raw material cost has been booked but the sales revenue has not been provided in the revenues

G. K. Pillai: Exactly, because as I said the product is almost 98% - 99% complete, but it could not be shipped on account of various inspection and other completing activities.

Abhishek Jain: And sir, if I look at your previous quarter results, this is all . . . **(Line disconnected)**

Moderator: It seems Abhishek is disconnected. By the time he rejoins the call. We will move to the next question, which is from the line of Jinesh Shah, an Individual Investor. Please go ahead.

Jinesh Shah: Mr. Chirag mentioned that we have a long-term borrowing of Rs. 261 crores as well as total borrowings of Rs. 477 crores. Our interest payment is around approximately Rs. 80 crores. So, I just want to know, how do we plan ahead of reducing this debt and reducing the interest payment also, if you can just share?

Chirag Doshi: Okay so from a debt reduction perspective, there are many initiatives that we are undertaking this year, which will sort of culminate in the next, I would say, let us give it 12 months. A lot of it has to do with obviously a lot of the retention monies that are blocked by some of our EPC customers are going to get return back to us. Tendaho, our project in Ethiopia being primary the biggest one. In addition, there is we have taken an enabling resolution about 8 months - 10 months ago from the board to raise equity from various means in the business. So, that is something we are exploring. In addition to that, just a general change in our credit rating because we have three quarters of profit and we expect to continue to be profitable in this financial year, rating will obviously automatically reduce our interest cost that is charged from the banks. And in this year, there will be a substantial amount of asset sale, you know, we have been looking to sell our Mahim property as well as some repayments to KKR for our long-term debt. So all of that put together will probably bring the interest costs down substantially in this year, as compared to the year gone by. But I think the larger plan of reducing the debt substantially means I would say bringing it down by half of what it is today will probably be a two-year plan or if not, a three year plan. But there is already a lot in play this year with regards to sort of deleveraging the balance sheet through collections and asset sale that should take care of a large chunk of that debt reduction and of course, the fact that the Company is throwing out cash and profitability now.

Jinesh Shah: Okay, thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from Centrum Broking. Please go ahead.

Vaibhav Shah: Sir, in terms of opportunities, where do you see Walchandnagar placed for next couple of years?

Chirag Doshi: G. K. P.?

G. K. Pillai: Yes. See, as we have been now, our main focus has been in the three: DNA sector (Defence, Nuclear and Aerospace), and in the two specific manufacturer products for the gear boxes and centrifugal for the sugar industry. Let me take one by one, in terms of the Defence business, we feel that now with the new Government being coming into place in the next couple of days, the momentum which was started in the last five years of the existing Government, by introducing or getting Indian manufacturers in the private sector to play a major role in the Defence manufacturing, I think that will get them a larger focus in a better momentum. So, that will be one sector where companies like Walchandnagar will be able to focus and increase our business volume - that is number one. Number two, in terms of the Nuclear business, as we all know, last couple of years, there has been almost a lull in the Nuclear business, but offlate 10 new reactors are going to come and these reactors for them, actually the inquiries have already started coming. Walchandnagar is one of the strongest manufacturers in the domestic sector for the primary Nuclear equipments. And we feel that this will again showcase company to manufacture equipments for the Nuclear new project which is going to come. In terms of Aerospace as we all know this year itself we have made a big growth in our Aerospace business. And we are in partnership with ISRO for meeting all the requirements as far as the increased launches, which ISRO is planning in the next couple of years. The last important point was, one of the areas where Walchandnagar has established itself as a major manufacturer and player in terms of the Missile business. And in Missile business, the in house capacity has already been we have made up to 25 Missile per month, there has been a slowdown in the Missile business by the Government to be real. But again, as I said in the next, after the new Government form, these will be the Missile business will again take off which will again help Walchandnagar meet its growth plans as far as the Missile business is concerned. Apart from these four, as far as centrifugal is concerned, even if you see, in this financial year, we have actually increased the centrifugal business to 145 centrifugal machines against 84 numbers of the similar machine sold in 2017 - 2018. With this momentum, and the company has actually, today a market share of about 62% in the domestic market and we feel that there is a good case for export and we are actually already embarked on exporting these machines to countries in the African nation and also South East Asia, which will again increase the volume as far as centrifugal are concerned. And last to inform you in terms of the gear boxes as Chirag mentioned in his initial start, we have developed as part of "Make In India" program, a very specialized gear box for the Coast Guard, which has been supplied to Goa Shipyard, the performance has been accepted very well, the remaining gear boxes are being supplied and the similar type of gear boxes are to be in demand. So, the focus of the gear business in the year 2019-20 and ahead, will definitely make the company achieve our growth plans as already envisaged. I hope this clarifies.

Vaibhav Shah: Yes, sure. Thank you. with such a strong set of opportunities across sectors ahead. So, what kind of order inflows do you guide for the next year?

G. K. Pillai: What kind of?

Vaibhav Shah: Order inflows.

G. K. Pillai: Yes, as you see, as of today, as on 31st of March 2019, the order inflow or backlog is Rs. 822 crores as far as the company is concerned and this as we said almost 60% - 65% is towards the manufacturing sector, we have in the pipeline almost about Rs. 1,500 crores of offers which has been submitted and it is a matter of only time when these offers are being finalized in the next six to eight months. So, we do hope that yes, the order inflow in the coming year 2019 - 2020 and 2020 - 2021 will substantially be higher than what we have seen in the last two years.

Moderator: Thank you. The next question is from the line of Abhishek Jain, an Individual Investor. Please go ahead.

Abhishek Jain: Okay, my name is Abhishek Jain. Actually, the line got disconnected in the previous time when I asking a question. So, actually this question pertains to particularly about this quarterly numbers. So, our raw material costs has been Rs. 55 crores in this particular quarter whereas in

December quarter it was Rs. 33 crores whereas the revenue number is quite flattish Rs. 98 crores versus Rs. 95 crores, could you please distinguish?

G. K. Pillai: Sandip, you want to answer that?

Chirag Doshi: G. K. P., Sandip is having trouble connecting. So, you just go ahead and it is basically just to do with what you said that the material costs of the project….

G. K. Pillai: Yes, sure. I thought Sandip is already on the line. To answer your question as I said, some of the raw materials which we have already incurred in manufacture of the equipment, which is already lying in a work in progress, it is in that stage. So, the raw material cost has already been booked, though it has not been converted as a sale. So, it has not hit the top-line, but in terms of costs, it has already incurred the same that is how you are seeing this particular you know, increase in number. That is one part. The second part I would also like to add here, basically, if you look at Walchandnagar's product mix, it is not a standard product across you know, all the months you will have the same product. We have a product mix is such that there are certain Aerospace products, some Nuclear products, some Missile products, some centrifugal. So, it also depends on the product mix at each particular month or each particular quarter. So, what one is to actually look on an annual basis. So, that is what it will give you a better picture in terms of the annual basis and if you look at the material consumption across in 2017-18 for the 12-month period, and 2018-19 for the 12-month period, it is almost about Rs. 151 crores for a 2017 - 2018 and Rs. 147 crores for 2018 - 2019 between 38% and 40%, if you look at you know for the whole year. So, annual number is more important than the quarterly numbers as far as material cost is concerned. Is it clear?

Abhishek Jain: But sir, the problem is that on a Rs. 98 crores of revenue, we have posted a PBT of Rs. 2 crores and here in this Rs. 98 crores revenue and the loss is at Rs. 6.5 crores and another thing that I would like to get some clarity is that you have mentioned in your notes of accounts of about Rs. 21 crores of inventory being held, as an inventory for the stocks that held up for various reasons. So, what is the impact of this Rs. 22 crores in this particular quarter? and number one is the impact of the inventory. And another thing is that as you have mentioned about your rocket launcher projects and other things which are held up for quality checks which could not be booked in this quarter. So, what is the value of that of those inventories like is it included in this Rs. 22 crores or other than this.

G. K. Pillai: No, I will clarify that to you. The Rs. 21 crores which you have seen there is a note about the Rs. 21 crores inventory, work in progress lying with us. These are all some special items imported from Japan, it is known as a vertical roller mill, which is really important for a project in Eastern part of the country - JUD Cements. For some reason the project did not come up and it is still lying in our inventory. So, it is lying for quite some time. Definitely why it has been specified is that since it is there for the couple of years. Now, to answer your question, this particular inventory of Rs. 21 crores the management is well sees of it and we are trying, we have already looked at various customers who will be able to take this product and we will be able to sell that. These are all imported items in brand new conditions and even a revaluation has been done and it is perfectly in a saleable condition as far as this is concerned. And to answer your second question, is this the items which were made ready and could not go for certain completion or certain quality test. These are not included in this Rs. 21 crores, this Rs. 21 crores the auditors have put which are lying there for a couple of years in the system. Is it clear?

Abhishek Jain: Yes, it is clear. So, sir we have not provided any provision for this Rs. 22 crores which are held in as inventory? Slow moving items or whatever you call that?

G. K. Pillai: No.

Abhishek Jain: My basic thing is that while you posted a loss of Rs. 6 crores? when all the cost are remaining same, is that because of raw material cost that has increased by Rs. 22 crores but if I exculde this auditor of Rs. 22 crores, what I am asking is that if I remove this, any of the raw material costs of Rs. 22 crores which is the difference between December in raw material costs and this quarter raw material that over Rs. 15 crores, so why the figures is not matching on this quarterly result actually? I am unable to understand that.

G. K. Pillai: No, the Rs. 21 crores which is lying in the inventory for a couple of years are not taken….

Abhishek Jain: Okay, that is fine. Okay. In December quarter which was a normal quarter like previous year March quarter

Chirag Doshi: Abhishek, I answered your question completely. You are trying to compare two quarters as to why the revenues are similar and why the loss is more in this quarter there was a profit in the last quarter? And is it only because of raw material cost?

Abhishek Jain: Exactly, is it the impact of raw material cost the impact on profit is like 15 crores**?**

Chirag Doshi: Yes, the answer to that is partly, yes, it is because the raw material cost was much higher in this quarter. But the other reason is that in our kind of business because we do not have a regular product style business month on month, quarter on quarter, it is actually not fair or possible to compare two quarters like this because the mix of order execution can be different quarter-on-quarter where the margins change substantially. And if you notice in Q4, we have a very large chunk of other income. Whereas in Q3, it was not so high. So, there are many reasons why the profitability changes the way it does. But you are right, the largest reason for this quarter was because of the much higher material costs that we incurred in this quarter. But as G. K. P. said, in our kind of business, it is very-very difficult and unfair to compare quarters, it is always better to compare year-on-year because that then sort of gives a full 12 month analysis of all the projects and products that we would have delivered in that year.

Abhishek Jain: Okay, fine.

Chirag Doshi: Got it?

Abhishek Jain: And sir, could you please give me the debt number - your total net and gross borrowing as well as compared to previous year?

Chirag Doshi: Yes. So, our long-term debt is at Rs. 261 crores and our total debt is Rs. 477.78. The remaining I mean Rs. 261 crores is basically long-term debt from KKR, right? As we do not have any long-term debt with our consortium bankers, that is just cash cc limits which are Rs. 210 crores.

Abhishek Jain: Okay. And sir, previous year's numbers will be how much, sir?

Chirag Doshi: The same.

Abhishek Jain: The same. And for this total debt?

Chirag Doshi: The same, nothing has changed. We do not take any debt.

Abhishek Jain: Okay.

Moderator: Thank you. The next question is from the line of Ganesh Shetty from Adior Conclave Investors. Please go ahead.

Ganesh Shetty: Sir, I am having great respect for Seth Walchand's legacy that company is running and the highest corporate governance. Also, we have great technological capabilities over the period of more than a century. But in spite of having all these positives at our end, we could not break into profitability or considerable growth for last several years and sir, you had changed our business strategy for concentrating on DNA business around I think three years back still we are unable to have some strategic approach towards our business. So, can I please know in the current year, what are the changes that you are going to make, which will really sustain our business model?

G. K. Pillai: Can I take that?

Chirag Doshi: Yes, G. K. P., it is yours.

G. K. Pillai: Okay. Good question. As you rightly said, we have some of the best engineering brains is there in this company, the legacy of Seth Walchand and the business, the way transparency and ethics what we follow. Thank you for those underlying comments. I would like to say two points or three points to you. Yes, why we are still not broken in income into profit? You may be aware two large EPC projects were taken by this company in 2010. One in the country of

Ethiopia and one in the Tamil Nadu Electricity Board about Rs. 700 crores there and Rs. 1,125 crores order in TNEB. For some reason, the project could not be completed. I am not going into those details. But obviously, because of that, though we have supplied almost 95% of equipment to them. Almost Rs. 220 crores worth rupees is held up on account of retention money by the customers. So, that itself is a big drain as far as we are concerned, the interest costs for you know not getting this Rs. 220 crores is one of the most important factors, which is not allowing us to come into the profitability that is one. Two, three years back - four-year back we did, the company did decide that we exit the EPC business, because in the EPC business today in the country is very difficult in terms of margins and keeping in line the view of our original founders to do something which the nation needs. And today the nation needs, the strategic sector. So, Walchandnagar decided that, its DNA will be DNA (Defence, Nuclear and Aerospace). So, we have been focusing on this segment, as I said some time back to a question to somebody else, that the Nuclear the end part has not taken off in the country for the last four years - five years we all know, after Fukushima it has not take enough, but we feel it will definitely take off, number one. Number two, in terms of the Aerospace, it has taken off well, we have also taken up along with them well, the D part though there has been a focus from the Government of India, but in terms of ground realities of getting orders for the Indian manufacturers, the progress has been a bit slow, which we feel will improve now with this new Government coming. So, to answer your question, what is Walchandnagar doing it, number one? The old legacy project, the Ethiopian project is almost in the closing stage. Just for your information, from our side the project has been completed in 2014. And it is producing sugar from 2014 but for some technicalities, they are not able to release the money. We are confident that this is in the almost final stage and we should be able to close that and that will again give certain inflow of funds. At the same time in terms of the DNA business, the gear and centrifugal as I explained in detail sometime earlier, the focus is there. And this financial year, we will be definitely, performing far better and meeting your expectations.

Moderator: Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: First of all, I want to compliment the efforts taken by all of you to transparently explain in a lot of detail what you are trying to do and what has happened so far. That is always appreciated. My first question is, I do not know if this is the right question to ask because of the nature of the business that you are in. But is it possible for you to help us understand the potential revenue generation capability of the current manufacturing capacity that we have?

G. K. Pillai: Yes. Your question is from the existing business portfolio, what we have, how much we can grow? Am I right?

Rohith Potti: Yes.

Chirag Doshi:: No. Are you talking about the facility? The manufacturing facility?

Rohith Potti: Facility, yes.

Chirag Doshi: How much can we? What kind of turnover can we generate from the facility as it stands today with no CAPEX?

Rohith Potti: Yes.

Chirag Doshi: Not the potential of each of our businesses.

Rohith Potti: No, so I am not talking about the runway that you have for each of your businesses…

Chirag Doshi: GKP, from our Walchandnagar factory today, can we put a number as to what our turnover can be?

G. K. Pillai: You know, we can put basically if I look from the existing factory without any other CAPEX, we can is we can do without any problem Rs. 500 crores to Rs. 600 crores that is one number.

Chirag Doshi: But that number will have to be broken up between Aerospace can be a maximum so much Gear so much, Defence so much it will come to about Rs. 500 crores to Rs. 550 crores.

G. K. Pillai: Rs. 500 crores to Rs. 550 crores, we can do that. But at the same time to answer the gentleman's question, well, if it is additional, inflow towards CAPEX then definitely, this number can be you know it can shoot very high because there will be a lot of demand going to happen in the country in the next two years to three years.

Chirag Doshi: So, Rohith I think, I understand a little bit why you said whether it is the right question to ask because finally for us, because our factory is a very fungible factory. Putting a number may be difficult but if we were to continue doing the work that we are doing today, in the same ratios, I think the number that G. K. P. has thrown out, which is about Rs. 550 crores - Rs. 560 crores around there is definitely feasible. So, you could theoretically say that the factory is maybe at 70% capacity utilization today. And we have the scope of improving it a little bit before we get into CAPEX in certain areas.

Rohith Potti: Understood. And the next question I have is based on some of the answers that you give to the previous participants. So, you mentioned that you expect the debt to reduce by half over the next two - three years based on the retention money that comes in with the operating cash flows that the business will generate and the equity raising plan that you have here. But, and then the asset sales as well but I mean this might be broad calculation that I made, I think the amount that you would ranging from mortgage is quite substantial. So, does this means that in addition to debt repayment, you have considerable CAPEX plans over the next two - three years as well and is it possible for you to put a number and a timeline on the execution completion for the same?

Chirag Doshi: Yes, go ahead G. K. P.

G. K. Pillai: Yes, you are very right. You have actually analyzed the whole thing so fast. In terms of CAPEX, the areas which we are looking for additional capital is primarily in the field of Nuclear, Gear Boxes and Aerospace. Okay, these are the three areas where we intend to be and our actual in the next two years to three years, upto Rs. 100 crores of CAPEX plan we have actually been finalized or planned it depending on how the company's performance takes place in the next six months to one year. So, this is what is our present plan.

Chirag Doshi: So, for this year 2019 - 2020 at the board level, we have taken an enabling CAPEX plan of Rs. 40 crores but we are probably going to do at least Rs. 30 crores to Rs. 35 this year, and then based on certain debtors being released and other avenues of cash generation, we will make a plan the way G. K. P. has said for probably another Rs. 30 crores - Rs. 40 crores in the year after and Rs. 30 crores - Rs. 40 crores, the year after that. Overall, in order to achieve, I think our ambitions and ISRO's and Nuclear Power Corporations and DRDO's ambitions of growth over the next five years - seven years I think anywhere between Rs. 75 crores and Rs. 100 crores of CAPEX will have to be deployed by us over the next few years, I think that number is there.

Moderator: Thank you. The next question is from the line of Jinesh Shah, an Individual Investor. Please go ahead.

Jinesh Shah: Yes, my question is related to the earlier question on Ethiopia and TNEB. So, can you share some light on when we are going to receive some amount from Ethiopia and quantum of that and also on TNEB Rs. 1,125 crores project order?

G. K. Pillai: Yes, as far as Ethiopia is concerned, as I did mention earlier, the plant had been commissioned and is running from 2014 onwards, the last 10% of the amount which is due to us, which works out to about $11 million is part of the retention money that could not be released for a technical reason. The plant has to be run and shown to them the rated capacity is 13,000 tonnes per day is the capacity. Unfortunately, in Ethiopia at that particular place, the sugarcane availability is only 3500 tonnes. So, they are not able to bring in 13,000 tonnes of sugarcane per day for showing it to them for running the plant at the rated capacity. So, this is a technical issue which we have resolved with them, we have talked to them, got the Government of India involved into it because the product is funded by the Government of India. And in all probability, they are going to accept whatever plant has been set up and whatever sugar cane they are able to do that. With that, we already run the plant and given them the certificate. So, as I said sometime back, we are confident that this resolution about getting the retention money should happen very soon. I am not giving a exact date, but definitely I can say an outer limit is six months and this is what as far as $11 million of money will come into our kitty. With regards to TNEB, it is a little more prolonged because it is not one project, there are 12 different projects, different sugar mills are there which are being modernized and along with a new Cogen plant is being put up. What we are doing is, we are not utilizing any funds generated from the existing business for completion of the TNEB projects, we already told them that they have to fund us. So, we are closing one by one various projects, we get the retention money, pumping the same money to complete the remaining projects and that is how we are completing the projects, so five projects out of 12 have been commissioned in all respects. We have already started getting a portion of the retention money out of 112 crores today the retention money has come down to Rs. 90 crores. So, we feel that overall completion of the TNEB projects will take about 18 months to 24 months where all the 12 projects can be closed once for all.

Moderator: Thank you. The next question is from the line of Vijay Kumar, an Individual Investor. Please go ahead.

Vijay Kumar: My question is regarding the receivables. Last year, we were having a current receivable of Rs. 19 crores after writing off Rs. 76 crores and this year, this Rs. 19 crores have gone up to Rs. 99 crores not just in 2018, we also had a substantial write-off in current receivables at least Rs. 60 crores for the last three years. Why are we seeing such a big write-off on receivables and why are we seeing pump up in receivables even for this year? Are they good or they are doubtful?

G. K. Pillai: So, if you look at the receivables today, it is about Rs. 316 crores that is the net receivable.

Chirag Doshi: G. K. P., sorry. Sandip, are you on the line now?

Sandip Das: Yes, sir.

Chirag Doshi: You may want to just step in. I did not understand those numbers, that is Rs. 19 crores and Rs. 99 crores.

Sandip Das: Now regarding the non-current receivables from previous year Rs. 19 crores, this year it has gone up to Rs. 98 crores that is because we have reclassified some of our current receivables which are not viewed in the current operating cycle so, that have moved up to Rs. 98 crores. now regarding the overall debtors, my last year receivable March 2018 was Rs. 389 crores which has come down to approximately Rs. 329.41 crores that is because in the current year, we have approximately received Rs. 60 crores of receivables we have received and our last year provisioning was around Rs. 87.05 crores, which has come down to Rs. 57.06 score because in the current year, we have written-off approximately Rs. 24.12 crores of a very old debtors which based on our internal evaluation, we have found that these are no longer receivable and hence, they have been written-off.

Vijay Kumar: Thank you. Again, we are seeing Rs. 99 crores in the non-current fund. And how much of it is doubtful or how much of it we need to provision it up?

Sandip Das: No in this Rs. 99 crores more of except that Rs. 25 lakh which is doubtful as of March 2019 based on our internal evaluation of expected credit loss, otherwise the entire amount is good and it will be received as and when it becomes due.

Moderator: Thank you. We have last question in queue from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: The next question I had was, you talked about the long-term vision for the business. So, I was wondering if you could detail further, so I understood the strategic approach that you are following but the long-term vision to achieve a certain scale in revenues or is it to achieve certain margin levels? Or is it a certain return on the capital employed in the business? Could you give us a metric on that front?

Chirag Doshi: So, I mean, G. K. P., can expand further but as far as I am concerned, I think the mistakes of us of the past have made us realize that we are not aiming for any major top-line and sales targets. But what we are focusing on is making sure in ensuring that we keep our EBITDA margins at 20% plus. I think that is the way we are looking at focusing on the kind of products that we will be looking at doing. Having said that we are not going to remain at Rs. 360 crores - Rs. 380 crores as a top-line. I think that was more from a consolidation perspective. And now, in the next three years - four years, - five years I would expect that we will see substantial growth at the top-line level. But paramount in all of that is to maintain the EBITDA margins and to continuously focus on products which have some inherent technological sort of advantage that we provide, that many other companies have a hard time doing and that is where we will be able to sort of command the kind of margins and growth that we want to give and that automatically overtime will translate into much better ROCEs and you know ROI's and other metrics that come out of that. But I think, keeping a huge focus on EBITDA margin and cash generation is really going to be the necessary mantra for the next two years - three years - four years at least. G. K. P., you can add your own sort of thoughts on it.

G. K. Pillai: I think, yes, the most important point you have answered Chirag, which I was also about to answer. The gentleman who had asked this question, what is the game plan for the company? As Chirag rightly pointed out, we have been earlier more fascinated by the top-line. But today, the company is not at all fascinated by the top-line. We are looking at what could be the best possible EBITDA which we can get from the assets what we have. So, our focus that is one of the reasons why we have exited the EPC business and our focus is only on manufacturer of high-tech products, supplying to the customer and that is all. So, that is one important aspect. Second important point what Chirag did mention and what the question what you asked. What do we look at the company in the next five years? So, we definitely feel in the next five years the company should be in a position to at least have a turnover of anywhere between Rs. 1,500 crores to Rs. 2,000 crores per annum with a reasonable EBITDA anywhere between 20% to 22% that is what the company is as of now looking. Having said that, I thought I will also mention that the company also has not in the present case looked a lot in exports but knowing the Government policy which is going to come there could be a good scope for export of even products in the Defence and Nuclear segments to various other countries. So, that will also help the company to increase from whatever we are planning at present. Does that answer your question?

Rohith Potti: Yes. I mean, as usual, you have answered it in a lot of detail. I have a follow up on that. If I may? Do you have guys have time?

G. K. Pillai: Yes.

Rohith Potti: So, I was just looking. I mean, I just one thing, which was there in my mind was that, the working capital invested in the business if I take the current long-term, current and long-term receivables, the inventory and the payables it is coming to more than the sales that we have currently. So, this would mean that if we do grow at the rate which Mr. Pillai had explained, at present, it would mean that we would continuously require equity infusion for the growth to be achieved. So, does this mean that you expect the working capital cycle to shorten or do you think it is a nature of the business that it would require outside capital either in the form of further dilution or further debt to be a continual part of the business?

Chirag Doshi: No. Actually, the problem that exists the way it is today is that this working capital cycle is elongated, unnaturally because of those Rs. 200 crores - Rs. 225 crores of retention money of those EPC projects that has been blocked, which is causing us to unnecessarily take that much debt on our books, which we normally would not have had to. So, what you need to look at is that a lot of this blocked money is going to get released, our working capital cycles are nowhere near 360 days or even more, as you are seeing today in the numbers that you are calculating. So, going forward, with the kind of margins that some of these businesses have, with the kind of advances that we get, and all of that the working capital cycles will reduce substantially. So, we do not see the need to continue to borrow or continue to dilute. In fact, once we have cleaned up the balance sheet by bringing these debtors back and pay down some of our debt and maybe, today, do a little bit of equity infusion, going forward the only money that will be required will be purely for CAPEX and the cash generation and profit generation the business will take care of all our working capital needs. So, I do not see such a drastic requirement for any more infusion of money after this next sort of seven months - eight months is over.

Rohith Potti: Okay. So, that was my mistake and apologies for that.

Chirag Doshi: You got to take out the retention money and all when you calculate sort of the DNA business working capital cycles are very different from all the money having been blocked from the EPC business.

Rohith Potti: So, is it possible to share a range that number, the DNA, the, centrifugal, and the gear box business together is it or even separately would help. Is it possible to share a broad working capital cycle for those businesses?

Chirag Doshi: Sandip, do you have any data?

Sandip Das: Actually, it varies from the business to business. But overall, if I take out the EPC business then our more or less working capital will be in the range of 90 to 120 days.

Chirag Doshi: Yes, exactly. That is what I would have thought.

Rohith Potti: Understood. And sir, what is the broad maintenance CAPEX on average that is required for the business?

Chirag Doshi: Maintenance CAPEX, I do not know. G. K. P., do you have any idea?

G. K. Pillai: No maintenance CAPEX is not much because other than machines what we have, we do not need any CAPEX so it is in the matter of on an average Rs. 1 crore to Rs. 2 crores only we spent on the maintenance.

Rohith Potti: So, any CAPEX that you do number that we will see will primarily be for expansion purposes only?

G. K. Pillai: Absolutely.

Chirag Doshi: Correct.

Rohith Potti: Okay, and the last question I have for now, is on the equity dilution. So, I think, in the last conference call, I think you mentioned something around September this year. So, I just wanted to understand from you the timeline as well as whether you intend to dilute whether the management intends to raise the entire Rs. 200 crores or is it going to be lower than that?

Chirag Doshi: No, Rs. 200 crores were never in the plan. We just took an enabling resolution from the board to raise up to Rs. 200 crores, we do not have to keep going back to them for clearance. But the expectation, I think, at least as far as I am concerned, is anywhere between Rs. 50 crores and Rs. 100 crores is what we will raise, all of that depends on the price at which it gets raised, the modalities of how it gets raised and obviously, promoter dilution. I think we are as well as our bankers and KKR are very clear that the promoters cannot be diluted below 40%. I think that is there in our letters as well. So, based on all of that, I think we will take a call. The timeline still remains the same that we would like to raise this money before September of this year. Once the elections are over, come June - July we will get a better idea of market conditions and sentiment of how will raise this money. But I expect it to be anywhere between Rs. 50 crores and Rs. 100 crores not more than that.

Rohith Potti: Understood. So, broadly with this Rs. 50 crores to Rs. 100 crores equity dilution you do not I mean, you, barring any unforeseen circumstance in future you would expect the business to be self-sustaining for the years to come after that.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Chirag Doshi: Okay, well, thank you, everyone, for coming on the call. And we look forward to a much-much better year ahead and look forward to speaking to everyone at the end of the Q1 Results sometime in July or August.

G. K. Pillai: Okay. Thank you. Thank you very much, everybody.

Moderator: Ladies and Gentlemen, on behalf of Centrum Broking Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.