# “TIL Limited Q2 and H1 Financial Year 2018 Earnings Conference Call”

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**Moderator**: Ladies and gentlemen good day and welcome to the TIL Limited Q2 and H1 FY2018 earnings conference call, hosted by Asian Market Securities Limited. As a remainder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities. Thank you and over to you Sir!

**Kamlesh Kotak**: Thanks Aman. Good morning everyone. On behalf of Asian Markets, we welcome you all to the 2Q and 1H FY2018 earnings conference call of TIL Limited. We have with us today from the management represented by Mr. Aloke Banerjee, Director - Finance & CFO, Mr. Sekhar Bhattacharjee, Company Secretary, Mr. Shibaditya Ghosh, GM (Finance) and Mr. Pradipta Basu, Deputy GM (Finance). I request Mr. Banerjee to take us through an overview of the quarterly and half-yearly results and then we shall begin the Q&A session. Over to you Sir! Thank you.

**Aloke Banerjee**: Thank you, Kamlesh. Good morning to all the participants in this concall and thank you for your time that you have come and you are attending this concall. It is a good opportunity from the perspective of TIL to discuss and inform you about how the company is looking and what has been the financial results and the way forward, but before we go into the financial results, I think, it is important that there are two or three or some highlighting features, if I may mention to you it will give a right perspective as to how the company is looking as of now and what are the future action plans.

The first one to start with is in the first six months, we have achieved a turnover of roughly about 175 Crores which has been announced in the press release. We have an order backlog as on date roughly about 127 Crores. So if I add these two it is 300 Crores plus and in the order backlog what has not been considered is the customer support business which we plan in this quarter and the next quarter that is from October to March to achieve a modest figure of around 46 Crores.

Now if I add all these 175 plus 127 plus 46 the turnover would be roughly about 348 Crores. You will recollect that in financial year 2016-2017 TIL has posted a turnover of 332 Crores and this year seeing the order situation and also the turnover that we are looking at our best estimate is in this financial year that is 2017-2018 we expect to clock around roughly 400 Crores, which itself will give a 20% increase in terms of the topline.

As far as the profits are concerned, you have noted that in the first six months TIL has achieved a profit of roughly 7 Crores and last year on a standalone basis that is 2016-2017 without the other income TIL has posted a profit of 7 Crores, but we need to inform the audience that this profit is after taking into consideration the increase in the staff cost that the company has already planned primarily in order to strengthen the new product division that is the road construction and equipment division. For this purpose the total staff cost that is likely to increase on an annualized basis roughly between 7 and 8 Crores per annum.

Now whatever profits have been declared is after absorbing a portion of the staff cost in this. So in order to make an analytical statement it would be prudent to state that the company has incurred additional staff cost, a full 7 to 8 Crores may not appear in 2017-2018 but a portion of it will appear and after that whatever profit is declared will have to be noted. So this is one information I thought I will share with you.

The second information is this that a tender has been floated by Concor that is Container Corporation of India for 49 ReachStackers which roughly itself would be about 120 to 125 Crores and this tender is floated and this is not in the order backlog that I have talked about. The tender has been floated, the pre-bid discussions are going on. In addition to this, there has been an order from Lift & Shift of 12 numbers of ReachStackers, which also is not included in the 127 Crores of order backlog. So 12 numbers of ReachStackers again would be roughly between 25 Crores and 30 Crores, which a portion of it may be four or five may get built up to March and thereafter it will get built in from April onwards.

On a study of the balance sheet the one point that the audit committee mentioned to us and which we are consciously aware is the inventory. Now because of the inventory increase we have to see how best we can monitor that and the reason for the increase in the inventory is that there has been a good backlog of orders, which will get executed in the third quarter, which is October to December and thereafter January to March. We expect a reduction in the inventory to the tune of roughly 40 Crores in this quarter itself vis-à-vis the figures that has been announced in September 2017 and by March in the next concall possibly I will be in a position to declare what would be the inventory.

We are monitoring inventory and we are aware that the inventory is high and we are absolutely monitoring that and we are trying to do a proper analysis so that we have the materials just in time, but the issue is that since the production has now significantly increased, just to give you an idea in the September quarter that is July to September we had dispatched 66 equipments from the plant of Kamarhatty and Kharagpur. So therefore the production is really under pressure. In this quarter also the plan is to deliver between 60 and 64 units.

The moment we talk of this it gets corroborated with a turnover figure that initially I had told you that it is an estimate that in financial year 2017-2018 the turnover is likely to hit around 400 Crores and with this I would also like to inform that we have already implanted the Oracle system. It is almost in shape and it is coming up to speed and hopefully within

December it would be absolutely running on its own and not much of teething problem would exist.

Coming to the financials, first I will discuss the performance of Q2 where the TIL topline has increased from last year's Q2 performance from a level of 77 Crores to 97 Crores, an increase of 25% and the contribution has gone up by 51% primarily because in this quarter the customer support business has increased. Just to share with you the customer support business last year had posted a turnover of 66 Crores and this year the target is 100 Crores. We are not very sure whether we will attain 100 Crores or not but definitely we expect the customer support business to be in the region between 85 and 90 Crores and even if that happens, I mean that is a 20% increase. If we are able to increase it to 100 Crores as the customer support business is now being pursued very aggressively we are meeting the frontline sales people along with down the technicians, etc., so you know a lot of information is also percolating down and we would like to take our customer support to an area which ensures customer satisfaction as well.

Coming back to the financials the employee cost has gone up. I have mentioned about it. The expenses are more or less same. Incentives are at the same level. This is Q2 that is July to September 2017-2018 and Q2 has posted a modest profit of 4.5 Crores.

Coming to the material handling group performance, the topline has grown to 68 Crores that is from 41 Crores to 68 Crores and the contribution has increased by 75% to 29 Crores. Incentive cost I have discussed and the profit after finance cost in the material handling division is 13.5 Crores and this is before provisions.

In the EPS division, the topline there has been a dip. Last year the turnover in Q2 was 37 Crores and this year it is 29 Crores. The reason for the dip in last year during this period we had supplied ReachStackers to CONCOR which in this year it is not there, so therefore the turnover has come down and eventually this division continues to make a loss, last year it also made a loss and this year it also made a loss because the EPS product lines are yet to mature and as I mentioned that we have created the organization for the EPS product lines and hopefully from April onwards we will see improvement in this business as well.

On the first half that is April to September the topline has grown from 161 Crores to 176 Crores and the contribution has increased from 42 to 66 Crores which is an increase of 58% and last year same time on a standalone basis for the first six months the company had incurred a loss of 27 Crores vis-à-vis and this year we have made a profit of 6.7 Crores.

The MHS topline has grown again for the first six months from 84 Crores to 118 Crores and contribution has increased from 32 Crores to 53 Crores and of course this is a very healthy sign that the profits for the first six months in the MHS has been 19.7 Crores or roughly 20 Crores.

Coming to the EPS division, there has been a dip in the topline primarily because of the ReachStackers sales and that revenue has decreased from 77 Crores to 59 Crores though the loss has reduced from last year same time it was 21 Crores and this year for the first six months it is 12.5 Crores.

Coming to the balance sheet as I mentioned to you that the debtors inventory is at 210 Crores vis-à-vis in March 2017 the inventory was 185 Crores and sundry debtors is 94 Crores and in March 2017 it was 75 Crores. EBITDA as a percentage to sales as on September 2017 is 11.2%, interest cover ratio is 1.9%, debtors is 98 days, inventory as I mentioned to you is very much under the radar and focus of the management and we expect things to improve from now onwards.

Debt equity ratio is 0.4. Current ratio is 1.33 and total outstanding liability to tangible networth is 1 and return on capital employed is 7%, but return on capital employed should be seen at the year-end instead of seeing it now.

With these introductory comments, I would now open it out for the participants and I would try to answer the queries that they have. Over to you Kamlesh! 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 Saket Kapoor from Kapoor and Company. Please go ahead.

**Saket Kapoor**: Good morning Friends. Thank you for hosting the call. As the number says, we are delivering as promised earlier and from earlier by the team, congratulations to the team for delivering a steady set of numbers. Sir, now coming to the point which is the constraint on our part was the capacity utilisation because as earlier also you have told that we are running three shifts and having the constraints in taking further orders how are we going to mitigate that point because if we take your revenue guidance of 900 Crores for 2020 how are we going to get there?

**Aloke Banerjee**: Well, two things. First let me talk on the existing setup. The existing setup when we talk, Saket Kapoor, you will remember that we were trying to get our outsourcing jobs done, we were trying to help the suppliers because they also had a capacity constraints in their plant, so our factory people visited the supplier factories and tried to improve on that and let me also tell you that over the period of time starting from July onwards the production has picked up and you know now the supply chain is also looking better, I am not saying they are the best as of now, but I think on an average to dispatch 65 to 70 units is becoming a reality without much of constraint but yes lot of follow-up etc., is there. In order to increase their capacity I would like to inform the participants that we are setting up a third factory in Kharagpur and the factory construction will start sometime in January 2018 and it will be completed by December 2018, commercial production will start from April 2019. The purpose of building this plant is that because of the capacity constraint in our Kamarhatty plant, we would like to shift some of our truck cranes and rough terrain cranes over there and also Kharagpur plant will have a lot of orders on the road construction equipment because let me appraise you that we have appointed a consultant in the name of Mr. R. Shrivastava and he is now heading this construction equipment division. He has been in this industry for quite some time and he is now bringing in orders. As a matter of fact, you may have read it that there has been an exhibition in Bengaluru viz., Excon where we have introduced three product lines, one is the Yardmaster, the other is the MOBILOAD and RT 750 i.e., a Rough Terrain Crane 750. Yesterday I was talking to Mr. Mazumdar, he is in Bengaluru. It appears that a lot of the higher segment customers have come over here to Bengaluru and met Mr. Mazumdar and placing orders of 18 numbers, 20 numbers and so on. So we have to ramp up our production. In the meantime, while the factory gets built within 2018-2019 we will start the factory in January 2018 and complete it by December 2018 our production will start in 2019; till such time we are trying to do a lot of outsourcing that is one possibility and secondly we are trying to increase the capacity in Kharagpur as well as in Kamarhatty to the best of our ability and we are having a very structured production plan but yes there is a limitation, we are trying to adhere to it and at the same time the stage is not yet I will not say that we have come to a state where we are infusing orders, we are taking orders, yes, the delivery time we can get staggered and the other good part of it is in the government tenders, they normally have a flexibility, six months, eight months, nine months so we would take advantage of that strategy clause in the tenders because of majority of the rough terrain cranes they are supplied to government customers and we have the flexibility over there. So we would work out this plan and ensure that the customer satisfaction is that the customer is able to deliver and also backed up by our local suppliers from whom we are getting the semi-assembled materials from their plant and a combination of all these will ensure that our production is maintained at a level that we would like to have it.

**Saket Kapoor**: Sir, as guided by you on a base of 400 Crores for FY2018 what should be the likely runrate for FY2019 and then FY2020 if you are able to meet that guidance and if you could give that break part also Sir what would be the likelihood from the segment wise that is how much from the crane segment, how much is from ReachStackers and how much for the road equipment as well as the customer part, just wanted to understand at what pace can the growth be visible for FY2019? FY2018 400 is now on track I think?

**Aloke Banerjee**: Mr. Kapoor I appreciate your question and I also appreciate your involvement in the business of TIL and the numbers that you would like to have, but let me tell you this internally 2017-2018 is a year of consolidation. I have told this at the beginning of the financial year also and in this financial year we are trying to consolidate. You believe me I do not have any number in mind. We have decided that we are going to consolidate the position of TIL because we have incurred huge losses, everybody in this audience is aware of it. We are now trying to bring the company back into shape saying it is on the track and once we are on the track Mr. Kapoor I will be more than happy to share future numbers with you. As of now, I am just telling we are consolidating our position. We should be back at the level at which we used to operate and let me tell you it is a very difficult task. It is a challenge we are facing every day and every hour, but we are fighting with it and God is with us and that is why we have come up to this and we are hopeful that by March this is why the March figures I have been able to quote because March is almost three months from now. So you know I can see the flavour, but believe me beyond March, I cannot see anything as of now. I know I have a good backlog of orders, but that I know only in March. I cannot say now. Obviously there needs to be a growth in the company. Fully appreciate it. You see from a level of 332 to 400 itself is a growth indication of 20%. Ideally a company should be in a position to sustain this growth but whether we will be able to do it or not, I think, in the next quarter when the December results are announced I think, we are having the board meeting on February 9, 2018 and soon thereafter we will have the concall. Mr. Kapoor that would be the appropriate time when I can share with you the vision for 2018-2019.

**Saket Kapoor**: I got your point. For the sake of visibility can you give us the split up of revenue for this quarter?

**Aloke Banerjee**: 100 Crores.

**Saket Kapoor**: Sir, I could not get you.

**Aloke Banerjee**: Roughly about 100 Crores. That is my estimate.

**Saket Kapoor**: For the December quarter you are saying?

**Aloke Banerjee**: Yes. Very roughly I am telling you without going into calculation.

**Saket Kapoor**: That is including the customer support?

**Aloke Banerjee**: Taking everything together.

**Saket Kapoor**: Sir, I just wanted it for the September quarter also, if you could give the mix?

**Aloke Banerjee**: September quarter is I will tell you. I have the number here. Just give me a minute it is around 97 Crores.

**Saket Kapoor:** I want the split Sir?

**Aloke Banerjee:** MHS is Rs.68 Crores and Rs.29 Crores in the road construction equipment business.

**Saket Kapoor:** Road construction and this Rs.29 Crores is where we are incurring losses?

**Aloke Banerjee:** No. In Rs.29 Crores, we are actually incurring a loss. This is where the road construction equipments we will start manufacturing in a big way from April onwards.

**Saket Kapoor:** Sir for this quarter Rs.29 Crores is the road equipment part?

**Aloke Banerjee:** Correct. You are right.

**Saket Kapoor:** The Rs.68 Crores is the crane and the ReachStackers business and the customer support also?

**Aloke Banerjee:** No crane is in the first figure I gave you. ReachStacker business is in the second one.

**Saket Kapoor:** In Rs.29 Crores only?

**Aloke Banerjee:** In Rs.29 Crores only correct.

**Saket Kapoor:** That breakup we can get how much is the ReachStackers and how much is the road equipment?

**Aloke Banerjee:** Majority would be ReachStackers. The road construction would be hardly Rs.5 Crores maximum.

**Saket Kapoor:** Sir then on a total Rs.29 Crores turnover we are making losses because ReachStackers is our good business we have a higher market share here?

**Aloke Banerjee:** No but ReachStackers on an average annually we sell about 30, 35, and 40 until and unless there is bulk orders. Now this Concor order will come in the next year. The big orders have come. This is only for the quarter I am talking. So Rs.29 Crores is only for the quarter. So 12 ReachStackers we have supplied between July and September.

**Saket Kapoor:** And that is a profit making business?

**Aloke Banerjee:** Yes. The overheads are not getting absorbed because of the turnover the moment I am able increase my turnover and production, I will have my profits.

**Saket Kapoor:** That is for the road equipment parts?

**Aloke Banerjee:** Correct. The road equipment segment has to increase.

**Saket Kapoor:** I will come in the queue and then put forward my next question. Thank you.

**Moderator:** Thank you. We have the next question from the line of Arun Malhotra from Santalum Capital. Please go ahead.

**Arun Malhotra:** Good morning Sir. I actually have a few questions. First of all you said Rs.29 Crores that includes ReachStackers and road equipment that is not contributing positively. What is the threshold number at which you will start making profit?

**Aloke Banerjee:** Earlier also I mentioned that on an annual turnover of roughly between Rs.350 Crores and Rs.400 Crores from the EPS business, we will start making money.

**Arun Malhotra:** Which will happen this year?

**Aloke Banerjee:** Well that is a wild guess.

**Arun Malhotra:** Somewhere next year got it.

**Aloke Banerjee:** It will happen next year. This year it looks difficult.

**Arun Malhotra:** The second thing in terms of export opportunity if you can throw some light on especially the Hyster business, Manitowoc Cranes and ReachStackers?

**Aloke Banerjee:** What happens on the Hyster business that is the ReachStackers business we have been exporting ReachStackers to a lot of countries in South East Asia for instance Australia and New Zealand even now we are exporting to Sri Lanka, Singapore, and Malaysia, so those orders are still coming. As a matter of fact we got some orders in the month of August that 10 ReachStackers will have to be exported between December, so I think one or two are getting spilled over in January, but otherwise it is coming. So ReachStackers business looks good. So far as the Manitowoc exports are concerned we have already exported certain cranes to Middle East and they are now being tested over there. We hope that there will be repeat orders in the next year. I have not discussed intentionally because as of now I do not have anything to report. That is we do not have any backlog of orders of export orders for cranes are concerned, but yes for ReachStackers definitely we have backlog and we are executing there. I think the other part, which I missed is on the defense. We are expecting good orders, which again I will be able to share with you in February because by that time hopefully the orders would have matured or would be maturing very shortly.

**Arun Malhotra:** The defense is the same order of Rs.40 Crores, which you mentioned in the last concall?

**Aloke Banerjee:** Yes. On the TLVs and the Pinaka's the big ones. We have been constantly supplying and now we are just about to complete the order on the TLVs in December, so the next lot of orders, which is again an order would be roughly between 40 and 60 numbers over a period of two years that is likely. Besides this also there are other equipments also, which defense people are contemplating, but this is some sort of a standard thing, which the defense are placing orders on a regular basis and they are quite happy with the performance of the equipments.

**Arun Malhotra:** Astec for Hot Mix Asphalt Plants?

**Aloke Banerjee:** Regarding Astec's Hot Mix Asphalt Plant we are very unfortunate. We had not been able to sell. It is still lying in the inventory. That itself costs about Rs.10 Crores to Rs.12 Crores one such unit, but one important thing, one good thing that has happened is all the crushers and the screens, which were lying in inventory that we have been able to sell now. Some of it will get sold in this quarter and some will get sold in the next quarter. So hopefully that is why I said in the inventory the reduction of Rs.40 Crores is visible as on December 2017.

**Arun Malhotra:** Sir you mentioned about your networking capital cycle is close to six months. You mentioned that this will reduce going forward. What will you do differentially to reduce this?

**Aloke Banerjee:** My networking cycle will reduce. My working capital management will improve because of two factors. One the moment I am able to liquidate my old inventory then my inventory would be absolutely at par for the requirement of the plant. Today I am holding on to inventory for products or WIPs and finished products for which I am unable to sell for whatever reason. So once I am able to liquidate that my inventory level would come down. My estimate says my inventory should not be more than Rs.120 Crores to Rs.140 Crores to achieve a turnover of anything between Rs.400 Crores and Rs.500 Crores. Now if I am able to achieve that and with close monitoring of debtors the working capital cycle needs to improve because all these funds will get released and it will help the bottomline of the company.

**Arun Malhotra:** Sure, so let us say I extrapolate or I take you forward for two years what will be your margin profile and what will be our networking capital cycle in FY2020?

**Aloke Banerjee:** My EBITDA today is 11.2%. If somebody has seen our financial results in 2005, 2006, and 2007 and people or investors in Mumbai used to tell me Mr. Banerjee how you have achieved EBITDA of 18% to 19% on a TIL standalone basis that is only the manufacturing segment where Caterpillar business was never involved. When Caterpillar used to get merged, the 18% to 19% would come down to 12%, 13%, but let me tell you this 18% or 19% is EBITDA. It has demonstrated in the historical years of the company and our endeavour is to reach there as quickly as possible. How, when, and what format it is very difficult to say, but one rider I will give you over here. During those days when we used to have 18% and 19% it was cranes and cranes and cranes. We never had ReachStackers. We never had road-making equipments, but today because of the ReachStackers and the road making equipment the EBITDA of 18% to 19% I think is an illusion. We will never be able to achieve it, but 14% to 15% surely we should be able to achieve it, but in a couple of years we will take from now and secondly so far as the working capital cycle is concerned, I think both debtors and inventory should be brought down at a level on an average of 100 days. If we are able to do this, I think lot of improvement will happen and the size of the balance sheet of the company will reduce, which will improve the financing cost and consequently leading to improved profits of the company.

**Arun Malhotra:** In terms of debt Sir how much is long-term debt and how much is working capital?

**Aloke Banerjee:** Long-term debt is Rs.17.5 Crores as of now and cash credit is roughly about Rs.100 Crores.

**Arun Malhotra:** Lastly Sir in terms of the order book you had mentioned Concor order of last quarter also of 25 ReachStackers?

**Aloke Banerjee:** 49 ReachStackers.

**Arun Malhotra:** 25 you mentioned last quarter?

**Aloke Banerjee:** 49 ReachStackers I had told you.

**Arun Malhotra:** I am sorry then.

**Aloke Banerjee:** Till now we have not got the order. It is tender; big competitors including Chinese.

**Arun Malhotra:** How are we placed and how are we differentiating ourselves? What makes us believe that we will get the order?

**Aloke Banerjee:** Only Concor knows. I have no idea.

**Arun Malhotra:** Sir lastly can I request you something because there are so many products segments then there is domestic exports can we provide a presentation after every quarter or may be six monthly, which gives us details on a product wise, factory wise, data, and the details of the order book, so that bookkeeping questions are not asked in the concall?

**Aloke Banerjee:** My friend, I told you, allow me 2017-2018 as a year of consolidation. After that whatever you say we will discuss and we will present to you.

**Arun Malhotra:** Thank you. Thanks for your time.

**Moderator:** Thank you. We have the next question from the line of Nikunj Mittal as an individual investor. Please go ahead.

**Nikunj Mittal:** Good morning. I just wanted to know you have launched this new product at Excon to compete with the Hydra Cranes that are available in the market, so what is the kind of response you are getting on that? That is my first question. Secondly I would like to know if you are having plans to enter the tower cranes segment manufacturing where couple of your competitors that are doing pretty well since now you have left the forte in dealership I think you might not be constraint in that respect right?

**Aloke Banerjee:** So far as the first question is concerned, we have got very response in terms of MOBILOAD and also the Yardmaster, the ReachStackers and the third thing is the RT750, Rough Terrain Cranes. Yesterday, I think there were huge numbers of prospective customers in the exhibition and Mr. Mazumder he told me that I could take lunch at 4.30 in evening so he was busy from morning attending customers. We can well understand the interest of the people. Mr. Mazumder could not have his lunch till 4.30 in the evening that itself shows how many footprints we had in exhibition.

**Nikunj Mittal:** This product is going to directly compete with Hydra Cranes, which is the norm for TIL?

**Aloke Banerjee:** But you see MOBILOAD has got certain specific features and it would be at an advantageous position from the customer’s perspective. I think some orders have also been booked in the exhibition. I do not have the numbers with me. People have taken it in the right stride. ReachStacker is an established product for TIL because the market share is roughly between 60% and 65% as of now and the new introduction of the ReachStacker that we have done over there has also received response and for RT750 I told you some order number of 18 orders were likely to be placed. I think the confirmation of the pricing and these and that has been discussed so I was talking with Mr. Mazumder over telephone so more I will come to know on Monday, but my sense is lot of interest has been demonstrated in the exhibition that is point one, so for tower cranes are concerned, we will not be there because there is understanding between Hyster and ourselves that we will not get us ourselves involving in tower cranes.

**Nikunj Mittal:** So what was the reason for quitting the dealership with Potain being a subsidiary of Manitowoc, which is your primary tie-up so what was reason for quitting dealership if I am ask?

**Aloke Banerjee:** It was management decision.

**Nikunj Mittal:** Thanks.

**Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal**: Sir just couple of things this you mentioned for EPS our breakeven revenue is Rs.350 to Rs.400 Crores is that right?

**Aloke Banerjee:** I tell you why roughly see Rs.350 Crores at 20% average contribution if you take Rs.70 Crores would have happened, so we divide by 12 how much it comes to, it is Rs.5-6 Crores expenses per month. Very roughly I will say but suppose you do Rs.300 at 30% arithmetic is different. We have said it like this because that was calculation I had it mind but as I progress in my contribution because you see this is why I said in the EBITDA that 2018-2019 your must have and you must have seen it 18% whereas we are discussing for quite sometime at least seven or eight years or so, but after that once you introduce ReachStackers and the road construction EBITDA it would not be 18% it would be just 15%. And cranes will still do good but the moment EPS comes, that will come down. That is why I said that 20%.

**Manish Goyal**: This you also said this revenues are possible in FY2019?

**Aloke Banerjee:** Absolutely.

**Manish Goyal**: Sir we missed some of the numbers you were giving the breakup of contribution and profit for MHS and EPS for the quarter and half year, would appreciate if you can please repeat those numbers?

**Aloke Banerjee:** Shibaditya Ghosh, GM Finance will send you the mail. Anything you wish you telling you will send it to you and, I will give him your mailing address so you can be touch with him directly. Next time when you come to Kolkata meet me.

**Manish Goyal**: Wonderful Sir. Good Sir. Thank you so much Sir.

**Moderator:** Thank you. We have the next question from the line of Saurabh Ginodia. Please go ahead.

**Saurabh Ginodia:** Very Good morning Sir. Congratulations on great set of results. You mentioned during the call that we are on the verge of setting up this third factory in Kharagpur what will be capex for this factory and how was planning to fund this?

**Aloke Banerjee:** It would be roughly about Rs.100 Crores between Rs.80 and 100 Crores. Good question you have raised and miss this point. You see we have a piece of land in Shaiba Bagh Kolkata, which was being used for the Caterpillar business and now since Caterpillar business has been sold off. We are planning to hike that land in Shaiba Bagh. We have about 21000 square meters and people are telling that I should get anything between Rs.50 and 60 Crores of revenue from there so if I am, able to get that which I planned to do by March I do not know whether I will be successful but the target is to complete it by March then I plough back that money for investment in the Kharagpur plant and Rs.30-40 Crores of term loan we will take with a repayment schedule and bullets payment something like this so the moment I am able to generate funds I will repay the loan. My entire purpose is not to increase borrowing of the company that definitely is not there because otherwise my financing cost will never be at the level at which I used to offer it. Just to share with the audience at one time our financing cost was anything between 1% and 2% of the topline of the sales. When we were doing bad it went up to 5% and I have tested 1%-2%, our endeavor is to bring it down at 1% and 2%.

**Saurabh Ginodia:** Okay and Sir what kind of asset turnover can be expect from this plant?

**Aloke Banerjee:** I could not get your point? Turnover.

**Saurabh Ginodia:** Assets turnover?

**Aloke Banerjee:** Let me work it out. It is very premature. We are just working on the various plant and machinery, cost of construction etc., because we now in the dialogue with architects. Let me work that out may be February would be right time I just do not want to give figure.

**Saurabh Ginodia:** Also during the call you mentioned that you have hired a new head for this road construction division, Mr. Raj Srivastava so can you just help us understand when did he join and what was his previous background?

**Aloke Banerjee:** He was with the construction equipment like Metso, Sandvik, etc., so he has a valid experience in that and he has joined this company about one and a half to two months and along with that I must also tell you that we have appointed a VP HR from Exide. We did not have HR Senior man so we have recruited Human Resource VP person from Exide. In this concall, we have got General Manager Finance, Shibaditya Ghosh. He has joined us from Titan Industries and we have appointed a lady, Bipasha Sanyal. She is a Vice President Strategy so certain senior positions have already been filled up. We are looking supply chain management, we are looking at alternate sourcing and we are recruiting people and hopefully by middle of January all these people will be on board and on the grass root also we are on the customer support business, we are recruiting technicians, engineers so that the visibility of the engineers and the technicians in front of the customer is very prominent because the more you are visible I think the business will automatically come once you have supplied the quality product. So it is two to three prone attack strategy attacks that we are doing and hopefully my sense is that by April 2018 all these things will be in place that is when we should really start looking for volume business growth in the country.

**Saurabh Ginodia:** Nice to hear that Sir and all the best and hope to see you in your office sometime.

**Moderator:** Thank you. The next question is from the line of Rajeev Rastogi from Velvet Lotus Capital. Please go ahead.

**Rajeev Rastogi:** Good morning Sir. Very nice hearing about the good opportunities that we have for the future. Some of the questions, which I wanted to ask, have already asked by other callers so I will not repeat them. My only remaining question is in view of constraints from the capacity that we have what are we doing to prioritize higher margins orders over lower margin orders? Secondly it is the road construction equipment and ReachStackers you are saying the margins are lower and you have got a limited capacity. Why do we need to take them large orders, why cannot we prefer crane orders, prioritize them over the low margin orders because you got limited capacity?

**Aloke Banerjee:** Well I will answer your questions in two phases, first one is Mr. Rastogi let us not forgot we have reentered the market. We were out of market in 2016 when Chinese had come and overtaken us by storm, once we started manufacturing the long booms we came into the market. Today most of customers, majority of the customers have come back, but the damage that was caused has to be recovered first, so therefore increase in margin is not an easy stuff, it has to be corroborated with quality product, with technological difference in terms of compression with competition and secondly we must not forget the Chinese are selling at a much cheaper price than what TIL is able to sell. So as such we have got very stiff competition because Chinese manufacturers are offering three years usance or two years usance, which TIL is unable to offer. In India, the offerings are not there. Secondly in order to utilize the capacity of the Kharagpur plant and you will also appreciate that we have not been very strong in the EPS business in the last two, three years. We have just build the organization and it is almost like entering the market with a strategy and all these things, which we are validly mentioned will all be considered and implemented possibly from the second half of 2018-19. Once we have reestablished our position, once we have gone back in to the level of 2007-08 performance the company will be a stronger position to implement whatever you have said and they are so very valid. So you will have to give us time in order to recover that situation and I think the audience will appreciate that this recovery is first and foremost the most important one to meet on by the company.

**Rajeev Rastogi:** Thank you Sir. That was my only question.

**Moderator:** Thank you. We have the next question from the line of Mehul Mehta from Sharekhan. Please go ahead.

**Mehul Mehta:** Good morning gentlemen. This is with regard to Rs.127 Crores order book, which we have disclosed is it, a current order book or is it like in the September quarter end?

**Aloke Banerjee:** It is as on September.

**Mehul Mehta:** We have not included in that Rs.30 Crores of ReachStackers order so if I take it combined it should be Rs.157 Crores?

**Aloke Banerjee:** Yes you are right that 30 ReachStackers I have not considered because that actually I negotiated and my boss negotiated that happened in December, so that is not a part of that.

**Mehul Mehta:** Okay, so 120 and we were having I think at August end about Rs.180 odd Crores of order book, is that correct?

**Aloke Banerjee:** At the beginning of the year, but 180 I am not too sure.

**Mehul Mehta:** Because last quarter concall I mean August end you had disclosed Rs.180 Crores order book if I am not wrong?

**Aloke Banerjee:** I do not remember.

**Mehul Mehta:** So can I come back to you on this?

**Aloke Banerjee:** Please you can always.

**Mehul Mehta:** That was one and in terms of debt on balance sheet I think at the Q1 end it was about Rs.84 odd Crores so that has increased to Rs.105 Crores, is that understanding correct?

**Aloke Banerjee:** You are absolutely right.

**Mehul Mehta:** All right. Thank you Sir. Those were my questions.

**Moderator:** Thank you. The next question is from the line of Arun Malhotra from Santalum Capital. Please go ahead.

**Arun Malhotra:** Just one thing I left, I missed in my last conversation. This quarter revenue is Rs.96 Crores out of which how much is the support revenue?

**Aloke Banerjee:** Rs.40 Crores.

**Arun Malhotra:** Is my assumption right that this support and maintenance contract will have higher EBITDA margins of anywhere between 40% and 50%?

**Aloke Banerjee:** No comments. I cannot comment on that. I can tell you this much it is higher than the prime product sale.

**Arun Malhotra:** If I do my math so this manufacturing business seems to be in a loss?

**Aloke Banerjee:** Why? MHS machine has made money.

**Arun Malhotra:** On Rs.96 Crores turnover your EBITDA is somewhere around Rs.11 Crores?

**Aloke Banerjee:** 11% I said.

**Arun Malhotra:** Yes so it is Rs.11 Crores on a Rs.96 Crores turnover and if I assume a 40% support business, which is roughly let us say around Rs.36 Crores and if I assume a 30% EBITDA margin, so all the EBITDA actually is coming from the support and maintenance business?

**Aloke Banerjee:** On the customer support business the value of the sale is Rs.40 Crores.

**Arun Malhotra:** Yes and it will be at least 30% EBITDA margin because that is the norm in the industry?

**Aloke Banerjee:** Well that is a presumption. There is lot of AMCs happening, not everything is at 30%. There are a lot of AMCs happening, which is at 10%, 15%. It is unlike the past business elsewhere that is a combination of the manufacturing and what sort of model of cranes you are dealing with, if they are very old cranes yes then what you are saying is true because that part is not available, so you cannot take a figure of 30%, 40% and arrive at that.

**Arun Malhotra:** All right Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of N K Arora, an individual investor. Please go ahead.

**N K Arora:** Good morning Sir. Thank you for good set of numbers. Firstly I wanted to know what we hear on the TV or everywhere road construction sector is in a good shape, Action Construction Equipment in its concall has said road equipment sector is growing at 50%, so why is it so that we are not able to sell much in the road construction equipment?

**Aloke Banerjee:** I mentioned earlier that our organization in the road construction equipment business was not very strong, it was weak and for the last two, three years we have not done much about it because we were grappling with the crane business itself, so now it is only in this year that we have started focusing again the road construction and that is why we have recruited people and the organization is in place. I fully agree that there is a good traction in the road construction and hopefully we will be able to see that from April 2018 onwards, so till that time possibly our sales values will not be that large because so far the road construction products are concerned we have got tied up with Astec which is a renowned company worldwide, so we have no doubt about the quality of the product, but the only thing is we have to see that how best we can attain this and how quick we can attain this.

**N K Arora:** Secondly Sir in Hot Mix Asphalt Plant is it its cost, which is hassling its sales or something else, when we have such a good quality, high tech product, I thought it should have been a lot in demand?

**Aloke Banerjee:** Demand is there, but our presence has to be there. If a tender is floated where TIL is not participating for a moment you think like that then there is no question, so when I said that we are just building the organization, we have been participating, but we have been not so aggressive also and of course the pricing, etc., would also differ.

**N K Arora:** What is the status of the Concor order right now?

**Aloke Banerjee:** One more thing we are not building roads. We are making equipment's, which will lay down the road that means Hot Mix Asphalt Plant is a plant where it will extract the existing road and relay the road, so something like this, these are very sophisticated equipment and very expensive also. You had a question please tell me.

**N K Arora:** What is the status of Concor order right now?

**Aloke Banerjee:** The tender has just been floated. The pre-bid discussions are going on.

**N K Arora:** Thank you so much Sir.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Kamlesh Kotak for closing comments. Thank you and over to you Sir!

**Kamlesh Kotak:** Mr. Banerjee just one point if you can share, what has been the utilization at two of our plants for the first half of the year?

**Aloke Banerjee:** In the Kamarhatty the plant capacity is very high, but in Kharagpur the capacity would be anything between 30% and 40%.

**Kamlesh Kotak:** 30% to 40% and in Kamarhatty it would be fully utilized Sir?

**Aloke Banerjee:** It would be 70%, 80% fully utilized.

**Kamlesh Kotak:** Great. On behalf of Asian Markets we thank every one for joining for this call. Special thank to TIL Management Team for providing us the insight about the company's business and financial performance. With that we conclude the call. Any closing remarks Sir you want to make?

**Aloke Banerjee:** I would like to thank all the participants and patient hearing that they have given me and also the very, very interesting and probing questions, which clearly indicates they are very much interested in the organization and same from our side internally also we feel, but as I mentioned I think the things are looking better and hopefully may be in another six months' time we should see a real good traction both in terms of the economy looking up and actually you see the economy, I do not know how much of the effects of the good performance that has happened so far has been due to the economy, but I think the economy should be improving further because everybody is talking in terms of double-digit GDP growth. In that event, I think it is absolutely important that we have a production capacity in place and for which we are building up a third plant and may be in 2018-2019 onwards things would really look, but we will have to wait and see and as I mentioned that this year we will have to consolidate our position. That is all I have from my side Kamlesh and thank you very much for organizing this concall.

**Kamlesh Kotak:** Thank you Sir. With that we conclude the call. Thank you everyone and have a good day ahead. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Asian Market Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.