

Operator

Ladies and gentlemen, good day and welcome to the Q2 FY13 Results Conference Call of Jyoti Structures, hosted by Prabhudas Lilladher Private Limited. As a reminder for the duration of the conference, all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that the conference is being recorded. I would now like to hand the conference over to Mr. Riddhi Kothari of Prabhudas Lilladher. Thank you. And over to you, ma'am.

Riddhi Kothari

Yeah. Thank you, Lavina. Good afternoon everyone. On behalf of Prabhudas Lilladher I would like to welcome the management of Jyoti Structures on the call. The management is represented by Mr. Sudhir Nayak. I'd request you sir to please give some opening remarks and then we will open the floor for Q&A. Over to you, sir.

Corporate Participant

Thank you, Riddhi. Good afternoon to all of you.

First, would like to start with the performance for six months ended 30 September, 2012, and maybe I can brief you about the numbers and the performance.

The gross sales was 1,261 crores for the half year and the break-up of these was domestic sales was 89% and export, deemed export was 11%. Transmission line contributed 86% and substation and RE 50% each of the remaining that is Coming to the percentage of various expenses to the net sales, raw material was 53.45%, staff expenses 3.65%, erection and subcontracting 21.70%, other expenditure 9.98%.

EBITDA was placed at 8.03% and interest and finance cost both put together was 5.52%. Depreciation was normal depreciation since we didn't spend I mean extraordinary amount on CapEx. Depreciation amount was 12.45 crores. Profit before tax was 3.52% and PAT was placed at 2.34%. We spend about 10 crores for capital expenditure during the six months of the financial year.

Coming to the borrowings, short-term borrowing as at 30th of September was at 580 crores, long-term was 175 crores and total was 755 crores. Overall, the LCs outstanding as of 30th September was in the region of 610 crores, 615 crores.

The average cost of borrowing has been 12% to 12.5% and average cost for LC has been around 9.75% to 10%. Debtor number of days there was not much improvement as compared to the first quarter. The number was placed at 224 days.

Coming to the order book position. We started the quarter with an order book of 4,600 and we executed orders worth 601 crore for the second quarter. We received orders worth 801 crores from various clients and therefore the closing order book was 4,800 which has been the highest in the history of the organization.

Out of this 4,800 domestic sales is... domestic order number is 70% in terms of percentage. Export... deemed export has moved up to 30%. Transmission line constitutes 60%, rural electrification project 15% and substation 25%.

801 crore order book... orders which we bagged it came from Kenya, Uganda, Power Grid and other clients. In fact I must tell you that we have been putting extensive efforts in increasing our order book from the overseas business and adding up the geographies. This effort we started about six months to eight months by then besides both fruits in the past three months to four months' time. And that is how we could see this countries being added like Kenya, Uganda.

Of course, we have been working in these areas in the past. Uganda we completed a project which was combination of a substation and Transition line. So, we have our establishments in this part of world, that is East Africa. And we know these clients, we know these geographies. So we shouldn't be having any problem in executing these projects. And most importantly all these projects are funded by multinational funded agencies. So therefore the cash flow also should never been in any problem as far as project execution is concerned.

And this was the objective we had set for ourselves that we need to change the geographies, change the client mix, so that we are

able to correct our working cycle over a period of time by bringing in such projects which are funded by multilateral agencies.

The broad breakup of this order book of 4,800 if I may give, Power Grid contributes 29%, Maharashtra is 12%, overseas is 15%, West Bengal is 15%, private sector plays role to the extent of 5%, Madhya Pradesh is 6%. So, these are the major orders it constitutes... these are the major clients or shares constituting in this 4,800 of order book position.

Business on the horizon, again our focus is going to be overseas mainly East Africa, therein we are focused on very large value bids in Tanzania, Ethiopia, Kenya again, Indonesia, Egypt and Ukraine.

And again the objective is that once you add the geographies particularly the projects which are funded by multilateral agencies we will be able to have a smoother working capital cycle. And it could bring a good mix of clients and the geographies. That's the whole objective of getting into these countries. Again, just to repeat we have been working in these countries in the past so it's not that they are unknown places for that.

So this overseas business if I see on the horizon in next two months to three months. This number I can get to the level of about 5,000 crores and then target there are some bids adding up to 1,800, UP again funded by REC and PFC as we can see it's adding up to 3,000 crores.

So if I add up all this just to know what's the business on the horizon, this 10,000 crores is excluding group projects and group projects should be about 1,500 crores, that is as per as business in the immediate period is concerned.

Talking briefly about our fourth new joint ventures, Gulf Jyoti, for the nine months ended 30th September, broadly the sales was AED175 million. Profit was around AED8 million to AED10 million, and we had an order book of about AED375 million to AED400 million in Gulf Jyoti.

Jyoti Structures Africa. For the six months period ended 30th September, we are a top-line of around ZAR80 million, that is South African rands. We made some marginal profit over there in these six months, and order book is placed at ZAR80 million.

I think that is what as far as my briefing is concerned. Thank you very much for your attention. You can please go ahead and ask your questions.

Questions And Answers

Operator

Thank you very much. Participants we will begin the question-and-answer session. [Operator Instructions]. Our first question from the line of Mr. Aditya Vikram Gupta from CD Equisearch Private Limited. Please go ahead.

Analyst

Good evening, sir.

Corporate Participant

Yeah. Good evening.

Analyst

Sir, what are the expected debt levels as in FY13 as in the year-end as well as the CapEx?

Corporate Participant

CapEx is going to be a normal CapEx. I think for the whole year we could be spending not more than 20 crores, 25 crores. As far as borrowing is concerned, the overall number should remain content within 800 crores to 820 crores.

Analyst

820 it won't exceed as in the last conference call you told it might exceed 900 crores, but as of now you think it's between

800 crores to 820 crores.

Corporate Participant Analyst

Okay sir. And what about the margins, sir?

Corporate Participant

As I have been saying the EBITDA margins will, however, this time be within this 10% to 11%.

Analyst

10% to 11% only. Okay. Sir, I miss the geographical breakup of the order book. Can you just repeat that?

Corporate Participant

We have that orders from Kenya and Uganda. These are the major orders.

Analyst

No sir. The order book breakup within India sir, as in UP, West Bengal?

Corporate Participant

Okay. For Power Grid 29%, Maharashtra 12%, overseas was 15%, West Bengal 15%, private sector player 5% and MP 6%.

Analyst

6% sir, what's the last one?

Corporate Participant

Madhya Pradesh.

Analyst

Okay, okay. That's all from my side.

Corporate Participant

These are the major ones.

Analyst Operator

Thank you. Our next question from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Analyst

Yeah. Good evening, sir.

Corporate Participant

Yeah, hi. Good evening.

Analyst

Sir, my first question -

Operator

Sandeep I am sorry. Your volume is very low.

Analyst

Hello, yeah. Am I audible now?

Operator

Yeah. Go ahead.

Analyst

Sure. Firstly the inflows that you had reported on the stock exchange so the numbers are quite large. So, I just wanted to understand are these numbers taken in consortium with a separate partner and the 800 crore number that you are providing is this a Jyoti Structures' portion?

Corporate Participant

800 is entirely Jyoti Structures portion which were back in the second quarter.

Analyst

Sir, but the stock exchange filing of 1,400 crore that we had posted recently of orders...

Actually, the process is that once we sign the contract then we issue these releases for the stock exchange. So there is also possibility that there were some contracts which were... later off awards were issued but the agreements were not signed. So, that is why there must have been some lag, some announcement as far as stock exchange is concerned.

Analyst

Okay, okay. Because I was wondering that 1,750 crores is what we have announced on the exchange and sure, so probably these are orders which are there in the pipeline and this is not the portion for the consortium part is that what you want to clarify?

Corporate Participant

No, there is no consortium management as such.

Analyst

All right.

Corporate Participant

And there is nothing in the pipeline. Whatever I am giving the numbers that could orders debtors of awards having received.

Analyst

Okay. Alright. Sir secondly or since the portion of international projects will increase now in the execution ...

Corporate Participant

Yes.

Analyst

What's is your take on a) the overall margin profile of the company? The project would entail higher freight cost and other expenditures and b), the working capital position of the company?

Corporate Participant

As far as overseas projects are concerned the working capital cycle should be better for the reasons which I mentioned because these are funded by multinational agencies. And money is received directly to our accounts from these multinational funded agencies.

The process is that there is a normal terms of payment and the difference is between any client in India and overseas. The business which I am describing is that we drop our invoices up as per the payment terms and these are just certified by the clients. And they send, they forward in to multinational agencies whichever is involve like developing bank or So money is remitted directly to the account, nominated account in India. So therefore the cash flow is much, much better in these kind of projects. I am sure this diversification will bring a lot of semblance to our working capital management.

Analyst

Sir but your average debtors would come down to what extent because on this stage because currently our average debtors are -

Corporate Participant

We have just started executing these projects. Yeah, currently we are I think 220 days roughly. And I think once these projects come into full swing, I am concerned that we should be able to easily bring it down to 180 days to begin with.

Analyst

Okay. And sir, how would your margin profile differ in these projects?

Corporate Participant

I believe that on an overall basis if I see, margins should not be different at the EBITDA level.

Analyst

Okay. No sir, because actually this is the chance we get from competing companies that typically when execution of international projects increases in your overall revenues, the freight costs are generally higher at the rate of -

Corporate Participant

Actually freight cost... see when we wait for the project the actual project cost, freight costs are accounted for or other factors for. And our margins are quoted over and above that. So that should not be the criteria.

Whatever the actual cost, that is taken in the account while working out the bid price, so that gets protected.

Analyst

Sure, I understand. Alright sir, that's it's from my side. Thank you very much.

Operator

Thank you. [Operator Instructions]. Our next question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Corporate Participant Corporate Participant

Yes Ankit.

Corporate Participant

Yes.

Analyst

My first question is on your debtors. The total trade receivables are around 1,500 crores.

Corporate Participant

Yeah.

Analyst

Can you just give me breakup of that this 1,500 crores, how much is the retention money, and are there any major SEBs which have a major... where the money is stuck?

Corporate Participant

No, in terms of retention amount it should be about 300 crores to 400 crores.

Analyst

Okay.

Corporate Participant

Yeah. And then we have certain projects where there are dependency clauses. For example even you had supplied the material, since we are not able to erect because there is no write-off fee, there is no access provided to the location or the land has not been handed over. So, this is the second category of project where our money gets stuck from time-to-time. We have this one or two contracts of this category. Yeah, so that is how it is largely made up.

Analyst

And out, of these, receivables what would be the share of some major SEBs like Maharashtra, any SEB which is having an exposure from 200 crores, 300 crores?

Corporate Participant Analyst

No, nom, no. Out of this 1,500 crores receivables how much money would be pertaining to from the SEBs and how much would be from other parties.

Corporate Participant

No, I don't have that bifurcation right now but I just told you that... I mean where is bucket, how it gets stuck so

Analyst

Just why I was asking that question was that recently there have been government announcements that restructuring of SEBs and everything will happen. So if that happens, how positively it could be for the company? Would you receive any payments from those SEBs at a earlier time than previously what you had expected or what?

Corporate Participant

Actually this announcement has come that sounds good for all of us. But I think the effects are here to be seen and I believe that it might take anything between six months to one year to see the outcome of this announcement.

Analyst

That is fine. Means even if it takes six months, that's the only reason why I am asking that, are there any SEBs which have a major contribution towards these debtors. Say suppose this retention money. Now this retention money you have not realized just because the time period has not expand or it's because the SEBs don't have the money to pay or the customers don't have the money to pay?

Corporate Participant

Retention payments are released only when we complete the projects and when the project were handed over, that is as per the terms of payment. So, that is how it gets blocked.

Analyst

Okay. Okay. So at the end of the year, suppose that in March, what kind of debtors you are looking at? Means will it be more than 1,500 crores or it could be less than 1,500 crores?

Corporate Participant

I would like to talk in terms of number of days.

Analyst Corporate Participant

Currently we are at 220 days and we will be happy to see even if there is a lesson of about 20 days to 30 days.

Analyst

And that would be purely on account of what?

Corporate Participant

Mainly it will be on account of these projects, which we are executing where dependency clauses are applicable and we realizing money against that.

Analyst

And you also mentioned that by the end of the year, you see your debt levels to be in the range of 800 crores to 850 crores, right?

Corporate Participant

On an overall basis, yes.

Analyst

Yeah. So, what is the current debt?

Corporate Participant

Current debt is roughly 755.

Analyst

755.

Corporate Participant

From 30th September.

Analyst

Okay. So you are witnessing around the 10% increase in debt levels by the end of the year?

Yeah. Because activity level will be higher in the second half

Analyst

Okay. And what kind of sales growth you are looking at?

Corporate Participant

I believe that we should be definitely be around 2,900 crores, 3,000 crores.

Analyst

3,000 crores.

Corporate Participant

Between 2,900 crores to 3,000 crores I would say.

Analyst

Okay, okay, okay, okay. Okay, fine. Thank you so much, sir.

Corporate Participant

Thank you.

Operator

Our next question from the line of Bhoomika Nair from IDFC. Please go ahead.

Bhoomika Nair

Yeah. Good evening, sir

Corporate Participant

Yeah Bhoomi.

Bhoomika Nair

Sir, sorry I might have... I just joined a little late. This quarter we have seen a little bit of a slower execution. We are seeing some drop in the revenue number. If you could kindly explain what resulted in this kind of a slower execution and what make us confident that we meet the 3,000 crore kind of our top-line growth?

The second quarter is always like that more or less if you see. And normally first half year we clock turn or off anything between 43% to 44%, what we would have envisaged for the whole year.

Bhoomika Nair

Okay, okay. So I mean because on a Y-o-Y basis it has kind of which takes care of the seasonal impact as well. So that is why I'm wondering or is there was any reason for the kind of a slowdown. So is there been any particular project where things are moving a little slow?

Corporate Participant

Look, it goes on all the time and there are some write-off issues here and there and forest clearances that happens all the time.

Bhoomika Nair

Okay.

Corporate Participant

So, but then without taking that into account... so we believe that we should be able to be in the region of 2,900, 3,000 for the current year.

Bhoomika Nair

Okay. And sir there was also some money that we were to receive from TNEB, et cetera right. So has that come through which is where debt levels are actually risen in the past and receivables are actually risen?

Corporate Participant

TNEB was one of the clients. I think their payment cycle has come down to about six months.

Bhoomika Nair

Okay, okay. And -

Corporate Participant

Which is be eight months, nine months, they are down to about six months.

Bhoomika Nair

Okay, okay. And what about Maharashtra sir similarly?

Maharashtra we had unique situation wherein as I was describing to other friends on the call that we have some contracts which have got dependency clauses.

Bhoomika Nair

Right.

Corporate Participant

So wherein even we supply the material, unless we erect or string the line, we are not eligible to get the next part of the payment as well as the money has been stuck for quite sometime.

Bhoomika Nair

Okay.

Corporate Participant

Yeah, we are still working on that.

Bhoomika Nair

Okay. Sir what quantum will be stuck because of that and when do we see the things getting resolved?

Corporate Participant

It will be as high as about 250 crores or so.

Bhoomika Nair

Okay. And this has got to do with the right of agents, not got to do because Maharashtra doesn't have money to give or there is an issue in terms of our -

Corporate Participant

Our objective is to take this bid in their finance section so that then we can mount pressure on them for release of money. So, we are still at phase number one.

Bhoomika Nair

Okay. Okay so it will take some time about six months to nine months to get these?

Corporate Participant Bhoomika Nair

Okay, okay, okay. Sir, the other question was in terms of international business. As you mentioned that we are trying to focus a little more on the international business and trying to get some more order from there. Historically we've not really focused on international order. So what has made us a little more change in strategy to certain extent to look at more in terms of international, which you are earlier doing to more of our subsidiaries which is U.S. and South Africa and Gulf?

Corporate Participant

Sure. I mean that efforts on the subsidiary still continues.

Bhoomika Nair

Right.

Corporate Participant

There is no change on that account.

Bhoomika Nair

Right.

Corporate Participant

Here we were seeing that in India the current liquidity situations and the tightness in the systems.

Bhoomika Nair

Right.

Corporate Participant

And the lesser money becoming available with the local utilities here. And also lower number of projects also domestically. So, therefore we thought that's would be good idea to diversify geographically and particularly where the projects are funded by multinational agencies. And backout primarily to improve our working capital cycle by maintaining the whatever EBITDA margin we would wish to have for the organization.

Bhoomika Nair

Right. So this is what is because of this, because of the higher international orders where the working capital is slightly better and what we are looking at in terms of reduction in terms of working capital days.
That's right.

Bhoomika Nair

Okay. And sir in terms of... are the international order on fixed price basis or are they on variable cost basis?

Corporate Participant

No, most of them are on firm price basis. So, what we do is right on day one when we learned that we are L1, we are low, we pass it on to the vendors on back-to-back basis.

Bhoomika Nair

Okay. So there should not be any issue in terms of huge volatility in terms of -

Corporate Participant

Yeah. And in terms of currencies also, we pass on in the same currencies to these vendors.

Bhoomika Nair

Okay, okay. So there should not be any impact or volatility related to that?

Corporate Participant

Right.

Bhoomika Nair

Okay, okay. Yes sir, thank you so much. And wish you all the best. And maybe if I have any further questions I'll come. Sir, just before I end, sorry one thing which I missed was on the U.S business. How is that panning out we have begun operations out there?

Corporate Participant

Yeah. In fact I didn't mention anything about U.S. business which is been with interim. Currently we are executing two projects over there and this financial year which is 31st December for them, we expect to see a top line of anything between \$15 million to \$16 million and obviously we'll not make any profits this year.

Bhoomika Nair

Okay. So, I mean obviously there will be some amount of loss. So will that be something very substantial? It is still being looked at, but definitely we never and we say that we'll make a profit in for the year.

Bhoomika Nair

Right. And does the order from in the in U.S. continue or to remain quite strong? Are we seeing a lot of competition? Any color on the market out there?

Corporate Participant

Yeah, we are registered with number of utilities because that's how the business is captured there. There is no vendor as it happens in other parts of the world and we are invited as a registered vendor. So we are seeing lot of activity there. We are putting some bids also.

Bhoomika Nair

Okay.

Corporate Participant

So we'll have to wait and see for next two three months how successful we are in dynamic business for the next year.

Bhoomika Nair

Okay. So sir I mean assuming in we've obviously it's initial timeframe, but say from two year to three year and the point of view how much capacity and how what kind of revenues can U.S. business actually have, what kind of operating margins?

Corporate Participant

In terms of revenue I can say on a two shift basis we have a capacity of say 34,000 metric ton per annum.

Bhoomika Nair

Okay.

Corporate Participant

And when we will reach the fullest potential the company should bring in a top line of anything between \$68 million to \$70 million.

Bhoomika Nair

Okay, okay.

So, if we are able to run on the three shift basis the number can go up to about \$90 million to \$100 million.

Bhoomika Nair

Okay, okay. And in terms of then I mean it's one word to -

Corporate Participant

Yeah, I think once you have this capacity utilization possible then definitely it will become profitable which you expect to happen next year.

Bhoomika Nair

Right. So this will be like '10-'11 similar to India market or will it be -

Corporate Participant

I think EBITDA level should be same.

Bhoomika Nair

EBITDA level should be same.

Corporate Participant

Yes. The interest cost should be lower than what we has in India.

Bhoomika Nair

Okay, okay. So, which means that on a PAT level it will be slightly better because of that?

Corporate Participant

That is right.

Bhoomika Nair

Okay. Okay, thank you very much sir. Thanks.

Operator

Thank you. Our next question from the line of Chinmay Gandre from K R Choksey. Please, go ahead.
Good evening, sir.

Corporate Participant

Yeah, Chinmay.

Chinmay Gandre

Yeah. Sir, in the previous con call you had mentioned like roughly 300 to 400 crores of recoveries are pending you had mentioned like roughly 300 crores to 400 crores of recoveries are pending on this utility like Tamil Nadu, Rajasthan and Maharashtra which are like more than 200 or 300 bids. And now we have been seeing like roughly 200 crores to 250 crores are still pending. So, I mean have you received payments from them off late and -

Corporate Participant

So, that number which I mentioned was only for Maharashtra.

Chinmay Gandre

Okay.

Corporate Participant

Rajasthan we still have our ongoing --

Chinmay Gandre

So 250 crore is for Maharashtra?

Corporate Participant

Yes, yes.

Chinmay Gandre

Okay.

Corporate Participant

And Tamil Nadu has improved by about two months to three months as I mentioned in terms of release of money.

Chinmay Gandre Corporate Participant

It is about 500 crores I would say.

Chinmay Gandre

500 crores. And this is because like they are not paying on time, right?

Corporate Participant

No, no, no. It's not... okay, there are two, three kind of... I mean two, three reasons. One is yeah liquidity situation like in cities like Tamil Nadu.

Chinmay Gandre

Okay.

Corporate Participant

And then there are contracts where we have dependency projects?

Chinmay Gandre

Okay.

Corporate Participant

Which I just trying to explain. And third category is like Rajasthan there was a unique requirement of the client that they would provide some owner supply material and unless we get that our project is not over.

Chinmay Gandre

Okay.

Corporate Participant

So, these are the three kind of situations I am saying.

Chinmay Gandre

But in case of Rajasthan how that got transferred in to debtors because I mean debtors will come after you book the sales, right? Yeah. Our part of the job is over.

Chinmay Gandre

Okay, okay. Okay, got it. And sir and regarding the execution also I mean first quarter has... first half has been muted and you have been mentioning partly because like you have not being receiving payment from clients. So in the second half you said that basically you maintain your guidance on roughly 2,900 crores, 3,000 crores for the full year. So, second quarter I mean the execution should pick up?

Corporate Participant

So, actually if you have seen historically also we achieved anything between 43% to 45% in the first half.

Chinmay Gandre

Okay.

Corporate Participant

We have done.

Chinmay Gandre

Okay, okay. That's it from my side as of now. I'll come back in case I have any questions.

Operator

Thank you. [Operator Instructions]. Our next question from the line of Nirav Vasa from SBI Cap Securities. Please go ahead.

Nirav Vasa

Hello sir.

Corporate Participant

Yeah Nirav.

Nirav Vasa

Sir, just sometime ago you informed that the payment that you are getting from TNEB is now you are getting in six months. So, can I request you to inform me what was the payment duration earlier? It had gone up to as high as nine months.

Nirav Vasa

Okay. So it has eased?

Corporate Participant

Yes.

Nirav Vasa

Okay. And -

Corporate Participant

And after the increase of tariff, we also benefited.

Nirav Vasa

Okay. Thank you very much, sir. My query has been answered.

Corporate Participant

Thank you.

Operator

Thank you. Our next question from the line of Ketan Shah from Comgest India. Please go ahead.

Ketan Shah

Hello sir?

Corporate Participant

Yes.

Ketan Shah

My questions have been answered. Thank you.
Thank you.

Operator

Thank you. Our next question from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Analyst

Yes. Sir I have a follow-up. Basically this Rajasthan 50 megawatt solar plant order, I just wanted to know what is the update on that?

Corporate Participant

Yeah, this order is being executed in our joint venture company.

Analyst

Right.

Corporate Participant

It is of no connection with Jyoti Structures in terms of the revenue and profitability. This project is being executed by Lauren Jyoti Private Limited and we are very much on schedule. The likely date of commissioning is end of March 2013.

We have progressed very well as per our schedule and we are happy that this particular projects. Because I think this is one of the projects which is on the fast track out of the projects which were awarded in solar mission subsidies.

Analyst

Right. So 50% of revenues will book in our company right?

Corporate Participant

No. This is not a subsidiary so we are not going to book any revenue in our company.

Analyst

Okay. And sir I am sorry to deliberate again on this inflow issue. Actually I was just cross-checking the BSE exchanges filings again. So the filings that we have posted actually totaled up to 1,750 crores so I just wanted to know where is this disconnect because actually we are now reporting 800 crores inflows.

Corporate Participant Analyst

So 1,715 crores which we have announced on BSE are totaled, are actually LOIs is what you mean to say not necessary?

Corporate Participant

Agreements. Yeah, agreements. No, no. no agreements. We have to enter into formal agreement so we make announcement only at that instant.

Analyst

Okay. Alright sir. That's it. Thank you very much.

Operator

Our next question from the line of Amber Singhania from Quant Capital. Please go ahead.

Amber Singhania

Yeah hi sir in last con call you mentioned that you had already roughly 300 crore to 400 crore of production in working capital. So, do you stick with that target? And if yes then how you are planning to achieve that and whether it will be showing a reduction in LCs or because debt level you are guiding at a higher level? What is the actual deduction?

Corporate Participant

No. I said that it will always hover between 800 crores to 900 crore for the current financial year.

Amber Singhania

And what about the LCs will that be also in the same level which is current -

Corporate Participant

LCs will also remain within that same 600 crores, 650 crores.

Amber Singhania

So, is there any working capital originally you are targeting by the year end?

Corporate Participant Amber Singhania

Okay. And sir, also if you can provide me numbers for Gulf Jyoti and African facilities for Q2 thus revenue PAT and order book?

Corporate Participant

Yeah, Gulf Jyoti, this is for nine months. Sales was around AED175 million.

Amber Singhania

Okay.

Corporate Participant

Profit was roughly I think 8 million to 10 million.

Amber Singhania

Okay.

Corporate Participant

Order book was 375 as of 30th September.

Amber Singhania

Okay.

Corporate Participant

For Jyoti Structures Africa received in ZAR1 million, South African rands and this is for six months. Their financial year coincides with Jyoti Structures. So the top-line was roughly ZAR80 million. They made a margin of profit. And order book was placed at ZAR80 million. And we hope we should be able to bag at least one order before we close the financial year.

Amber Singhania

And what is the order book in U.S. plant, sir?

Corporate Participant Amber Singhania

And order book?

Corporate Participant

Order book say roughly now unexecuted order book is around 7 million to 8 million.

Amber Singhania

7 million to 8 million.

Corporate Participant

Yeah. And we are registered with many utilities, so we hope that for the next year we bagged some business.

Amber Singhania

Okay. And sir, in this quarter is this our expenditure as a percentage to sales have gone up substantially by almost 130 basis points. So is there any ForEx element in that or -

Corporate Participant

Basically yeah, there is no ForEx element. I am just comparing with the last six months. And I think it's inline with the previous six months. Previous six months of 9.38%, this sixth months were 9.98%.

Amber Singhania

Okay. And sir just one more thing like last time you were talking about some refinancing to reduce the interest costs. So any update on the same... are we able to do any refinancing on that front?

Corporate Participant

No, I never mentioned about any refinancing.

Amber Singhania

In the last conference call sir, the some mentioned that they are looking to reduce the interest cost by some low cost financing.

Corporate Participant

Not really I don't remember.

Okay, fine sir. Sir, what is your outlook for FY14 in terms of debtors and overall scenario is there improvement which we are seeing after this PGCI's new strict norms on the bidding which definitely has helped in the order inflow. So how do you see the overall industry scenario going forward not the near term that is six months but also in the loner term?

Corporate Participant

I think I can talk about the Jyoti Structures.

Amber Singhania

Yeah.

Corporate Participant

Yeah, we'll be more focused on the overseas business going forward also and as I can see the business which is available on the horizon, the countries where we only work in the past or surrounding countries. It is a huge business potential and when I say business potential, I'm talking about the real projects which are available for bidding purpose.

So, I think our focus will definitely be more on the overseas markets. So, that should definitely bring in the kind of growth which we expect, which should be in the region of 15% to 20% at the minimum level. And it should also improve our working capital cycle.

Amber Singhania

Okay. Fine. Thank you very much.

Operator

Thank you. Our next question from the line of Ankur Sharma from Phillip Capital. Please go ahead.

Analyst

Yeah, good afternoon, sir.

Corporate Participant

Good afternoon.

Analyst

Sir, can you provide us the breakup of your order book into transmission, substation and RE? Out of this 4,800 crores will you give me the breakup please?

Corporate Participant Analyst

Okay. And secondly, sir, we've seen very strong order flows over the last two quarters. Any sense of kind of order you are looking at for the full year or what is the kind of order book you're targeting by the end of the year?

Corporate Participant

We are focusing on garnering the business. I really wanted to tell you whether we, what's our internal target for the order book to be achieved. But I must tell you that it could be a repeat of what I have been saying. There is a huge business potential available in East Africa and many surrounding countries including Indonesia, Egypt and Ukraine. And we are out to grab a good amount of business from these countries.

Amber Singhania

Okay. And sir just coming back to what the previous participant was also mentioning about some kind of a lower competitive intensity in Power Grid orders now given the fact that they want to have only serious contenders. So wouldn't you also want to be focusing a little more on Power Grid given the fact that the competition may come down going forward?

Corporate Participant

Yeah. Our focus is definitely going to be overseas business.

Amber Singhania

Sure.

Corporate Participant

As an agenda I can say.

Amber Singhania

Okay. And Power Grids, okay. Okay, great. That's all from my side. Thanks.

Operator

Thank you. Our next question from the line of Chirag Shah from ICICI Direct. Please go ahead.

Chirag Shah

Yeah, good evening sir.
Good evening, Chirag.

Chirag Shah

Sir, just wanted to know that you have mentioned that you are focusing more on the East African market and the opportunity out to the tune of 5,000 crores.

Corporate Participant

Yes.

Chirag Shah

Sir, can we know that you are looking at mode of transmission orders or substation orders or the RE orders out there?

Corporate Participant

Yeah, it will be more of transmission line business.

Chirag Shah

Okay. And sir in terms of margins, sir which segment is more better there depends on the cost dynamics or how does it work out there?

Corporate Participant

I think overseas we have found that transmission line can bring better margins.

Chirag Shah

Okay. And sir, what's the difference between the transmission and the other segments in terms of margins that basically more attractive?

Corporate Participant

Maybe 50 to 100 basis points.

Chirag Shah

Okay. And sir, is it possible to get a breakup of the backlog for the domestic order book as in the 70% of 4,800?

Corporate Participant Chirag Shah

No, sir out of this 70% can I know that how much of transmission, substation and RE?

Corporate Participant

Out of that 70% I had overall numbers.

Chirag Shah

Okay, okay, sir.

Corporate Participant

That is 60 and substation 15 and RE 25.

Chirag Shah

Okay. And given the rising thrust of focus on the international markets, so will it be able to sustain the margin from 10% to 11% given if I look at the competitors in the industry they are hovering somewhere between 8% to 10% kind of margins given higher exposure to the international markets?

Corporate Participant

We believe that our margins should hover anything between 10% to 11% for the current financial year

Chirag Shah

Okay sir. Okay, that's all from my side, sir. Thank you.

Operator

Next question from the line of Richa Jain from CRISIL. Please go ahead.

Analyst

Hello sir. My question relates to the rise escalation claws. Generally the chances are linked to EMI mix. So the movement is compensation with the price lag. Am I correct in understanding that? So I just wanted to understand how does it impact your margins and how long is the price lag?

Corporate Participant

How long is the -The price lag. Is it three months, four month? What is the gap between?

Corporate Participant

See, it is exactly matching with the cash flow situation or the payment terms. In the sense for example price variation formula for power supply would say that the raw material prices as applicable 60 days prior to the dispatch.

Analyst

Okay.

Corporate Participant

Will be taken into account calculating the price variations. So 60 days is a good number of days for us to receive by the raw material distribute it, conversion to finished goods and ship it out. So it more or less matches with the actual cash flows that take place.

Analyst

Sir, that 60 days prior price is led up on the nations for market price or is it linked to some index?

Corporate Participant

No, the index is made from market price itself.

Analyst

Okay. So, there is no price discrepancy between the actual market price and the EMI mix?

Corporate Participant

Not really. It follows the market.

Analyst

Okay, sir. It doesn't harm you in anyway. Doesn't impact your margins in anyway, the price volatility?

Corporate Participant

No we are experienced it.

Analyst Corporate Participant

No, it depends on the... it varies form state-to-state.

Analyst

Okay. So, which are the state... which are in the heavy position and have been giving state transmission line orders? Is it Maharashtra or West Bengal?

Corporate Participant

Yeah. We have seen Maharashtra, we have seen West Bengal. At some point of time, MP has also been coming of these projects, Rajasthan.

Analyst

Okay, okay.. And sir last question is, what are the building norms for overseas manufacturers and as far as Power Grid goes? So, is it that they need to at least have a joint venture or set-up the manufacturing facility in order to be able to build?

Corporate Participant

For transmission lines, they need to have a tie-up with... definitely they need to have a tie-up with local manufacturer, otherwise where will they bring the towers from?

Analyst

Okay, correct. All they set-up a manufacturing facility over here?

Corporate Participant

No. I don't think that is a requirement. I think they have made it applicable for some subscription equipment.

Analyst

Okay. Okay sir. That's it from my side. Thank you.

Operator

Okay. Next question from the line of Bhoomika Nair from IDFC. Please, go ahead.

Yes sir, sorry. I have some follow-up questions. One is in terms of what is that outstanding order backlog from Maharashtra, Rajasthan and TNEB?

Corporate Participant

TNEB... Maharashtra is 12%.

Bhoomika Nair

12% of order backlog?

Corporate Participant

12% order backlog, power there is 29%.

Bhoomika Nair

Okay.

Corporate Participant

West Bengal is 15%. Overseas about 15%.

Bhoomika Nair

Overseas 30%, right sir?

Corporate Participant

No, that was exported index, out of that pure export if you see that is 15%.

Bhoomika Nair

Okay.

Corporate Participant

Madhya Pradesh is 6% and private sector is 5%.

Bhoomika Nair

Sir and what about TNEB and Rajasthan?
Rajasthan in terms of order book there is nothing much.

Bhoomika Nair

Okay. And similarly even for TNEB there wouldn't be something very significant?

Corporate Participant

Yes.

Bhoomika Nair

Okay. And we have seen a quarter-on-quarter debt reduction mainly because of the TNEB coming receivable coming through?

Corporate Participant

Overall in fact I would not like to single out TNEB. Of course TNEB has contributed.

Bhoomika Nair

Right, okay, okay. The other thing was also in terms of I was just going through the notes of my... of the last call. Sir, the South

African subsidies you've seen a drop in the order backlog from ZAR162 million to about ZAR80 million. Any reason for this and you know where do we see this I mean kind of it's right now at a breakeven kind of or a marginal profitable level, but when does it start contributing?

Corporate Participant

No. If you see last year it has started contributing. So I think in the remaining six months should definitely make better profit than what it has made in the first six months. And as per order book is concerned, we hope that our major client there Eskom comes out with some bids. We have submitted a bid there and it remains to be seeing what happens to that bid.

Bhoomika Nair

Okay, okay.

Corporate Participant

And for us it's a project specific organization. We don't have any manufacturing setup or everything is related with the project specific kind of setup.

Bhoomika Nair Corporate Participant

It happens I think time-to-time. At this point of time, I can see only these many tenders, yeah.

Bhoomika Nair

Okay, great sir. Thank you so much.

Operator

Thank you. Next question from the line of Chinmay Gandre from K R Choksey. Please go ahead.

Chinmay Gandre

Sir, just a follow-up question. You said like 500 crores of debtors are, I mean little bit out of the comfort zone. So, how many... I mean roughly what proportion would be because of the liquidity constraints faced by the SEBs of that 500 crore?

Corporate Participant

Largely, it is on account of the typical nature of context what we have.

Chinmay Gandre

Okay.

Corporate Participant

Largely out of that.

Chinmay Gandre

Okay. You won't be able to give a number to like how much would be without the -

Corporate Participant

Maharashtra say, for example, 250 crore, out of that 500 crores is on account of the unique clauses what we have in the project, which we are trying to work around.

Chinmay Gandre Operator

Thank you. Our next question from the line of K. S. Batra, an investor. Please go ahead.

Analyst

Sir, good evening.

Corporate Participant

Good evening.

Analyst

I just wanted to know how are the... compared to domestic market, how are the margins in the overseas market?

Corporate Participant

I think on those overall basis EBITDA margins are at the similar levels.

Analyst

No, segment wise if you say how are the margins in export and how are the margins in domestic market?

Corporate Participant

In overseas business it is mainly transmission projects which are executing and they are similar levels as far as EBITDA margins are concerned.

Analyst

Okay, okay, what are the risk factor over there in the overseas market since we are focusing over there?

Corporate Participant

Yeah, it's mainly say the utility risk or the country risk or the financing for the project. I think these three risks we are fine with because the countries where we are focusing we already worked in the past we know these clients we know these countries we know the tenants. And when it comes to financing all these projects have financed by multi-lateral agencies and that payment is also not applicable for the project selected by us or quoted by us or being executed by us. And I think that's it.

Analyst Corporate Participant

As far as combination of prices is concerned we have back-to-back arrangement with our vendors.

Analyst

Okay, okay, okay. As far as the new inflow of orders is concerned whether these orders are remuneratives, marginal wise?

Corporate Participant

Yeah, I think overall we are within that threshold requirement of EBITDA margins.

Analyst

Okay, okay. Now, coming back to over this Maharashtra on some dependency clause, so for this delay, do we get any price compensation?

Corporate Participant

Not really. We'll be happy to get our payment back as fast as possible.

Analyst

Okay. Regarding the debtors since the amount is quite high, when you feel that we will be comfortable?

Corporate Participant

See, we have been hovering around 220 days to 225 days.

Analyst

Yeah.

Corporate Participant

Which is really killing us in terms of term cost.

Analyst

I know, yeah.

And I must tell you that all efforts are being made as the highest level of organization to plan and to work on all these receivables. Okay, in terms of number of days you are not seeing the results but I can see that it is bearing fruits in terms of moment of number of receivables I would say, number of debtors.

Analyst

Okay.

Corporate Participant

And we should be happy even if we are able to reduce it by 20 days, 30 days by this year-end.

Analyst

So if we reach to 1,000 crores debtor wise, you feel that we'll be more comfortable if we receive another 500 crores?

Corporate Participant

Definitely.

Analyst

So you expect this 500 crore to come in this quarter only, in third quarter?

Corporate Participant

It remains to be seen. I can tell you as far as our efforts are concerned.

Analyst

How confident are you?

Corporate Participant

There is definitely still lot of tightness, lot of liquidity issues in the system. So that is also stopping many of our clients to for timely release of the month.

Analyst

You feel there is some improvement over last few weeks or over last quarter regarding the overall recovery of the payment is concerned?

Corporate Participant Analyst

I understand labor cost has gone up substantially over last six months, eight months whether it will affect our margins?

Corporate Participant

See, the labor cost has also covered under price escalation formula.

Analyst

Okay. So we have price escalation clause in almost all our orders?

Corporate Participant

Yeah, most major orders.

Analyst

It covers raw materials as well as labor costs also.

Corporate Participant

Yes. In the Indian context, yes.

Analyst

Okay. How this labor cost increase we get, because there is no benchmark or something like that? Is there something?

Corporate Participant

Yes, there is a whole price index, the indices are issued and those indices are captured in the price escalation formula for compensation. So, every quarter we submit or even monthly basis also some clients accept these price variations invoices from us.

Analyst

Okay. How is the inflow of inquiries in the USA market? Have we got all our registration approvals?

Corporate Participant

It's an ongoing process. We are currently registered with more than 20 utilities, 25 utilities.

Okay. How is the overall inflow of inquiries over there for the business?

Corporate Participant

Yeah, it's looking up. I think we have to see how much more business we can grab in next three months to four months time.

Analyst

Okay. Regarding the short term borrowings because of the delay in the recovery, what interest of it we have been paying?

Corporate Participant

Our average interest rates are hovering around 12% to 13%.

Analyst

12% to 13%. This pledging of share is done just because of that only?

Corporate Participant

Pledging of shares has been done by the promoters in their individual capacity.

Analyst

That is for the this... okay that is for the borrowing of this amount for short-term borrowing?

Corporate Participant

No, no. It is all in their individual capacity, that's what I am saying.

Analyst

No, it has no connection with this.

Corporate Participant

No.

Analyst

Okay, okay. Right, right. Thank you, sir. Thank you.

Yes.

Operator

Next question from the line of Nirav Vasa from SBI Caps. Please, go ahead.

Nirav Vasa

Hello sir.

Corporate Participant

Yes, Nirav.

Nirav Vasa

Yeah. Sir, some of these... or some big transmission projects have come out which are going to be issued on BOT basis?

Corporate Participant

That's right.

Nirav Vasa

So, wanted to know if your company is bidding those projects or no?

Corporate Participant

Yeah, those I think announced I think in last eight days to 10 days time and we are definitely exploring the possibility of bidding for that.

Nirav Vasa

Sir, but what I am seeing is that your current network is around 700 crores and your total debt is almost 755 crores. And effectively we are also facing the working capital stretch. So how do you think we'd be able to manage with the equity infusion regulated for that particular projects and is management considering any kind of equity infusion right now if the BOT projects are to be taken in an aggressive way?

Corporate Participant

Not at this point of time but we definitely will not aggressive. We would like to have our IRR if at all we want to get these projects. And any idea what is kind of competitive intensity that you are looking in these kind of projects because very few projects they have been awarded on the BOT basis?

Corporate Participant

Yeah, so that's what it remains to be seen I think earlier time there used to be 15 bidders to 20 bidders, even at the pre-qualification stage. That number has come down to about 8 to 9. So let us see how many bidders reaching for this.

Nirav Vasa

And sir traditionally it has been observed that in the time when the industry is not really in very good shape. The weakest players in the industry maybe tend to exit or may be are acquired by biggest players. So any kind of any acquisitions that they are looking for may be to get higher pre-qualifications or something like that in new geographies?

Corporate Participant

No Nirav. At this point of time I think Jyoti Structures is very well placed in terms of the pre-qualification. We can execute 800 kilowatt level projects and which is the highest standards in any part of the world. So, we already have got that pre-qualification for transmission lines as well as substation. So, we don't need to acquire companies to grab any pre-qualification.

Nirav Vasa

Okay sir. Thank you very much. My query has been answered.

Operator

Thank you. Our next question from the line of Aditya Vikram Gupta from CD Equisearch. Please go ahead.

Analyst

Yeah. Sir, just a follow-up question.

Corporate Participant

Yeah.

Analyst

Sir, yeah about the sales target of 2,900 crores to 3,000 crores.

Corporate Participant

Yeah.

Analyst

Yeah. Sir that you told that we've acquired... we achieved from 43% in probably your last industry in the first six months. Hello?

Corporate Participant

Yeah, yeah, yeah.

Analyst

But I was going to the financial sir, but I didn't find as FY09 as I guess is for 48% in the first half. In FY10 it was 48% again. In FY11 it was 46% and I guess in FY12 its 49%. So just want to know how confident are you in reaching the target of 2,900 after seeing that we've achieved around 1,200 crores in first half of financial year '13?

Corporate Participant

This year is about 44%. What we achieved is about 44% that's what we are saying.

Analyst

Sir, I didn't get you.

Corporate Participant

What we achieved is about 44% of what we envisaged to reach for the whole year.

Analyst

Okay, okay, sir. So you mean to say probably this is 44% for the first half and Rs. 2,900 fine?

Corporate Participant

That's right.

Analyst

Okay sir. And what can be the reason for such delay in execution level sir?

Corporate Participant

But there is no delay. See that's what I am saying over a period of time you will observe that the first half hovers around anywhere between 42% to 48%.

Yes, but sir, that's what I was trying to say that first half is... first half was 40% to 42% in the history but it's not there in the history probably in the last five years or so. So, that was my query was sir.

Corporate Participant

I don't think so, because on the basis of the orders what we have and the contractual execution periods what we have, we'll reach this kind of turnover.

Analyst

Okay sir, okay sir. All the best, sir. That's all from my side.

Corporate Participant

Because you know, I will tell you. This is divided into three components like in transmission lines, substations and RE, each of these have got like in transmission lines the supply towers which are manufactured in the factory. There are also bought out components in substations and RE business which contributes very large kind of turnovers.

For example in RE business, out of 100, 85% is bought out components wherein we don't have to do any manufacturing. So therefore we have supposing if you have placed the order and if we have scheduled the supply of those orders, turnover is not an issue.

Analyst

Okay. So, you are very confident that you will reach 2,900 probably.

Corporate Participant

Sorry?

Analyst

You are confident enough to reach 2,900 in this financial year.

Corporate Participant

Yeah. That's what we are aiming.

Analyst

Okay, okay. All the best. And that's all from my side.

Corporate Participant Operator

[Operator Instructions]. Our next question from the line of Richa Jain from CRISIL. Please, go ahead.

Analyst

Hello sir. Just a follow-up question. Sir, which are the Indian players that are present in the international markets? I believe there are four to five players. And secondly, how is the local observation in each of these regions that you operate in?

Corporate Participant

Well, I think you will find Indian competition in any of these countries which I mentioned. So we'll compete with the Indian players mostly.

Analyst

Sir that is... if I can name them KEC, Kalpataru, Tata and L&T?

Corporate Participant

Yeah, all leading players.

Analyst

Okay. Nobody I am missing on this; five to six players if I can just get the number to it.

Corporate Participant

Yeah five to six known players.

Analyst

Okay. And sir how is the local competition standing out in this international market say Middle East we are hearing that the Chinese competition is going up. So just wanted a sense on how is the local and competitive scenario in the international in each of these regions like Middle East, U.S. that you operate in?

Corporate Participant

No we are not seeing Chinese players in the countries which I mentioned Middle East, Africa.

Analyst Operator

[Operator Instructions]. As there are no further questions, I would now like to hand the conference over to Ms. Riddhi Kothari for closing comments.

Riddhi Kothari

On behalf of Prabhudas Lilladher, I would like to thank the management and the participants, thanks a lot.

Corporate Participant

Thank you. Thank you very much Riddhi.

Operator

Thank you.