"Alstom T&D India Limited Q4 & Fiscal Year 2015-16 Results Conference Call"

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MANAGEMENT:

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Alstom T&D India Limited Earnings Conference Call. As a reminder, all participant lines will be in 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 '*' and then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Sunil Mishra. Thank you and over to you Mr. Mishra.

Sunil Mishra: Thanks, Vikram. Good Afternoon, Ladies and Gentlemen. Myself Sunil Mishra and you all already knowing that I am heading the Investor Relations for Alstom T&D India Limited. Welcome to Today's Conference Call with Alstom T&D India Limited Management Team. This is for the reference of Q4 and Year-ended 31st March 2016. We have with us today, Mr. Rathin Basu -- Managing Director; Alstom T&D India Limited; Mr. SM Momaya -- Wholetime Director and Chief Financial Officer; Mr. Vijaykumar Krishnamurthy -- Financial Controller; Mr. Manoj Prasad Singh – Company Secretary, Alstom T&D India Limited. The conference call is scheduled up to 4 P.M. By now you would have received the 'Investor Analyst Presentation'. I hope all of you read the disclaimer on Slide #2.

So we will now begin with Mr. Basu presenting the key highlights followed by Mr. Momaya. I now invite and request Mr. Basu to begin. Over to you, sir.

Rathin Basu: Thank you, Sunil. Good Afternoon Ladies and Gentlemen. I am on Slide #4 of the slide decks that you all have, this is on "Indian Economy" and the "T&D Market" So first a few comments on "Indian Economy". Overall, we do see the continuous spike in the non-performing assets of the banks, i.e., bad loans to continue primarily with private sector and this is indeed impacting the investments in industry and infrastructure from the private sector. This is nothing new and this is going on for the last 3-4-years that we do not see any change towards the positive direction of this phenomena. Consequently, we also do not see any noticeable change in our CAPEX investments in the marketplace except in central PSUs and to a certain degree in some selected state PSUs but not too many. We also see several private IPPs having serious M&A discussions mainly to reduce their high leverage positions that they have and this constant we are packaging our assets are going on in the industry.

If we focus on the Power and the T&D Market, then our additional comments are recently Government of India and several states announced the UDAY package which is towards reviving the discoms as several states have signed the agreements for UDAY we expect positive uptrend in the coming months and quarters; however, we are yet to see at the ground level any new CAPEX investments due to this impact.

On the Solar side, we do see positive traction; solar investments are gaining momentum which also gives us opportunity for new business. Recently, Government of India also announced positive movement towards accelerating wind and hydro investments. The Government of India currently believes that solar has reached a level of auto momentum mode and therefore it believes that solar is in a good way to reach the 100 GW target by 2022; however, the

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government believes that wind and hydro means additional push and hence there is an expectation of additional attention from the government side.

On the T&D Network side, we do see in real time concession is continuing in different parts of India which in effect blocks power flow between the states and also within the states.

Overall macro scenario for the T&D market is still sluggish and this is being the fourth consecutive year of sluggishness for the T&D market, in fact, as we commented in the past as well we have continuously seen degrowth of the market and the trend is yet to be seen to be changed.

Over to Slide #5 on financial Highlights and Key Events on Orders and Backlog: We are happy to say that we had good number of orders of about Rs.10.9 million which by comparison to the same quarter last year is (+10%) increase and in effect the backlog continues to get a healthy level at close to Rs.80 billion which is as you probably have already estimated twice the annual sales of T&D India Limited. On the sales side we reached Rs.9.7 billion of sales compared to Rs.13.6 billion in the corresponding quarter last year, so this is surely lower sales and we will explain why. Year-to-date for the full year the sales that we reached is Rs.34.1 billion. Operating profit for the quarter is Rs.698 million compared to Rs.898 million that we had in the corresponding quarter last year and operating profit recorded for the full fiscal year is at Rs.1,832 million. Profit after tax for the quarter is Rs.299 million compared to Rs.540 million during the corresponding quarter last year and for the full fiscal year profit after tax is Rs.775 million.

In terms of the "Key Events" again the year has been very good in terms of achieving major targets for the customers and projects. We are again proud to announce that we continue to be the largest company in terms of number of projects commissioned in the country at the ground level; we commissioned 64 substations right from the voltage level of 66 kV to the highest extra high voltage level of 765 kV including new extension and renovation substations and these were delivered, commissioned during the fiscal year, and in effect, we continue to make very strong contribution in building the transmission and sub-transmission backbone of India. We also successfully commissioned more than 900 substations automation base and retrofitted additional 690 Schemes right from 33 kV level to 765 kV level during the fiscal year. This is particularly interesting and because this directly involves grid automation and in a way it prepares grid to become smart even at the distribution level in the coming years. Since inception we have also delivered over 433 base of Gas Insulated Switch Gear made from our Padappai, Chennai factory.

For those who are new to this conference call, I would like to say that we have been the first company in the country to build a Gas Insulated Switch Gear Factory in Chennai in the year 2009 and thereby launching Make in India much before Government of India launched it last year and this is indeed a proud achievement not only in GIS but in many other High Technology Switch Gear and Transformers.

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We are also happy to let you know that we received from Power Grid an Award for Commissioning and Delivering highest number of 765 kV, 400 kV Transformer Reactors during the fiscal year and this is really a great achievement for us particularly when India's largest transmission utility gives this award.

So overall we continue to maintain market leadership position in the market, a position that we attained in the year 2008.

Over to Slide #6, so here we are highlighting the main orders that we had during the quarter, so the list is mainly from central and state PSUs; however, there are one order from the TBCB] market coming from Sterlite and we have also a number of orders from Techno but of course the end user is Power Grid. So overall it is a balanced mix of orders. The list also includes one order which was placed before by the customer on one of our competitors who bought 18-months ago but that order got cancelled and eventually was awarded to us recently.

Over to Slide #7, basically a graphical presentation of Q4 numbers of the last fiscal and the year before. So basically displaying an increase of 10.3% order intake despite difficult market conditions which you all know.

Over to Slide #8, again a graphical presentation of order backlog. We are happy that we have a fairly healthy backlog to see us through for the next at least 2-years and hopefully to gain the momentum in sales for the future.

So now I will request Momaya to take you through the rest of the slides.

S.M. Momaya: Thank you, sir. Good Afternoon. We are on Slide #9 where there is a graphical presentation of the sales for the quarter; during the year, we achieved Rs.9.7 billion as against Rs.13.6 billion in the corresponding quarter the year before. Sales have been mainly impacted by couple of factors -- one being realignment of revenue recognition milestones. During the year company has **(examined** remaining milestones for the ongoing contract and they are now realigned to output trigger events which has impacted the sales for the quarter to some extent. Also, there are certain export sales and projects sales which have based on their phasing have also been lower during the quarter as compared to the corresponding quarter in the last year.

Moving to Slide #10, graphical presentation on profit after tax; for the quarter is Rs.30 crores as against Rs.54 crores in the corresponding quarter last year mainly impacted by the lower sales during the quarter with associated volume impact on the profits taking place.

We move to Slide #11 where we give a tabular presentation on the key data for the sales: During the quarter it is Rs.9.7 billion as against Rs. 13.6 billion lower by around 28%. Operating profit actually Rs.70 crores as against Rs.90 crores in the corresponding quarter year before; however, in terms of percentage of sales it has gained 0.6%, it is now 7.2% as against 6.6% in the corresponding quarter of the last year. Profit after tax is a resultant number after the adjustment for tax which is Rs.30 crores, 3.1% of the sales as against Rs.54 crores which was 4% of the sales mainly impacted by the volume of sales.

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Key data on Slide #12 is for the full year where we have achieved revenue of Rs.34 billion for the year as against Rs.37 billion in the last year, fall of around 8% during the year. Operating profit is Rs.1.8 billion as against Rs.2.4 billion lower by 1.2 basis points. Profit after tax resultantly is lower at 2.3% instead of 3.3% in the year before, down by 1%. That is on the numbers.

Now we keep it open for Questions.

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: A couple of questions; First, I know you did elaborate a little on the changes or realignment of the revenue recognition milestones. But just for the benefit of the investors if you can elaborate a little more in detail what exactly have we done and what was the more appropriate or approximate impact on the 4Q sales because of this change in policy, our practice that we have done in this quarter?

Rathin Basu: Before I pass it over to Mr. Momaya so what I can say right in the beginning is that the backlog as we have seen is at a very good level, so the backlog is not lost, so that is my first comment. It is true that, yes, may be some of you expected much higher sales and so thereby you might have been surprised that have not reached but for which in the presentation itself we tried to give you the explanation. So may be Momaya can add if he has anything more to say.

S M Momaya: Basically, we have covered it, it is essentially coming from the phasing off certain projects and export sales, which now based on the delivery schedule of the customer requirements or the requirement of the project. Certain revenue which could take place in the corresponding quarter last year could not be factored during the current quarter based on the customer's requirement and that was what was required at particular point of time. Second part is on realignment of revenue milestone. Basically milestone evaluation and recognition of the revenues based on milestone is a continuous improvement process and during the year we have reassessed certain milestone on the remaining milestone of the contract and move them more closer to the output trigger events or more closer to the project completion which is nothing but an improvement. As you correctly mentioned sales would be coming in the next 3-4 quarters.

Renu Baid: From a layman perspective, what do we mean when we say we have moved the milestones from earlier the way we used to do, now to more closer to project completion, typically, you would be doing either on dispatches or percentage of cost completion you would be doing it, so what exactly is the change and I was wanting if you can also quantify what could have been the likely impact of the loss on sales on account of this realignment of milestone that we have done in the fourth quarter?

S M Momaya: On realignment of the revenue milestone in layman term, I would give you one simple example: Earlierwe used to recognize when we have bought out equipment, when it is shipped from the suppliers place to the customer, we would tend to recognize milestone because the event of delivery has taken place. Now we are taking a little conservative approach - not only that when do we add little more value, so when we erect and commission, so we are putting the milestone in line with value addition. Cost is incurred in both the cases but we are making it more closer to the output trigger event. That is what we mean. This is just one example....

Renu Baid: Very approximate kind of indication if you can give here?

Rathin Basu: I would say that majority is due to the realignment... it would be difficult for us to precise it in terms of number, but majority is a good guidance for you to interpret.

Renu Baid: So the only perspective of asking this question was that irrespective of what individually you would have expected with respect to sales, but compared to last year there is almost Rs. 1200-1300 crores plus of sales, we had seen almost 25-30% drop. So, is it right to say that almost Rs.300 crores kind of sales miss would have been because of this realignment or this number would have been just about Rs.100-200 crores?

Rathin Basu: This is exactly what we are not keen to disclose, sorry for that, but we are giving you guidance that this is out of the three elements this has the highest impact.

Renu Baid: Just to reconfirm this change, our milestone recognition systems or practice has been done from 4Q FY'16 not prior to that?

Rathin Basu: Not prior to that, that is correct.

Renu Baid: I know it would be harping closer to the similar revenue side of the business. If approximately of the Rs.8,000 crores, you knock off Rs.2000 crores which could be related to the HVDC and allied supplies, we still were having reasonably healthy backlog of almost Rs.6,000 crores and of that if we see last year throughout the year despite challenges we were able to execute barely Rs.3,500 crores. So are you seeing any newer pockets of your existing backlog which you think are slower moving where there could be extension or timelines compared to what was initially anticipated maybe six months or a year back when you were sitting on these projects, so any further deterioration in the execution timelines of the current backlog that we have seen?

Rathin Basu: I will restate what I said in the past con calls as well; there are two things are still valid -- one is the percentage level of our backlog which is slow moving, which is close to 5%, so it is still around the same kind of numbers. The second thing is that I have disclosed many times in this forum is that 80% of the projects are never exactly on the original time, 80% of the reasons are due to customers because most of the case is the land is not available or the claims are not available and therefore we are not able to commission our projects, so it gets delayed. So these two factors are part of life today because as I said overall the roadblocks are still valid and that is why things are not yet moving at the pace at which the government wants to drive. So this is a constant challenge and even for the current fiscal year '16-'17 we believe that we will have these challenges, we need to face these challenges and we cannot modify this external factor unfortunately because even our customers would not like their projects to be delayed but then it gets delayed and therefore both of us sit down and then try to realign with the customers milestone and there is no point that we ship it early and then it gets towed in a site which is not well guarded and therefore we have to realign with our customers.

Renu Baid: You did mention the market overall outlook for FY'17 does not look significantly different from what we have seen in the last couple of years. So, are you still indicating that FY'17 could be another 5-10% drop in the overall Transmission market or do you see any green suits coming in from the state transcos or the TBCB-based projects in pipeline?

Rathin Basu: To be precise, we do see Power Grid maintaining the same level of investments, that is one. On the TBCB line up projects, yes, there are more number of projects, but what needs to be seen is how many of these TBCB projects will run on time. That is the question still remains unanswered. Point #3: As you know that the country launched the UDAY Scheme about 3-months back, many of the states have already signed up the agreements, all these things are very good for overall electricity market for the country but at the ground level we still do not see new CAPEX programs at the states where you have new substations or new investments lined up. So there is no delta change as seen today, maybe we will see it in the next quarter, that is my point.

Renu Baid: Nothing from the GENCO side?

Rathin Basu: GENCO again except the central PSUs and private Gencos if you could tell me which one because we do track almost all and most of the private IPPs are going through phase of ownership changes because as we said right in the beginning the huge issue of bank NPAs and highly leveraged balance sheet. So things are not rosy unfortunately.

Moderator: Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: If you can help us understand the execution timeframe for CK-2, whether these changes in the milestones what we have now implemented would have pushed out the execution timeframe even for CK-2?

Rathin Basu: CK-2 will happen after CK-1 though there are some actions or activities which are going simultaneously particularly at the site work level. So to that extent the program is going on. You may recall that we had issues in Champa-I because the land on the Champa site was handed over to us almost 9-months after the contract is scheduled. So Champa-I original schedule got delayed by that much of number of months. Overall it is not I would say significantly delayed except these two factors.

Charanjit Singh: But do you foresee completing CK-2 in FY'17?

Rathin Basu: FY-'17 not all the activities, it will go to FY-'18.

Charanjit Singh: If I look at post the domestic norm implementation by Power Grid, there are a couple of Chinese and Korean companies now who are setting up even capacities in GIS in India. So what it means is that competition is going to remain here on a continuous basis. So how do you foresee our market share or from where we are right now in GIS if you can highlight your market share right now and how things can pan out with this kind of competition staying?

Rathin Basu: I would not like to give a product line type of market share because it does not give a very good picture because from one year to another year, the number of projects in a particular product line may be significantly different. So what I can say is the following is that we have seen 4-5-years ago a major price dumping in the area of 765 kV Transformer and Reactors, we live through that, we went through that difficult period, and then Power Grid have implemented a clause which required a local manufacturing factory for the simple reason is that a faulty Transformer would require 9 to 10-months for repair and come back which India's electrical grid could not support that kind of long absence of a particular equipment. So thereby when this clause was implemented, what we saw is that the competition cost aligned to it and we saw some of them installing local manufacturing facilities either through Greenfield or by acquisition. Now once they did that what was interesting to note is that the dumping philosophy was not followed to the same extent or same degree which they used to do in the beginning. So therefore our interpretation is that once they live in India and make in India I think they are much more closer to the realities and thereby the temptation of dumping reduces significantly and we have lived through the Transformer world and as you have noticed that last year we were awarded for the highest number of transformers and rectifiers delivered and commissioned which speaks quite clearly that unless you stay in the market for long-term you cannot come and go from the market in India. So we would imagine that in the GIS market we will have a similar situation. So we are not afraid that we will see through as and when we see them really quoting from India.

Charanjit Singh: In Pugalur to Chittoor HVDC line, is Alstom T&D prequalified for the new VSC technology which is being talked about by PGCIL?

Rathin Basu: We have not participated in the VSC part of the project.

Charanjit Singh: But is the technology available at Alstom parent? What is the reason for us not being prequalified?

Rathin Basu: It is the strategic reasons because there are many projects and we believe that it will be difficult to execute two projects of Raigarh-Pugalur by the same bidders simultaneously. So we have the technology but we chose not to participate.

Moderator: Thank you. The next question is from the line of Puneet Garg from Axis Capital. Please go ahead.

Bhavin Vithlani: This is Bhavin Vithlani here. Sir, if you could elaborate life after GE especially we are more a transmission centric company, what are the new products in the distribution side that you are

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entering? Last call you spoke about visiting the stall and we did saw some products. So if you could delve much deeper into this? Are there further HVDC projects in the pipeline over the next couple of years after Pugalur-Raigarh project?

Rathin Basu: First is after becoming part of GE what we can say is that… since you visited ELECRAMA so you are fairly updated, so for the general guidance for all those who are attending this call, so ELECRAMA is like Hanover largest electrical industry fair that happens alternate year in India and this year it was held in Bangalore. So we had a stall as always we do and we displayed the new products that come from GE family. The idea being that we are therefore after coming to GE fold are able to offer much wider solutions addressing wider range of markets. While I will not get into too much of detail because the time is limited, so just for general guidance, yes, we are addressing newer markets like the example, solar, in solar when we were separate companies, GE was able to address only the solar inverters, so today with Alstom T&D India Limited in the fold and with the local capabilities that we have including our local offerings, we are able to address much wider scope of the same solar power plant. Likewise the same logic applies to wind and so on. In addition, we are also looking towards the other industrial part of GE's portfolio such as power conversion. This is a business which are strongly in the industrial domain which improves the industrial performances through thyristor drives, motors and the industrial automation. This portfolio once upon a time was with Alstom prior to 2003-04. So in a way it is nothing new, only thing it has joined the old family members now being part of GE. So this is a new opportunity for us again to address a wider range of the market. The market is depressed at the moment in the fewer industrial sector, but hopefully once the market comes back, we will be able to take advantage of that. Lastly, on the again addressability market we are also examining other products in the GE portfolio which could be an add on to our offerings for their complete T&D space. So that addresses your first question.

Bhavin Vithlani: Just a clarification on this; you mentioned about solar inverters, thyristor drives, motors, industrial automation, this will be part of the Alstom T&D India legal entity. So the minority shareholder would be able to enjoy the benefits of this?

Rathin Basu: This is a very precise question. What we said in the ELECRAMA is that we are going to address this market. since I am talking in this forum there will be a share that will come to this listed company for sure but I cannot precise today how much because once we win the projects we will be able to announce through as we make disclosures that how much of the orders come from which product line or which customers. So at that time you will have a much more precise information, but today it is more of an intent and because your question was what is the life after GE. So that is the reason I am answering that way.

Bhavin Vithlani: Export also if you could…?

Rathin Basu: Export, there is no radical new decision or new philosophy except that as we said in the past in the same forum that by design we focus more on the domestic market because we believe we have good opportunities in the domestic market, export requires different attention of execution and the support, so everybody cannot go for export though we get the support of the

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parent group whereby we export products both in finished and semi-finished category. So that we will continue to enjoy, but nothing radically different, that is what my point is. Final point on HVDC. Yes, we believe India would add new HVDC links, but today if you talk of a time horizon beyond the VSC decision which probably could happen before March '17 may not be, we do not know. Beyond Raigarh-Pugalur VSC there could be another HVDC project for the next fiscal year but it is bit too early to define the project.

Bhavin Vithlani: If you could also speak about the SVCs and statcoms, the much delayed projects. So if you could give your on-ground feedback on this?

Rathin Basu: Nothing dramatic. First series of three projects were tendered but then thereafter there has been a delay. But what I understand is that at the state level there is a new realization that the state needs to invest in this domain as well. So therefore the states are looking at it seriously but we do not as yet see concrete tenders on the table.

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

Subhadip Mitra: I have basically two questions: Firstly, you did mention that because of the change in the accounting for the milestones, we may actually see a spillover effect of the sales moving into FY'17. So, is it possible that we might see lumpy sales coming in, revenue recognition coming in FY'17 and hence one or two quarters maybe a bumper quarter in terms of revenue recognition? Secondly, in terms of the EBITDA margins, I believe we have been closing somewhere around close to 8% from the last two years. As we see higher execution possibly coming in the HVDC Champa-2 also coming in, can we see some upward movement on the margin front as well?

Rathin Basu: Mr. Mitra, unfortunately, both are future-oriented question which as you know, we usually stay away from giving a guidance. So I can only answer to the extent I can is that we have a very good level of backlog that you know. So the question of converting this backlog to revenue is a joint stage between us as ATDIL and our customer. Now on our side I would say that we do not have any major issues in delivering manufacturing, commissioning and managing projects for the backlog that we have. So we are perfectly equipped with that with our resources and therefore it is under our control. What is not in our control is customers program and therefore it is very difficult for us to give you a guidance on future quarters. So, I would leave it to your own interpretation but from our side like any other company and shareholders wish, everybody would like to do and achieve more. So that spirit is of course with us. There is no reason for us to delay itself which should happen because customer wants it and would like to do that way. By that process for any quarter or quarters sales jump up and the profit that comes with it, so be it. But sorry, I cannot be more precise on this.

Moderator: Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

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Madan Gopal: On CK-2, when do you think the work will begin and what is the target kind of commissioning as of now?

Rathin Basu: The work started right from the day the contract was awarded which was in FY'14-15. So design work, significant part of the project management and work at site, all these have commenced due time and they are all work in progress. Good amount of manufacturing and good amount of delivery is on the way. So you would see that partly in FY'17 and the balance in FY'18. So, this is what I can say on CK-2.

Madan Gopal: So can we say like it will probably be completing end of FY'18, that is the way you are looking at?

Rathin Basu: I do not have the CK-2 program right in front of me, but I would say the major part of the final program of CK-2 is slated to happen in FY'18.

Moderator: Thank you. The next question is from the line of Ananth Jain, individual investor. Please go ahead.

Ananth Jain: My question is related to the products which you are going to launch from the GE's stable. So, just now response to a question you explained about profit/revenue sharing. Can you put it again? GE also has another transformer company in India, GE also is a promoter of another transformer company in India. So how is that relationship going to be?

Rathin Basu: That is a different company, it has a joint venture between GE and a Mexican company. So we are not correlated that way. To the best of our understanding, predominantly work in the distribution space. So therefore, realistically there is no overlap. So I would not like to take questions on that company in this forum. To your first question, again, as I said before, we are still in the early days, so the question that I had from one of the analysts probably is that what is the life in GE worlds. We said yes, we have now new products which previously were not sold adequately in the domestic market. So now that we have a strong company acquired by GE. So therefore we are having a relook at the market and we are trying to see what can be sold more to the same market with a wider scope coverage and of scope as well as market coverage. It is still early days to speak about margin share, scope share. So there we will follow the traditional arm's length business practices to make sure that we follow the routes.

Moderator: Thank you. The next question is from the line of Ankur Sharma from Motilal Oswal Securities. Please go ahead.

Ankur Sharma: Two questions: Firstly, coming back to your execution and your sales for FY'16, now I think one of the things which was mentioned was that there has been some pushback from the customers in terms of the sites not being ready or the clearances not being there. What I was trying to understand was is with Power Grid and SEBs primarily being your key customers and also being a large portion of your order backlog, what we understand is that Power Grid has been pushing for faster commissioning and execution. So, are these delays primarily coming from the states? #2 is if you could also give us a breakup of your order backlog broken up into Power Grid states and private?

Rathin Basu: First of all, the delay on projects happen everywhere with every customer. So there is no a single customer where we see projects are running as per the original program. Even with very good utilities we have seen a program where we were supposed to commission a project for 765 kV substation with 24-months program, we were given the land around 14th month and we still deliver the program almost close to on time. So it happens because most of our customers are not in control of their destiny in terms of land acquisition or forest clearances for right of way for the transmission lines or for the substations. That is a reality. The problem could be less in Power Grid. But it is not zero in Power Grid either because if you look at their own program also, most of the projects are eventually not happening as per the original plan. You could say that, yes, the problems are much more severe in states because we had individual companies work, but the private sector also has their big share of the problems. So therefore, we cannot classify that it happens only in one place and not in another place, that is the problem. To your second question, we generally do not exactly classify, but subject to correction I would say that Power Grid will probably be around 30-35% of the backlog… the single largest customer has a backlog.

Ankur Sharma: States would be an equal number?

Rathin Basu: I cannot answer that because I do not have the maths in front of me, but…

Ankur Sharma: Your CAPEX for '16 and what are the plans for '17 and localization plans please?

Rathin Basu: CAPEX plan has been well executed I would say till FY'16. We have routine CAPEX mostly towards improvement, not significant for FY'17. So I would say no major plans because among the competition we are the most local, we have also invested the most over the last 7-8-years. So I think we are fairly ready to take care of the next 4-5-years.

S M Momaya: Unless we have very large orders which require some minor or expansion in one of our factories we should be able to deliver all that.

Moderator: Thank you. The next question is from the line of Pranav Gokhale from Invesco. Please go ahead.

Pranav Gokhale: My question is you illustrated that your sales booking policy is more conservative now. To that extent, does the working capital or the cash flows which you generate from the business align more or better with the new policy than the old policy?

S M Momaya: To answer your question, the resultant impact of a conservative milestone would result in more alignment with the cash flow; however, the principle followed is the revenue recognition is not **(Inaudible) 50.01 linked** with the cash, but the resultant impact is what you mentioned that it will be getting more aligned.

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Pranav Gokhale: So the reason why I am asking this year despite the conservative policy you have seen deterioration in the working capital situation. So, what has actually transpired that -- is receiving payments become an issue or is it the change in the milestone or a particular way in which payment is made by these entities whom you work for which has caused this?

Rathin Basu: While Mr. Momaya probably answer in more detail, what I can just say is that the change is only effective Q4, but you are probably comparing the whole year's numbers, so that is first point.

S M Momaya: Basically, there has been a built-up for revenue also on inventory side and the market continues to be challenging as far as cash is concerned. Like for last three years we continue to face this challenge and we manage it with the given environment. That is where we are on the marketplace.

Pranav Gokhale: So do you see this kind of working capital situation norm as a new normal now?

Rathin Basu: Working capital situation is predominantly reflected by the payment coming from the customers. Again, in this forum, we have addressed this point several times and I will again restate, the biggest challenge today for our collection is from the private sector, the second category is from the state electricity board sector. These are primarily two sectors while we have major difficulties of getting cash on time. As I said in the opening remarks, we do not see any major improvement in these two segments; a) most of the private sectors are in deep fiscal difficulty due to NPS and second, the discoms collectively have more than Rs.4 lakh crores of debt and the UDAY Scheme though it has been signed up nicely, we still do not see the effect or the impact at the ground level. So once we see these things happening, then things will improve. Otherwise, the cash flow situation will continue to be difficult and therefore we do not think we can do anything great to improve our working capital except that as you all know that we do not produce equipments of goods to be sold in the future we are in the business of engineered products. So we start manufacturing once we get an order. So therefore by design we try to keep our working capital to the lowest level possible. While I say that it is always fair to say that we all need to continuously improve and that is a very strong push that we have across all our businesses and factories. We try to do it better for tomorrow.

Pranav Gokhale: How much of your contracts are fixed price essentially where commodity variation does not actually hit you?

Rathin Basu: It is the same ratio that we have disclosed in the past as well. It is approximately 80:20; so 80% comes with price variation clause.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

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Abhishek Puri: Sir, a couple of points: Firstly, the gross margins have improved despite tough bidding in last couple of years. Is it due to the lower raw material pricing or you believe that the pricing in the market has actually improved?

Rathin Basu: If I can take the liberty of a lighter comment is that "We chose to lose some orders" Maybe which is partly true actually because we saw in the last fiscal year several of our competition quoting very-very low and the gaps was so big; more than 5-10% that we said that we are not going to do that. I have been commenting in this forum for last 9-years. So we have seen many people doing practice that. So we stayed away from that.

Abhishek Puri: In terms of the private sector projects I am looking at your inflows, I think the share of private transcos have gone up. How are the payment terms and margins in those businesses versus say that of Power Grid just on a conceptual level?

Rathin Basu: Since this transcript will be available in public domain, so if I give a margin and then we could realize that we are discriminatory in terms of margins, so I think you would allow me to not revealing everything, but I would say that if you are referring to private sector because of TBCB becoming a private sector oriented project, then probably technically you are right, but TBCB is still a new phenomena, a bit early and from our perspective we continue to maintain the same payment terms that we want, that means we look forward to a down payment, we look forward to an interim payment which is usually around design, progress or completion, we look forward to add site advances before we open our site. So, overall, I can say that our payment terms are not dilutive because we address one segment of the market or the other.

Abhishek Puri: On the state UDAY MOU Schemes that they have done, so ten states have signed up for it, have you seen any orders from their side for improvement of the grid infrastructure, have they progressed on that side or is it too early to …?

Rathin Basu: No, as I said in the beginning of this call and it is part of the slide deck is that we have not seen any significant or even single new order because of this scheme now.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint, that was the last question. I would now like to hand the floor back to Mr. Mishra for closing comments. Over to you, sir.

Sunil Mishra: Thank you, everyone. We conclude today's conference call on behalf of Alstom T&D India Limited. In case you have any other questions, then please feel free to contact me on the e-mail ID given on the website. Have a good day.

Moderator: Thank you, sir. Ladies and Gentlemen, on behalf of Alstom T&D India Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

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