

Triveni Engineering Industries Limited

18M FY07 Results Conference Call

7th Dec 2007

Moderator:

Good morning ladies and gentlemen. I'm Leela, moderator for this conference. Welcome to the conference call of Triveni Engineering. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Gavin Desa of Citigate Dewe Rogerson.

Gavin Desa:

Thank you Leela and welcome everyone to the 18-month ended September 30 2007 conference call of Triveni Engineering & Industries Limited. Present with us today are Mr. Dhruv M Sawhney, Chairman and Managing Director, Mr. Tarun Sawhney, Corporate Vice President, Mr. Nikhil Sawhney, Corporate Vice President, Mr. Suresh Taneja, Vice President and Chief Financial Officer, and other members of the senior management team. We will initiate this conference call with brief opening remarks from Mr. Sawhney, after which the floor will be open for questions and answers. I now request Mr. Sawhney to please initiate the conference call.

Dhruv Sawhney:

Thank you. Good morning everybody and welcome to this conference call on our annual results for the 18 months period ended 30th September 2007. You have the figures before you. I will just quickly go through some of the highlights. Our sales increased by 60%, which is an annualized figure of 7%. EBITDA increased by 13% for the 18 month period, annualized it was down 25%. The depreciation and amortization are much higher for the 18 month period, on an annualized basis, almost double. Our finance costs are higher too, and our PBT and PAT margins are lower purely on account of sugar margins having been fairly depressed by the hike in cane prices in relation to the market prices of sugar. Our combined engineering turnover for the 18 month period went up by 150%, which on an annualized basis is 66% higher. Our PBIT is even better, where on an 18 month basis, it increased by over 250% and even on an annualized basis, this is 135% higher. Cogeneration also contributed significantly to our profitability.

Few brief remarks on the Sugar situation, which is what, caused the margins to come down. With the rapid fall in sugar realizations from January '07 onwards, the margins in sugar, especially in the State of UP, became negative. This was on

account of the high State advised price for cane, having been announced much earlier, when sugar prices were at around Rs. 1,800 per quintal. The situation has continued till almost all of the '06 and '07 season sugar has been sold, so we have been forced to take a reduction in our valuation to bring them in line with the market prices, and that has caused the quarterly results to be adversely affected by the sugar margins and the prevailing sugar prices. Currently, in the last quarter, July to September, we achieved a free market realization of Rs. 1,346 per quintal. But in October it was almost Rs. 1,400 per quintal, and in the month of November, it was Rs. 1,380 per quintal. So we have actually got slightly better realizations currently than we had in the last quarter of '06-'07. Going forward, we believe that the production this year, which had earlier been forecast at 32 million tons about two-three months ago, will not be more than 30 million tons and probably may come down to 29 million tons. This is on account of lower yields in most parts of the country. Going forward, in '08-'09, we expect a substantial decrease in sugar production owing to the switch of many farmers to wheat, from sugarcane, in not just UP, but more importantly in the states of Maharashtra, Andhra, and Karnataka. As such, the sugar prices should firm towards the later part of '07-'08. We have, as an association, and individually, approached the courts for intervention in the cane price, the state advised cane price for the '06-'07 season, as well as the cane price for the '07-'08 season, and these matters are sub judice. The next hearing on the '07-'08 cane pricing will be on the 18th of December on which some interim orders have come out, and for the '06-'07, judgment from Allahabad bench is expected any day. However, the interim announcements have been encouraging, as both courts have realized that there is a connection between cane price and sugar price, and they have also recorded the steep drop in sugar prices during the last year. We find these pronouncements encouraging and feel that the courts will take a realistic view on what should be a reasonable cane price, taking into account the environmental factors of sugar prices, cost of production of cane, and the prevailing cost of production in the sugar units, so that, we have a situation, which is good for both the farmers, for the industry, and for the consumer.

I would like to close with giving you some news on the Engineering side. Since the close of the last financial year, we have a buoyant order book in our turbine business, currently as on the 1st of December, we have 11 to 12 months of sales orders on hand, and this is after forecasting about a 30% increase in sales in the current year '07-'08, versus '06-'07. In our Gears business, we also have almost six to seven months of sales, and orders on hand are Rs. 470 million. In the case of the turbines, they are Rs. 5.4 billion. In Water business, we have 11 to 12 months of sales, and we have been fortunate in getting a large desalination order of Rs. 28 crore in the last month, which is moving us into another line. Our margins in Turbines have been preserved versus last

year, in the current order books, and that's also the situation in Gears and in Water business. We are happy for having signed an agreement with Beizhong for the marketing & distribution of higher range of Turbines. This will actually take some time, before we are able to get enquiries into the markets and fructifying orders, but really we are concentrating on the very high megawatts, in the 135 and 330 MW range with them.

Our packaging agreement with GE for high-speed reciprocating compressors for the Oil and Gas industry has a tremendous market. We are already in the line of getting enquiries out, and we should be actively participating in this market in the next six months. And lastly, we are starting to manufacture as an outsource, for the Oil Group Schlumberger which is a world leader in oil equipments. With that, I would like to open the call for any questions. Thank you.

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key. Dear participants, please press * and 1 for your questions.

First question comes from Ms. Achala Kanitkar of Birla Sun Life.

Dhruv Sawhney:

Good morning.

Achala Kanitkar:

Good morning sir. Please elaborate a little more on your tie-up with GE, with respect to, how big a contract would it be, what period of time, etc?

Dhruv Sawhney:

Okay. The agreement is a packaging agreement similar to what GE signs with anyone in the world, they have similar agreements in the United States as well, it's an exclusive agreement for India, and it is for five years, renewable of course. And we would be producing reciprocating compressors for the Oil and Gas industry, where they have a very large global market share, exactly in the same manner that they do elsewhere in the world, and as you know these pipelines that are coming up, from the Krishna-Godavari, this is where the big demand is, and these pipelines are coming on shore in the next year or two. We are expecting about a market of some Rs. 300 to 400 crore per annum, and we expect to be one of the major players in this arena. We will be producing the compressor to the same standards that GE has them produced in the United States. They are very happy with our facilities in Bangalore, and for us to be doing this packaging for them. About 20% of the equipment will be imported from GE, and the balance would be done by us, and it will be all billed by Triveni.

Achala Kanitkar: Okay so, initially we would be supplying for Indian markets only, and then probably we will go to exports, or this is all exports?

Dhruv Sawhney: This is all for the Indian market initially, and everything else will depend on how we proceed with the Indian market. But the Indian market itself is quite explosive in the Oil and Gas pipeline area.

Achala Kanitkar: Okay, and sir our other tie-up with the Beizhong Steam Turbines Generator Company?

Dhruv Sawhney: Yes, we are really concentrating on the 135 and 330 MW range, where they are extremely competitive. In fact, Beizhong has got very large orders from Indonesia and China, also for these ranges at the moment. And that's very competitive. Being of a much higher range, we are approaching the customers a little carefully, but we expect to be making some inroads in the near future.

Achala Kanitkar: But no agreement like GE has been signed here sir?

Dhruv Sawhney: Yes, we have an agreement with them for marketing and packaging these ranges of turbines.

Achala Kanitkar: And just coming back to GE sir, when would these supplies start?

Dhruv Sawhney: Well, we first have to quote, and we have to get the orders. We will be quoting in the next few months.

Achala Kanitkar: Okay, so probably we should start seeing something concrete in the next year itself?

Dhruv Sawhney: Yes, that's the target.

Achala Kanitkar: Any CAPEX plans to cater to these orders sir?

Dhruv Sawhney: This is not requiring any substantial CAPEX, either in Beizhong or in GE

Achala Kanitkar: Our current capacities are enough for it?

Dhruv Sawhney: Yes.

Achala Kanitkar: Okay, thank you sir.

Dhruv Sawhney: Thank you.

Moderator: Participants are kindly requested to restrict with one question in the initial round. Next question comes from Mr. Nirav Shah of Pinc Research.

- Nirav Shah:** Yeah, good morning sir. First thing is that since we have started crushing activities at all our units, so what are the recovery rates we are getting currently?
- Dhruv Sawhney:** Yes, that's a good question. We have started all our units, and I am happy to say that Deoband currently has the highest to-date recovery in UP. Deoband is currently getting daily recovery of 10.06%. Our daily crush in both Khatauli and Deoband is over 140,000 quintals per day, which is also a record for any factory in UP. So we have started all six factories, Ramkola will start a little later, probably around the 14th of December, because of the flood situations in East UP, and we are waiting for the recoveries to come up. But otherwise, all six units have started extremely well, our three cogeneration units have started, and of course our distillery is also under operation.
- Nirav Shah:** Okay, so for the full year we should target around 10% recoveries or it would be much lower, as the initial estimates suggests?
- Dhruv Sawhney:** I think it should be around 9.9% to 10%. But in any case it should be a good 0.2% to 0.3% higher than last year.
- Nirav Shah:** Okay. And what is the target crushing?
- Dhruv Sawhney:** Our target crushing is 7.5 million tonnes, which is about 30% higher than last year.
- Nirav Shah:** What are the turbine dispatches during the quarter, in terms of megawatts, and in terms of numbers, how many turbines will be delivered?
- Dhruv Sawhney:** One second, I will ask our CFO to give you these figures.
- Suresh Taneja:** In the quarter we have dispatched 145 megawatts, and during the 18 month period, it is 907 megawatts.
- Nirav Shah:** Okay, and what were these corresponding figures during the September '06 quarter?
- Dhruv Sawhney:** The quarterly figures are little aberration...because these are specialized orders, quarter to quarter is not a really good way to compare because these are large capital equipments, so it all depends, in one quarter you may have very high dispatches, and in one quarter you may not have. And in the previous year, there's really no comparison, because it's not a standardized product. It's engineered to order. And so, what we are really saying is that we are on course to have our target of increased sales in '07-'08 for the year.

Nirav Shah: What was the kind of shares of refurbishments during the quarter is it around 6 to 7% that we normally get, or it was much higher during the quarter?

Dhruv Sawhney: A little higher, yes. I think 8%.

Nirav Shah: And Sir, what are the key reasons for the higher margins in the turbine business, because on an average we were talking about 22%.

Dhruv Sawhney: Yes. In the July-September quarter, the margin was very high, which is 25.2% for the PBIT margins. But the average we have for the year was 22%, and we are now looking at 20%-21% for '07-'08.

Nirav Shah: Okay. And sir, our average delivery time is around 9 to 10 months, or it has come down?

Dhruv Sawhney: No, delivery times are between 9 and 10 months still because of increased production.

Nirav Shah: Okay, and are we trying for some extra delivery where we can get higher realization?

Dhruv Sawhney: No, we are at the deliveries that the customer wants. When the customer orders, he orders a boiler as well, so he doesn't want the turbine any earlier. So, by having an earlier delivery, on this, you are not really increasing sales.

Nirav Shah: And sir, during the December quarter, we have had a strike at our turbine facility. How many days production loss is there?

Dhruv Sawhney: Yes, we had about 22 days of actual production loss, when they were on this industrial action, and a few days slow down before that and after that. But we are quite confident that by the six months, we will have caught up at least 95% of our target for the complete year, and of course the year is on course. So, we are getting very good productivity now, when they have all come back and as you know, it was a good settlement, where the person who we asked to leave has actually left.

Nirav Shah: Okay sir. Thanks a lot.

Moderator: We have a followup question from Mr. Nirav Shah of Pinc Research.

Sachin Kasera: Good morning sir, Sachin Kasera here. Just some questions on the engineering side. One is if I get it right, last year we had tied up with a company in Italy, for working on the defence side of the business, could you give the numbers as to what's happening there sir?

- Dhruv Sawhney:** Yes, the defence business of the Navy has been rather slow to take off. The Navy programs are not really off as far as steam turbines are concerned, and the other equipment. That is not proceeding in any great manner.
- Sachin Kasera:** Okay. Secondly, sir, how are you looking at exports and sales and current income growing in the current year as a percentage of turbine revenues?
- Dhruv Sawhney:** We are hoping that turbines exports in the current year will grow from about 8% to about 12%.
- Sachin Kasera:** And how are we looking at the service income growing sir?
- Dhruv Sawhney:** We are looking for actually servicing to grow in two areas. The main area, where we have made a tremendous breakthrough is in the refurbishment of large turbines. We have got an order for 57 MW which is because of high-speed vacuum balancing tunnel. There are only two or three facilities like this in Asia. So, our servicing will now be moving into a whole new arena because of the world-class facility. That has been extremely well received by customers. So, it takes time to get the orders, but one order of just one refurbishment was 60% of the earlier refurbishment orders.
- Sachin Kasera:** Okay, but sir, this 57 megawatt order, how large that could be approximately? What is the type of revenue stream we can generate from an order like this, 57 megawatt refurbishment order?
- Dhruv Sawhney:** Well this particular one had as a phase one, it didn't have too many new blades, this was just some refurbishment and rebalancing, which they want to do as a trial first time.
- Sachin Kasera:** Okay, but to get an idea in terms of the revenue model for this business, what would it typically be, around per megawatt approximately, the revenue from refurbishment, a broad range?
- Dhruv Sawhney:** No, it's not easy to say that, because there is such a wide spread of refurbishment in India right now. This is really a fairly untapped market. With the facilities and the first few trial orders that we are getting in the higher range, we are getting geared to telling customers that they can benefit from refurbishment, its really quite virgin territory.
- Sachin Kasera:** But would it be suffice to say that it can be around Rs. 25 to 30 crore business in one year or...

- Dhruv Sawhney:** I can't really make these forecasts without us having spent more time in the market; all I can say is that it's just our expectations of entering this new field of large megawatt refurbishment.
- Sachin Kasera:** Okay, secondly sir, just leading to the balance sheet, last two years the gross block additions was to the tune of Rs. 1000 crore, how is that breakup between Engineering and Sugar?
- Suresh Taneja:** I think most of the expenditure would be in respect of Sugar and Engineering would be in the range of about Rs. 75 crore or so.
- Sachin Kasera:** Okay and secondly regarding the cogen sale for FY08, what is the type of number of MW we are looking at in FY08?
- Suresh Taneja:** We have totally installed capacity of 68 megawatts.
- Dhruv Sawhney:** We have two units which are exporting during the season and off season for a total of around 45 megawatts; we expect them to operate for 270 days. The 68 megawatts will operate for approximately 170 days, which is during the season.
- Sachin Kasera:** Okay and regarding that GE tie up sir, who are the major competitors in India?
- Dhruv Sawhney:** At the moment there is Dresser and Kirloskar.
- Sachin Kasera:** Okay and secondly regarding that Chinese update, sir, are we participated in any of the tenders?
- Dhruv Sawhney:** We are at the stage of getting qualifications done with the various customers, getting Beijing qualified.
- Sachin Kasera:** So, would it suffice to say that you would be bidding for two, three orders, you will be in a position to at least bid?
- Dhruv Sawhney:** Yes, we hope to be able to do that in the next few months.
- Sachin Kasera:** Okay and secondly sir, now the country is moving, most of the large power plants are moving towards the super critical side, so are we looking at that as a segment.
- Dhruv Sawhney:** Not at the moment.
- Sachin Kasera:** That's all from my side, thank you very much.
- Dhruv Sawhney:** Thank you.
- Moderator:** Next question comes from Mr. Karan Vasani of CRISIL.
- Achal Lohade :** Good morning sir, this is Achal Lohade here. I had couple of questions on the UP State sugar production, can I understand

what is our sense about the target production in UP, compared to last year's 8 1/2 million tonnes?

Dhruv Sawhney: That's a very interesting question. Well, I personally do not think UP production will be any higher than last year, even though we have a fair amount of capacity addition that has come into UP, primarily because of lower yields in Central and East UP and also in some parts of West UP, but that has not made much difference because there is not much diversion. So, I don't think that the production will be any higher.

Achal Lohade: Sir, can I understand the reason behind the low yield, is that the flood situation or climatic situation?

Dhruv Sawhney: Yes, one is the Far East UP, floods and water remained stagnant for many months, so that retards the growth of the cane and the erratic rainfall in the months of August, September in Western UP and Central UP has also caused the yields to go down.

Achal Lohade: Okay, do we see the impact to be significant material impact or....

Dhruv Sawhney: Well, for Triveni we are still expecting a 30% increase in cane crushing.

Achal Lohade: Okay and on the recovery side, do we see the delay in crushing to result into a bit higher recovery?

Dhruv Sawhney: Yes, as I mentioned earlier, I expect an increase in recovery over last year of 0.3%.

Achal Lohade: Okay and what's our sense about the M30 prices, particularly in the next one year?

Dhruv Sawhney: That's, well if you take the average for the year, I don't expect any appreciable drop.

Achal Lohade: Okay, that's all from my side, sir. Thank you very much.

Moderator: Next question comes from Mr. Prakash Goel of ICICI securities.

Prakash Goel: Good afternoon sir, I would like to know, what is your current long term debt and working capital loan?

Suresh Taneja: Our long term debt is approximately about Rs. 700 crore and our total debt is approximately Rs. 1000 crore.

Prakash Goel: And what is the rate of interest?

Suresh Taneja: Our average rate of interest works out to about 8.5% on the term loans.

- Prakash Goel:** Okay and were you eligible for any capital subsidy?
- Suresh Taneja:** Yes, we are eligible for a capital subsidy of approximately Rs. 105 crore.
- Prakash Goel:** And what is the status of payment, any payment has been received against that?
- Suresh Taneja:** Not at the moment.
- Prakash Goel:** And have you accounted for this subsidy till now?
- Suresh Taneja:** Yes, we have accounted for the subsidy, but it has not been routed through the Profit and Loss Account.
- Prakash Goel:** Okay and can you elaborate on your order book size, business-wise?
- Dhruv Sawhney:** Order book for the engineering, our turbines is Rs. 538 crore. The order book for gears is Rs. 47 crore and this is as on the 1st of December, and the order book in Water is Rs. 82 crore.
- Prakash Goel:** Okay and what kind of margin are you expecting from the oil and gas compressor business?
- Dhruv Sawhney:** We are looking at margins of....., it all depends on the type of orders in the current year, because these orders on these pipelines haven't really been given out as yet. This is a new field, even for Kirloskar and Dresser, because the pipelines of Reliance, GAIL and others are just really going to be coming up. But, we don't expect margins to be any less than what they are in the Asian international field. So, they should be in the 15% range.
- Prakash Goel:** Okay sir, what kind of sharing arrangement you have with GE, like in terms of value addition?
- Dhruv Sawhney:** Well, as I mentioned earlier, we are importing some components to about 20% from them, balance 80% is done by us.
- Prakash Goel:** And the margin sharing will be?
- Dhruv Sawhney:** No, there is no margin sharing, we import it and the order is executed by Triveni.
- Prakash Goel:** Okay, that's all from my side, thanks a lot.
- Moderator:** Next question comes from Mr. Vikram Suryavanshi of Karvy.
- Vikram Suryavanshi:** Hi, good afternoon, sir. I just wanted to get a sense regarding the ethanol blending, how it is happening in UP and what are current realization in molasses per metric ton?

Dhruv Sawhney: At the moment in UP ethanol blending is going on, government has now allowed 10%, but that hasn't been put into effect in UP as yet and the oil companies haven't come out with their revised tenders and they are not lifting too much either. Molasses pricing is getting better, we should be getting close to Rs. 175 to 200 per quintal.

Vikram Suryavanshi: Okay and in terms of cane crushing, are we paying Rs. 110 or what price are we paying currently?

Dhruv Sawhney: At the moment crushing has just started, so the question of payments has not come up as yet, the statutory number of days hasn't come out, so we are waiting for the court judgment.

Vikram Suryavanshi: Okay, but in the interim period are we giving some money at least for some approximate number and then settlement we will do with the farmer, remaining money or you are not paying anything as of...

Dhruv Sawhney: You have to pay after 14 days.

Vikram Suryavanshi: Okay, so basically you are waiting for this clarity on the whole issue?

Dhruv Sawhney: Correct.

Vikram Suryavanshi: Okay sir, thanks.

Moderator: Next question comes from Mr. Subramaniam of Trident Advisors.

Subramaniam: Sir, you have mentioned in your BSE announcement that you plan to raise Rs. 250 crore as a GDR or a followup public issue, can you throw some light on that?

Dhruv Sawhney: Yes, we have taken an enabling resolution and we have got cleared and we are seeking shareholder approval for Rs. 2.5 billion. The selection of the instruments, timing will be decided later on at an appropriate time.

Subramaniam: Sir, but do you plan to raise the funds?

Dhruv Sawhney: Its under active consideration, but we are not clear on the timing or on the type of instruments as yet and that's something that the board will consider at a future date and so as I mentioned this is an enabling resolution which we are putting to the share holders.

Subramaniam: The other issue is that the other divisions are becoming larger, there is absolutely no connection between your sugar business and your engineering and other businesses, is there any plan to hive off...

Dhruv Sawhney: This is also under consideration; again I cannot tell you anything further. The board is cognizant of the realities of the various businesses, but we haven't moved in any firm direction as to what we might do as yet.

Subramaniam: Sir, why is there a delay, because it's very clearly, very different economics sitting there in a single company?

Dhruv Sawhney: Correct, well, we also have the fact of the sugar cycle at the moment not really having changed, so there is a good benefit of the Engineering business as a de risk and also helping in the tax. We get a tremendous tax benefit from the Sugar, the losses on the Sugar being used to set off the profits of the Engineering.

Subramaniam: Thank you.

Moderator: Next question comes from Mr. Manpreet Sandhu of Dolat Capital.

Manpreet Sandhu: Good morning, Mr. Sawhney. Just wanted to have an understanding in your ethanol manufacturing, as far as I see there are two processes for your manufacturing of ethanol. Process A, wherein you can make ethanol directly from the sugarcane juice and the next process being that from your molasses you make it into sugar crystals and into ethanol. Yes sir, so which process is more profitable for you?

Dhruv Sawhney: Right now all over India people are making it from molasses and so are we. If you look at Brazil, they make it from sugarcane juice. Basically, you get much more of the various types of ethanol and alcohol when you make it from sugarcane juice, but till this 10% blending becomes actually into effect as the oil companies start guaranteeing the uplifting of it, personally to go for sugarcane juice, where you have larger quantities of ethanol, doesn't become a viable business proposition, because you want that pricing and the off take to be fairly regular.

Manpreet Sandhu: So, this 10% hasn't been mandatory yet?

Dhruv Sawhney: No, it's mandatory from October 2008.

Manpreet Sandhu: After October 2008 you might consider shifting on this process, right, the Brazil one?

Dhruv Sawhney: Correct.

Manpreet Sandhu: Okay and you see higher realizations in this process?

Dhruv Sawhney: It depends at that time, it depends on various factors of the realization of ethanol and the sugar pricing and also the type of

quantities that in UP, but we have certainly been looking at it closely.

Manpreet Sandhu: Okay can you give me a figure as in, to make a liter of ethanol, how many tonnes of sugarcane do you need?

Dhruv Sawhney: A ton of sugarcane gives about 70 liters of ethanol, recovery of ethanol from one ton of sugarcane, if directly sugarcane is converted into ethanol.

Manpreet Sandhu: Yes, directly and through the route of by making it via molasses?

Dhruv Sawhney: One metric ton of molasses gives 225 liters of alcohol.

Dhruv Sawhney: And from sugarcane you have 5% molasses.

Manpreet Sandhu: Okay sir, thank you very much.

Moderator: We have a followup question from Ms. Achala Kanitkar of Birla SunLife.

Achala Kanitkar: I just wanted a little update on our distillery, as to, it's running at what capacities now?

Dhruv Sawhney: Its running at full capacity, we have started operations coinciding with the start of sugar season and we are running at 160 kl capacity.

Achala Kanitkar: Okay sir, and also I just wanted to understand, how long will it take you, lets say if we have to shift from our production of ethanol from molasses to directly from cane, what kind of CAPEX would we need and what kind of time period would we need to make the shift?

Dhruv Sawhney: The additional equipment is not very much; the shift is not very much. This is more a question of looking at the macro economic situation and the marketing situation and the government regulations and laws and the putting into effect the different state duties between different states as well as looking at the viability of sugar at that time. As you see, right now in Brazil, it is a shift to ethanol because of the sugar pricing and so, now production in Brazil may be 55% to 60% of cane is going to go into ethanol rather than to sugar. That's because sugar prices are depressed and ethanol prices are good, because crude prices are high. So, all that will depend on what is the situation in '08-'09 when this comes about. See, it is almost impossible to forecast that today.

Achala Kanitkar: Okay fine, thank you, sir.

Moderator: The next question comes from Mr. Alok Lodha of Aadhar Securities.

Alok Lodha: Hi, my question is on the Water business, could you give me the size of this business, the market size?

Nikhil Sawhney: The market size should be about US\$ 1 billion a year.

Alok Lodha: Okay and also on the margin side, your margins have taken a dip in this financial year, could you shed some light on that?

Nikhil Sawhney: As a project business, the margins are dependent on the execution of orders and those are lumpy. We believe that the yearly figures would reflect the margins more accurately. Though to give you an idea, the PBIT margins for the quarter ending September in '07 was about 15.5% compared to 12.3%, so actually margins increased in this business.

Alok Lodha: Okay, thanks.

Moderator: There are no further questions. Now I hand over the floor to Mr. Dhruv Sawhney, Chairman and Managing Director of Triveni Engineering for closing comments.

Dhruv Sawhney: Thank you very much for having taken the time to join us for this call and we look forward to speaking with you again. Thank you.

- ENDS -

Note: 1 quintal = 100 Kilograms
1 crore = 10 million

This is a transcription and may contain transcription errors. The Company or the sender takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.