“Schneider Electric Infrastructure Limited Q4 FY ‘18 Earnings Conference Call”

June 4, 2018

Management: Mr. Prakash Chandraker, Chairman & Managing Director

Mr. Arnab Roy, Chief Financial Officer

Mr. Vineet Jain, Investor Relations

Analyst: Mr. Deepak Agrawala

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Schneider Electric Infrastructure Limited Q4 FY '18 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala from Elara Securities Private Limited. Thank you and over to you, Sir.

Deepak Agrawala: Thanks, Aniket. Good Afternoon everyone. On behalf of Elara Securities, we welcome you all for the FY '18 conference call of Schneider Electric Infrastructure Limited. I take this opportunity to Welcome the management of Schneider Electric Infrastructure represented by Mr. Prakash Chandraker, Chairman and Managing Director; Mr. Arnab Roy, Chief Financial Officer, and Mr. Vineet Jain from Investor Relations. We will begin the call with a brief overview by Mr. Chandraker followed by Q&A session. I will now hand over the call to the management for their opening remarks. Over to you, Sir.

Prakash Chandraker: Good Afternoon everybody, I am Prakash Chandraker, Managing Director of Schneider Electric Infrastructure Limited. I am pleased to connect with you to share and update the progress of our company. Looking at Financial Year 2018, the market in 2018 was mixed, segments like Infrastructure, Metro, and Utility were positive. However, segments like Oil and Gas, MMM is taking some more time to really bounce back. We executed our strategy very well in line with our rebound plan wherein contribution from our transactional and service business has reached now around 40%, which was in line with our strategy which we presented earlier. We have seen positive results of transformation project initiative called order to cash, which was launched during Q2 of the year. We remained focused to build healthy backlog with better mix in line with our strategy to create sustainable P&L. Today, I will present to you a few slides on market outlooks and some success story. Let us go to presentation.

Let us go to Slide Number 3, this is market outlook what we see as Energy business in India, so left side the vertical bar what you see gives composition of market, 44% is the business what we see from the Utility out of which 23% for us accessible market is coming from the DISCOM, 7% from the transmission companies, 8% from conventional power generation, and 6% from renewables, which makes it around 44%. Rest, which is around 66% coming from industry segment like MMM, which is Mining Minerals, Oil and Gas, Transport and others, so this is how the market composition is and we have our strategy around each of these segments, so if you see the market, Utility is positive. The growth is driven by the funding which is coming from the PSU and Central government like IPDS, UDAY, AMI which is basically metering infrastructure, 24/7 power supply coming from the Government's ambition, so all this is really making positive growth for us in Utility. Another positive point is until and unless they are really digitized, the distribution Utility especially, it becomes very difficult for them to really reach towards 24/7 power supply, so we have seen majority of growth coming more from the automation part of it. Conventional generation as you know has been challenging and we do not see any significant change because private generators are under financial stress, so this trend we do not see any significant change happening in the shorter time.

Renewable, we see this will continue to grow, power to all ambition will be supported by micro-grid and for that Government is also trying to push the demand side through Deen Dayal Upadhyaya Gram Jyoti Yojana, which helps in terms of improving the demand. Government will continue their focus on solar capacity addition because this will also support in terms of really feeding the electrical vehicle charging system as well as the Bharatmala project which they are trying to have it in place, so these are the I think initiatives which is going to really help in terms of fulfilling those ambitions. MMM, Oil and Gas segment is orange because we feel it is cement which is quite positive now, but still Oil and Gas may take some time. Infrastructure segment is anyway developing, but then these segments will take some more time. Transport is quite positive, we see good activities in Metros in Tier-2 cities. The freight corridors are also moving. Building a data centre is quite positive for us because we have a good go to market through our other Schneider business unit and we are quite positive to have good growth from education, institution, hotels, healthcare, residential, so these are the areas including the e-commerce where we see a positive growth. Infrastructure, that is smart cities, we do see we have done anyway NRDA as a good benchmark project. We are seeing many such opportunities now, which is coming up in next two to three years, so short-to-medium term, the infrastructure segment is looking quite positive and that should support our good business mix which we are talking for digital solutions.

We can go to the next slide which is update on our rebound program which we had talked during our AGM also, so in transitionalization we already had our organization in place and is really helping us because it supports our go-to market strongly. Partner Express which we launched is today maturing in terms of really creating end-to-end model from our partners in the marketplace to our factory and we are able to efficiently supply them our product from the factory. Commercial policy is all in place to really support our Partner Express, which is basically more catalogue based kind of system or processes, which was not there earlier now it is there and that is what I talked in my opening remarks that we have reached around 40%, our overall ambition was to reach 50% in three years, so we are quite aligned in terms of our strategic intent. Training has also been completed for our partners and reseller to make sure that they are able to drive this transitionalization or the growth of standard products, which gives us better profitability, better gross margin because the engagement required from order to sales is much, much less compared to when we go linear to order model of the system.

We can go to the next page, which is page 5, Q1 success story. This is about equal structure advanced metering operations. This is also a good success story something like NRDA. If you see on the top, we have application and analytics layer on the right side. On the bottom, we have connected products. We are doing basically H control what you see in the centre, the meters are being supplied by other companies, standard meter manufacturers and we are doing this H control which is basically a head-end system is our eco- structure, advanced metering operation software layer and that is what is the I will say specialty a company like Schneider Electric, which provides a solution from the consumption side or demand side to generation side or supply-side. We have just started this project four to six weeks back and this project, customers ambition is to finish in three quarters. Project is progressing I will say through the design engineering phase and implementation will start somewhere in the next quarter. Benefit for operators or consumer will be, the billing efficiency will be high because this project is being implemented through a company called EESL, which is called Energy Efficiency Services Limited, which is a JV of few Government companies and they are driving this project on Built-Operate model with Utilities. This also will be very important for the DISCOM because this will make their business model more sustainable as this supports in improving their billing efficiencies. This will also help in terms of launching the next level of modernization or I will say automation in terms of demand side management, and saving the peak load what Utility used to face. It will also help in terms of increasing the network reliability because this will have disconnection facility in case there is a violation in the sanctioned load done by the Utility, so this is very, very important project for the Utility as well as for Schneider Electric because we are going to create a really benchmark in terms of really helping the Utility to manage their overall grid very, very efficiently. With these, I finish my presentation and invite Arnab to take you through our financial results.

Arnab Roy: Thanks, Prakash. Let us move to Slide Number 7, if you see here the quarter was positive in terms of our operational performance. We improved the orders, so overall for the year if you see the order stood at 1150 crores, which is up 4.4% over last year, so positive trend in order. Let us go to the next page, which is page 8, so if you look at the revenue the sales was down by 3% compared to last year. This is mainly due to postponement of few sales to next quarter due to liquidity challenges at customer end, so we have been cautious with the whole order to cash approach and we are carefully deciding on the liquidity, so this is why there were some postponement of sale to next quarter. Let us move to the next slide, which is Slide 9, so here we talk about the financial performance. Now, overall as Prakash said, the results are in line with our strategy, so if you see here in this P&L in spite of the lower sales marginally by 3%, we did control our costs well, so the metal cost was in line. Similarly on the other cost, we did well, so we had better overhead recovery and operational efficiencies which overall resulted in 1% improvement in the EBITDA before FOREX, so the EBITDA improved from 309 M INR to 343 M INR, so which was up by a percentage.

This year we had a hit in the FOREX because of the Rupee becoming weak to the Euro, so in place of a FOREX gain of 13 crores last year, we had a FOREX hit of about 22 crores this year. As a result, the overall EBITDA was at 12.6 crores for the year. We continued our good journey on the cash, which is reflecting in the interest costs here, and then the exceptional item which we had already discussed last quarter of 36 crores, so that stayed, so this kind of translated into the overall P&L for the year, so really the takeaway from this slide is a good operating performance, higher EBITDA, a bad FOREX, and a good interest cost, so with this I close the presentation and I would request the operator to open the floor for the Q&A session.

Moderator: Thank you very much. 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: Sir, few questions from my end, first you did mention that overall the focus is on accruing better orders and then turning profitable meaningfully next year, so at least in the current environment where we still have not seen the order backlog yet increasing double digit levels, what is the outlook for next Financial Year ‘19, both in terms of revenues, can we expect high single digit or at least a double digit growth and especially on the core operating margins, now that some of the provisions and the quality of mix is better, are we on a roadmap to head towards at least mid-single digit operating margins for the company?

Arnab Roy: Renu, you had two or three parts to your question, so let us go one by one. I think first in terms of the backlog we do see a healthy backlog, so we closed the year at about 756 crores of backlog, so which is quite healthy that is the first point there. In terms of the operating margin, yes, as you rightly said that some of the one-offs or kind of already addressed, so we can expect a decent outlook in terms of the operating margins going forward, having said that we are being selective in our kind of strategy and also if you see this year we had a one off hit because of FOREX , so it will also depend on the FOREX outlook, but we have been careful now also in trying to hedge some of the FOREX exposures going forward, so all in put together I see a positive outlook coming here, it will be difficult to quantify a number, but definitely see a positive outlook in terms of the operating margin.

Renu Baid: The only concern here was that if you look at backlog of about 757-760 crores that has been a double-digit decline versus last year, so do you at least see a scenario where we maintain the current top line growth by single digit terms, probably that is difficult because the negative operating leverage will hit us a little more severely in the coming years apart from the?

Prakash Chandraker: Renu, let me answer this question. In my opening remark I said the mix itself got changed, transactional and service now we are around 40%, which was not the case earlier if you see two years back. In case of transactional and services backlog is not very high. It happens like book to bill, so you do not see, it will not give you a true reflection in terms of the sales, that is the first answer. Second, if you see our sales was minus 3% year-on-year, however, EBITDA has improved from 30.9 crores to 34.3, which reconfirms our strategically we are in the right direction in spite of minus 3% sales, we are much better which is I will say almost 11% positive when it comes to EBITDA, so I will say profitability business mix has changed, so this is what is driving the profitability other than just the growth or the business volume, so while business volume will be definitely supporting, but our main access for the profitability is coming from the right business mix, so that is where I wanted you to pay attention because one is okay, the backlog, and second is the mix, and mix is something which is going to support us in the profitability.

Renu Baid: Second question is among the growth drivers, you did highlight that in building data centres have seen good growth, recently there has been some change in the government policy with respect to data centres especially for the domestic market, so do you think that could be another big driver for us apart from renewable, which is seeing some uptick now back on the solar side?

Prakash Chandraker: Yes, in fact the building and data centre is another focus area for us. Apart of the smart city initiative, this is helping us thru Schneider Electric our other business arm, because they have a very strong goto market and that is helping us to connect with those customers. So infrastructure and building and data centre is going to be our focus area for driving our business more profitably.

Renu Baid: Sir, my last question is how do we look at the leadership at Schneider now, there were plans about you moving to a different role at senior level?

Prakash Chandraker: This has already been announced, Bruno, I know him from longtime. This will be good for the business because he brings a very vast experience of global and he can bring some new ideas, new ways of doing, which is good for the business, so Bruno will be taking charge after the next Board meeting like August 1st, so he will be there and we will have a very strong leader for SCIL from August 1st.

Moderator: Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: My question is this Schneider parent has taken over this L&T, did we beneficial to this company in any possible way?

Prakash Chandraker: L&T taken over by Schneider Electric?

Viraj Mithani: Yes, which the parent has taken over the L&T unit which recently happened some nine months ago, is it beneficial to this company in any possible way in terms of orders or something?

Prakash Chandraker: This is done by our majority shareholder, which is Schneider Electric Global and Schneider Electric Infrastructure is a separate legal entity with separate offerings and focus areas, so we do not comment at this point of time but maybe after integration when it is fully part of this after all those regulations, CCI clearance, we will communicate to you if there are specific synergy, which is going to be in that line, certainly this will be intimated to you.

Viraj Mithani: Sir, I understand that the unit has medium voltage business of some limited extent, is that correct which the Schneider has taken over the L&T unit?

Prakash Chandraker: Yes, they have small, medium voltage business.

Viraj Mithani: That voltage business will come to this company or something or some sort of arrangement will be made, once this takeover is through?

Prakash Chandraker: I think it will be informed to you at appropriate time once all the regulatory clearances are there and we will certainly come back to you in terms of the synergy.

Viraj Mithani: Sir, we have almost become EBITDA positive, what are the chances of we becoming PAT positive this year, so that is what your estimation?

Prakash Chandraker: Bruno is coming all the way from France sacrificing all his comforts, you must appreciate the commitment of the management. I remember when I took over and Olivier Blum moved out, one of the question was whether the principal is withdrawing their support and commitment from infrastructure business and we try to justify no. Now, this commitment is reinforced by making sure that there is a person from there, so I think this is positive move.

Moderator: Thank you. The next question is from the line of Sabhyasachi Mukherjee from IndiaNivesh Securities. Please go ahead.

Sabhyasachi Mukherjee: Sir, couple of questions, we have observed that there has been a significant improvement on the debtor side, do you expect further improvement from this level as well?

Arnab Roy: Yes, Sabhyasachi, I think if you recollect the last call discussions which we also had, there are definitely improvements in the debtor side and that journey is going to continue, so as we have kind of already articulated in some of the earlier discussions in the earlier quarters that this is part of a very I would say a very systematic process journey on the whole order to cash, so this is kind of Phase-1 or Phase-2 of the benefits which you see there, there will be further figures of this benefit which will accrue.

Sabhyasachi Mukherjee: Can we have the cash flow from operations number for FY '18 full year?

Vineet Jain: Yes, I think in another couple of weeks we are publishing our annual reports in which the complete cash flow would be there.

Sabhyasachi Mukherjee: Coming to the borrowing part, the short-term borrowing that it was reported in the FY '17 annual reports, all part of it has to be repaid by maximum of 210 days I noticed, but the current short-term borrowing is at around 233 crores, may I know the breakup and at what rate the current short-term borrowing is at now?

Arnab Roy: All our short-term, I mean basically much within that and the rate is quite beneficial compared to the market rate because the average borrowing rate which we have is in the range of 6% to 6.25% which is at least couple of percentage points I would say below the average market rate.

Sabhyasachi Mukherjee: Is it from your Schneider subsidiaries?

Arnab Roy: Yes, it is from the Schneider subsidiaries.

Sabhyasachi Mukherjee: What about the long-term borrowings?

Arnab Roy: The long-term borrowings are also same, it is also group companies, so there is no external debt as on date as we speak.

Sabhyasachi Mukherjee: What would be the repayment schedule of the long-term borrowings?

Vineet Jain: As of now, we have not committed for the long-term borrowings, so as and when we are cash rich company, we will plan for repayment of those.

Sabhyasachi Mukherjee: One last question if I may ask, in the other income side we had reported around 24 or 25 crores of other income this year FY '18 in spite of a FOREX loss of 21 crores, so can I have the breakup of the other income?

Vineet Jain: We have recovered some of the old debts which we have write-off, so that recovery is under this other income.

Arnab Roy: If you recollect the last quarter discussion where we had kind of indicated to you that there was almost about 10 odd crores of old debt recovery which was there, so that is a substantial part of this other income composition.

Sabhyasachi Mukherjee: Any provisions this quarter?

Arnab Roy: No.

Moderator: Thank you. The next question is from the line of Deepak Agrawala from Elara Securities. Please go ahead.

Deepak Agrawala: Sir, I have few questions, in this transition that is happening internally within the company and the kind of order inflow you have reported in FY '18, do you see any sizeable change in the customer mix, which you were targeting let us say two years back and versus now, what kind of change, if you can throw some light on that?

Prakash Chandraker: Customer mix, if you see I was trying to answer to Renu also, we have not changed the customer but we have changed the way we approach some of those customers, so take example of I will give you CIB or Commercial Industrial Building, we were approaching this market sometime directly or sometime which we call engineered to order, in the sense we are manufacturing after orders and doing all those design engineering, factory testing, and all that, so that was taking a lot of time and it was consuming I would say some of our overheads. We have tried to **27:26 _____** for some of those segments. We have created benchmark reference for some of the market segment which is repetitive in nature and that is what we are trying to make it more call transactional, so by creating the benchmark design standard, we are able to meet their needs through catalogue products, so today if some building is coming up and they ask us to give me a RMU particular type, we can give him in six weeks which we used to give earlier in four months' time, so I will say the market was there but then we were approaching very differently. Now, goto market we have made more efficient, we have more digital tools for our partners to connect with our factory, to connect with our marketing and sales force, so that is one change what we see in the goto market. In terms of customer approach, yes, we have equal structure solution which is basically for digitized solutions. We have specific sales force and they are engaging with the customer to educate them and to guide them how the distribution network can be made more reliable in a variable to make sure that they fulfill their objective or 24/7 power supply and this is where our customer remain same, but our value proposition has changed, so one is transactional side we have changed our value proposition, second is on system side, we have made more digital solutions rather than having the conventional solutions.

Deepak Agrawala: This is predominantly done on the infrastructure real estate side, this kind of changes?

Prakash Chandraker: I gave you two examples actually, there are segment like Metro or steel plant. There no significant change has happened in those segments.

Deepak Agrawala: My second question if I see that there is some reduction is there in the borrowings, but nevertheless the interest is almost at the same level for the full year, can you comment on this?

Arnab Roy: The overall reduction which in borrowing which you see, I mean again there is a quarter on quarter progression of it and it has improved as we have progressed during the year, so the full-year benefit of the interest reduction you will see in the coming year, so when we have a full year impact, so that is point number one. Second is because of Ind-AS, there was some Ind-AS accounting adjustments which is impacting the interest cost, so I would say a combination of these two, but overall if you see the interest has been marginally lower compared to the last year, it is about 1% lower compared to the last year if you take out the FOREX and we see the positive trend in this continuing and next year to be quite significant and visible reduction in the interest cost with the kind of borrowings which we have ended the year at.

Deepak Agrawala: My third question is can you give us some idea on the sales in terms of your end products the ones that used to give earlier in terms of RMUs and other products?

Arnab Roy: We used to give you the outlook of systems transactions and services, so from that perspective if you see systems was about 73%, transaction was 17%, and services was 10%.

Deepak Agrawala: This is on a full-year basis?

Arnab Roy: On a full-year basis.

Deepak Agrawala: What was the like-to-like comparison because there was some changes due to GST as well, so if you can give us FY '17 breakup for?

Prakash Chandraker: This will be more because of GST, this should be more but in fact it is less because of the GST.

Arnab Roy: Yes, because both are grossed up, so FY '17 if you look at the similar number Apple to Apple comparison, systems was about 69, transactions was about 22, services was about 9.

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

Manish Goyal: Sir, just a bit confusion, Mr. Prakash Chandraker mentioned that transaction products revenues are now 40% and just now it was mentioned that product is 17%, so where is the disconnect?

Arnab Roy: I think what Prakash was mentioning was on the order intake, so if you look at the similar breakup which I gave on sales, so if you look at the order intake…

Prakash Chandraker: What happens is order intake gets converted into a sale, what I said was order intake has reached already around 40% and 50% is systems, so going forward this will help in terms of transforming into a sales, the conversion to a sale.

Manish Goyal: What it implies that FY '19, we should be probably seeing at least product sales from 17% to at least 30% to 35%?

Prakash Chandraker: We will not be able to give you figure straight away, but our ambition is to reach transactional and service to somewhere around 50% and system around 50%, that is our focus area ambition.

Manish Goyal: Sir, this systems would probably also have our own product, so when we say products do we include product which we supply in systems or how is it?

Prakash Chandraker: System as a product, so normally systems are comprising of in-house product as well as bought out, so it is a mix of both.

Manish Goyal: Question on interest expenses, it was mentioned that the benefit will be seen in FY '19 in terms of reduction, so just doing a rough math based on the interest rate of 6.5% on outstanding debt would mean that interest expense should fall by half in FY '19, is it a fair assumption?

Arnab Roy: I think half will be too optimistic assumption because when you do the interest, you will have to also keep into mind the accounting adjustments like as per Ind-AS, the preferential interest has to be counted, so all of that, so one will have to take into account the preferential interest plus the normal interest which will accrue, so it will be a combination of the two, so half will be an overoptimistic, but definitely you will see a significant reduction in the interest.

Manish Goyal: Your preferential interest you are referring to preference shared capital?

Arnab Roy: Yes, for that as per the Ind-AS accounting treatment, you will have to accrue the interest.

Manish Goyal: It is not reflected in the balance sheet now what was provided to us in terms of when you declared the results, so last year it was there at 172 crores, but this time it is not reflecting separately?

Vineet Jain: Basically, as per the new Ind-AS, now preference capital has to be divided into two parts, one part goes into the equity and the other part goes into the debt. If you compare the FY '17 balance sheet that we have published now versus last year, you will see that around 95 crores of loan is increased and similarly our equity also increased, because this preference capital is divided into equity as well as in the loan part.

Manish Goyal: But, we will have to continue to provide for the interest on that full amount and accordingly take a charge?

Vineet Jain: Absolutely, you are right.

Manish Goyal: What is the rate of the preference capital?

Vineet Jain: 8%.

Manish Goyal: Also if you can give us a sense in terms of what kind of debt reduction we should be targeting in FY '19?

Arnab Roy: As I said in one of the earlier questions that Phase-1 or Phase-2 of the journey has happened, so what you see and this is kind of consistent with what we told you earlier quarters also, I mean kind of from a year-on-year perspective we were already seeing a 53 crores reduction in the debts. The journey will continue in that direction, it is hard to quantify your hard number there, but definitely you will see kind of a continued trend there.

Manish Goyal: Any other restructuring cost expected in FY '19?

Arnab Roy: We are obviously taking a hard look into all the operating parameters so that is part of the continuous improvement drive which are happening and if as a result of that anything comes up that will be there, but as we speak we are definitely continuously taking a hard look at our cost, so that journey continues.

Vineet Jain: Further we already discussed in the last quarter, we are just optimizing our plan for the average product wise, so if we feel that if any of the product there is a market demand is not there or we are upgrading our technology, so might be some of the cost coming from that side as well.

Manish Goyal: On employee expense, we see a continuous increase, so is there any chance to rationalize that because it is almost 14% to the revenues now?

Arnab Roy: I think I have kind of indirectly answered that question to you in my earlier comments that we are taking a hard look at all the cost, so similarly when we are calibrating the volume that volume versus cost calibration continues, so if as a result of that anything comes up which is doable, we will definitely do it.

Moderator: Thank you. The next question is a follow up from the line of Sabhyasachi Mukherjee from IndiaNivesh Securities. Please go ahead.

Sabhyasachi Mukherjee: Just had a small follow up, the current order backlog stands around 750 to 760 crores, could you mention some of the large ticket orders that you have in the current order book?

Arnab Roy: I think there has been a combination of different kind of orders, so like for example, one order which Prakash kind of articulated is a success story which was L&T EESL order, which was roughly about 40 crores, so that is a substantial order which we have there. Similarly, there has been good orders on the transactional side like we had couple of significant orders on the RMUs, so similarly there has been good orders on the system side, so there has been couple of good Utility orders on the AIS side of it, so I would say it is a combination of four or five good ticket size orders, I mean the largest one was in the range of about 40 to 50 crores, then there are couple of sizeable RMU orders in the 25 to 30 crores range, couple of big orders on the AIS side.

Sabhyasachi Mukherjee: This EESL order that you mentioned in the slide show, L&T will supply the smart meters in this project, right?

Prakash Chandraker: No, the meter is coming from other manufacturers. L&T is doing basically installation and integration of meters actually and we are taking care of the software productivity.

Sabhyasachi Mukherjee: You are basically onto the automation and the SCADA monitoring all those things?

Prakash Chandraker: Yes, automation part is being taken care of by us.

Sabhyasachi Mukherjee: This order in what time do you expect to execute?

Prakash Chandraker: Around, there are expected to be finished in three quarters.

Moderator: Thank you. The next question is a follow up from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Sir, I would like to know what will be our total debt, preference debt versus this debt would be as of today?

Arnab Roy: If you look at the balance sheet which was there, I think that already reflects there, so if I look at it the balance sheet which was published along with the report, you can see a reflection of that, the number is already there, take a look at it.

Viraj Mithani: Cannot you give as of today the reduction wise, is it not possible, I know on March 31, I am talking about as of today?

Arnab Roy: Not much change, they have only been in a month to month-and-a-half, so no significant movement from March to now, so you can take the March number as the reference number.

Viraj Mithani: I seen the results that the finance cost has not gone down much, so what kind of debt reduction we have done, Sir?

Arnab Roy: I think I have answered it couple of times before also on this question that it is a combination of couple of things, again I am repeating myself that it is couple of Ind-AS adjustments which was there, timing of the debt when the timing got reduced and the fact that you will see the benefit of that coming in the next year, I have already answered this question before.

Viraj Mithani: If you see the last three years, this year we paid 43 crores in the interest, 43.50 crores, last year was 42 crores, so how is finance cost reduced, Sir?

Arnab Roy: If you see the treatment ex-FOREX, which is what is there in my presentation, so if you look at it ex-FOREX that number has come down from 41.1 to 40.8, so which is there in the Slide 9 which I shared just few minutes back.

Viraj Mithani: Okay, so by 80 lakhs the debt has gone down, that is what you mean to say, right?

Arnab Roy: Ex-FOREX, so the remaining was the FOREX impact and that 40.8 will further come down with whatever I said earlier.

Viraj Mithani: What is the FOREX impact, Sir, if you do not mind sharing with me?

Vineet Jain: Earlier we have some foreign loans against some of the exports, so we already paid the loan, so that is the corresponding revaluation impact of that.

Viraj Mithani: What would be the extent of, can you quantify it?

Arnab Roy: You can see, it is already quantified, you do the difference is for ex, the total loan versus what I presented, so you have both sets of numbers in front of you.

Moderator: Thank you. The next question is a follow up from the line of Deepak Agrawala from Elara Securities. Please go ahead.

Deepak Agrawala: Sir, I have just one last question, so as we enter into FY '19-20, do you see any further risk of or is the order book safe enough to fully execute, are there any slow-moving orders or any order cancellation risk that you see in the current backlog or is there any cancellation you did in FY '18?

Arnab Roy: Nothing material because as we have been kind of articulating to you in the in the last two to three quarters that this whole order to cash journey which we have been continuing starts with a calibration from the ordering stage being more cautious on the **42:25 (Inaudible)**, being taking more prudent debt exposure, so in fact if you would have co-related that the fact that we had a newer sales in this year was because of some of the credit offtake, so we have been very cautious in the last I would say three to four quarters in this journey, so as a result of that we do not see any significant exposure coming on that side and it has been a conscious effort on the part of the management.

Deepak Agrawala: That was the last question, so we thank Prakash, Arnab, and Vineet for giving us an opportunity to host the conference call. We also thank all the investors and analyst friends for joining this call. Sir, any closing comments you would like to offer.

Prakash Chandraker: Before closing, I would like to say market sentiments look to be positive in medium to long-term considering digitization drive what we see in India, however, market will remain challenging in terms of liquidity in short-term. We are closely watching the development to bring more changes at ground level to drive our growth or service in transaction in line with our rebound strategy. Thanks again, for your valuable time to understand our company and have a nice evening. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.