"Larsen & Toubro Limited Q3 FY21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Larsen & Toubro Limited Q3 FY21 Earnings Conference Call. 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 the 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. P. Ramakrishnan, Head of Investor Relations. Thank you and over to you, sir.

P. Ramakrishnan: Thank you, Stanford and good day to all of you ladies and gentlemen. This is P. Ramakrishnan. I have with me my colleague, Harish Barai also who has joined this call. Firstly, a very warm welcome to all of you for the L&T Q3 9M FY21 earnings call. The analyst presentation was uploaded on our website around an hour back. I hope you had a chance to go through the numbers. This time, instead of going through the entire presentation, I will give you a brief overview and after which we will proceed into question and answers.

Before I summarize the performance, a disclaimer, essentially this presentation and the discussions what we will have in this call would contain certain forward-looking statements concerning our business prospects and profitability which are and would be subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

For the Group, Q3 FY21 was a welcome departure from H1 of the current financial year as most of the financial parameters of the group are evidencing return to pre-COVID levels. At an economic level, the pickup in high frequency economic indicators for India, especially considering manufacturing index or power generation statistics or GST collections or even supply or cargo movements, it augurs very well and it appears that the country's GDP will grow in H2 of the current financial year as compared to the contraction that we witnessed in the first half of FY21. In Q3 FY21, we did see a strong sequential recovery. We registered a strong growth in order inflows in Q3, 76% Y-on-Y and more than 100% Q-on-Q on the back of some very prestigious and high order wins, most notably in the Infrastructure and the Hydrocarbon segment. Consequent to such wins, our order book at 3,31,000 crores approximately is also at a record high. Our revenues for the quarter Q3 of the current financial year have registered a sequential growth of 15%, largely aided by near normal labor availability and functional supply chain. On a year-on-year basis, our Q3 revenues have marginally declined by 2% primarily due to productivity challenges arising out of stringent safety protocols at sites.

Our PAT from continuing operations for Q3 FY21 has registered more than 100% quarter-on-quarter growth and 4% on a Y-o-Y basis. Our cash flow situation in the current quarter is again an extension of very good collections achieved in H1 FY21. A combination of enhanced borrowing programs at the center and states along with the pickup in tax collections in Q3 has helped us. As a example or as a statistics, our gross collections for the group for the quarter Q3 was around 32,000 crores, out of which our parent collections were around Rs 18000 crore. For the 9M, our absolute levels of net working capital has shown a marginal improvement , thanks to the steady current customer collections. Our NWC at group level remains around Rs 31000 crore as on Dec 20. Our entire operations for this 9M period have been funded from customer collections and we have not had to drop on the cash reserves on the balance sheet. Our net cash flow from operations for Q3 and 9M of the current financial year are very robust. You can refer to the cash flow statement which is there at the end of the presentation.

Finally, net working capital to sales ratios appear high because of the fall in revenues. Although it is not a guidance from our end, but we will endeavor to maintain the same levels of net working capital in March 21 as they existed previous financial March 2020. Having mentioned that, let me also state here that the ask rate for collections in Q4 would be higher given the likely ramp up of operations. Hopefully, a combination of the improvement in tax collections at the government level and the remaining borrowing program for Q4 should enable us to maintain our working capital at satisfactory levels.

Coming to "Order Inflows":

As I said on the back of large domestic order wins in Infrastructure and Hydrocarbon, our order inflows for 9-month stand at Rs. 1248 billion, marginally lower 3% compared to the 9 months of the previous year. We see total bottoms at prospects pipeline of around Indian Rs. 2.65 as at December for Q4 FY21 of which around Rs. 2.2 trillion is domestic and the balance international. Infrastructure prospects, both domestic and international account for around Rs. 2.17 trillion out of this total prospect pipeline of Rs. 2.65 trillion. It appears that the government has now turned to focus on new awards which will boost economic recovery and generate further employment. The government is currently focusing on awards in key areas like Metro/RRTS/HSR high speed rail, Roads and Expressways, Renewables, Water as well as Power Transmission and Distribution.

Some comments on the "Order Book":

As I said earlier, out of a record order book at Rs. 3311 billion as at December 31st, the ratio of domestic to international in this order book is around 80:20. Of the domestic order book of Rs. 2637 billion, the split of the order book is as follows; central government projects, 12%; state government, 34%; PSUs, 41% and private, 15%. In challenging times like these, a large proportion of the orders from public space mitigate credit risk. Suffice to state here, out of this order book, almost around Rs. 90 billion is multilateral funded. The overall group performance, financial parameters are covered in the presentation along with summary explanations for the variation. I hope you have had a chance to go through the same. The two points which I would like to mention here is that the profit from discontinued operations, net of tax in Q3 is an aggregate of:

A) Additional consideration, net of contractual adjustments against sale of the Electrical & Automation business to Schneider which happened in the month of August.

B) Gains on divestment of our UK based Electrical & Automation segment, that is Servowatch Systems. With this, the L&T has completed the complete exit from the Electrical & Automation business.

Some comments on the segment performance before I move on to the final part on outlook:

First is "Infrastructure":

Q3 order inflows in this segment surpassed cumulative order flows in H1 FY21. As you are aware, we secured some large prestigious domestic orders in this segment in Q3. As I mentioned earlier, we have a healthy prospect order pipeline for Q4 in the Infrastructure segment and we remain optimistic on the ordering outlook in this segment in the near term.

Coming to "Revenues":

This segment recorded a smart sequential revenue growth of 22% in current quarter Q3 on the back of work force availability and supply chain normalization. However, on a Y-o-Y basis, the Q3 growth declined 7% largely due to strict safety protocols to be followed at sites. However, through various automation initiatives and better work force scheduling as well as work methods, hopefully going ahead, we will recover from the productivity hump and at the same time maintain our safety protocols. As you are aware, margins in the Infrastructure segment is a function of job mix and site productivity. As activity levels pick up, the margins will automatically improve as under recoveries would get eliminated or reduced. Having said, there could be some quarter-on-quarter volatility in margins depending on job mix.

The second segment "Power":

Power has been a little muted in the 9 months of this financial year. There has been a lot of award deferments, largely on account of the pandemic, however, this segment is largely impacted from our revenue perspective because of the large opening order book and couple of quarters of our deferments will not impact the segment from a revenue perspective. The revenue growth in Q3 and 9 months of the current financial year is largely due to the opening order book, however, margin is subdued as major part of the execution is yet to cross the margin recognition threshold.

"Heavy Engineering Segment":

This segment registered reasonably robust order wins in a challenging environment, and it is good to state here that around 60% of the order wins in Q3 of the current financial year is from exports. Better capacity utilization at workshops and the factories resulted in sequential revenue growth of 32% in the current Q3 and 1% growth on Y-o-Y basis. The Q3 margin again is a reflective of job mix. If you recall during Q2, the margins for this segment were depressed largely on account of a prudential provision made towards onetime settlement with an overseas client.

"Defence Engineering":

Multiple small orders replenished the order book. The recent policy governments of the government concerning this sector are very encouraging for the domestic industry. In fact, as we speak, around 28,000 crores of domestic projects had been cleared by the Defence Council. We are fairly excited about the future outlook, however, implementation may happen over a course of time. The final stages of execution of a large order drives revenue in the current quarter Q3 FY21, the revenues in Q3 having registered a sharp growth of 34% on quarter-on-quarter basis and 2% Y-on-Y. Margins again are reflective of job mix and stage of execution.

"Hydrocarbon Segment":

Big domestic order wins in Q3 replenishes our order book. The improved activity levels at our fabrication yards drive revenues in this current quarter, the Q3 margin contributed by efficient job mix and execution.

Coming to "Development Project Segment":

This segment includes the Power Development business which comprises of 1400-megawatt thermal coal-based power plant in Punjab and 99 megawatt hydropower project. The hydropower project has been fully commissioned in the current quarter, Q3 FY21 and besides in this power development business, the segment also includes the Hyderabad metro operations. It is important to note that the roads and the transmission line concessions are housed in L&T IDPL and it is consolidated at PAT level under the equity method as because it is a joint venture. The revenue in this segment for Q3 is largely contributed by Nabha Power which is the thermal power plant in Punjab which is stated earlier. The decline in Q3 revenue is attributed to lower plant load factor in Nabha arising mainly because of lack of coal supply due to the Rail Roko agitation in Punjab which affected the operations of the power generation of the plant for almost a month. The metro margins are impacted by under recovery of operational expenditure due to low traffic in COVID times. The current traffic averaging around is 100,000 at an absolute statistic level, but during weekdays, it has seen almost operating days or weekdays, it is around 1,25,000 to 1,30,000 ridership per day.

Coming to "IT and Technology Services Segment":

This segment comprises of 3 listed entities namely LTI, Mindtree and LTTS. On a YTD basis, this segment has largely been unimpacted because of COVID as they have quickly migrated to work from anywhere kind of model and with increasing outsourcing of services especially in the Digital Engineering space. Consequently, sequential as well as Y-o-Y revenues for the segment continue to grow. Margin improvement is aided by improved utilization, better favorable on-shore off-shore mix and improved operational efficiency.

The others segment comprises Realty, Construction & Mining Equipment, Rubber Processing Machinery, Industrial Valves and Smart World & Communications. The strong revenue growth in Q3 is led by Realty, Smart World & Communications and Valves:

Higher margin in Q3 is primarily due to the sale of commercial space by the Realty segment.

Coming to the last one, "Financial Services Segment":

The Q3 of the current financial year revolved around significant disbursements in rural and infra, robust collections, improved net interest margin and maintenance of adequate liquidity on the balance sheet. The Q3 PAT de-growth is largely due to enhanced credit cost provisions. The business continues to pursue the strategy on retailisation of its portfolio, a very prudent ALM and improving asset quality and increasing diversity of funding sources with the overarching aim of remaining in the top quartile of ROE.

Coming to the "Environment and Outlook":

This financial year can be best described as a tail of two halves, the first half witnessed lockdowns due to the spread of the COVID-19 virus, falling tax collections due to economic contraction, partly offset by government fiscal and RBI monetary easing and the second half is about growth coming back as evidenced by various high frequency economic indicators, improved tax collections, start of the COVID-19 vaccination program and continued liquidity and fiscal support from the RBI and the government respectively. Reflecting on the 9M performance of the current year, our E&C performance has been fairly robust on order inflows and cash flows primarily due to government and RBI proactiveness to create ordering opportunities and adequate abundant liquidity, whereas the revenue and margins were impacted due to lack of labor availability and supply chain bottlenecks in H1 and in Q3 due to lower productivity arising out of strict safety protocols at the site level.

Although this year, we have refrained from giving any sort of guidance on the E&C business, we will try and retrieve as much as possible in Q4 FY21 on the various financial parameters. Our services business have largely been unimpacted due to COVID and we will continue to pursue profitable growth opportunities. Once normalcy returns, we will pursue our divestments of the concessions portfolio and address the refinancing part of the Hyderabad metro and hopefully I think that should get resolved over time.

With the pandemic yet lingering and the aftereffects of that continuing, the business pursuits need to factor additional risks warranted to ensure responsible conduct towards the new emerging opportunities and growth prospects. Again, with such a backdrop, the group will continue to focus with cautious optimism on pursuing large project wins, smart execution of its reasonably large order book and continue to preserve liquidity and optimum use of capital and other resources.

Thank you, ladies and gentlemen, for a patient hearing. We will now proceed to take question and answers.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir, if you can just show some more clarity on that real estate transaction because that has been huge amount, if you can provide some more granularity on that it will be helpful?

P. Ramakrishnan: So Renjith, Realty business is a function of either leasing or outright sale of properties and in every quarter, whenever there is a sale of space, be it residential or commercial, you will see a bump up in revenue and margins in that quarter, but it is part of the business itself.

Renjith Sivaram: So there is no one-off in that margins of Realty? Is that what we should understand?

P. Ramakrishnan: As I said that in the real estate business, whenever there is a transfer of property in terms of be it residential or commercial, in that quarter you will find a jump in revenues and consequently profitability, but with specific response to your question, the impact of this would be around the range of 340 odd crores at PAT level.

Renjith Sivaram: And sir, if you can throw some more light on the Infrastructure margin, this quarter was better than last two quarters, but on a sustainable basis, what kind of trend you see in Infrastructure because that was one segment where margins have been under pressure continuously for the last year also, so how do you see that overall margin trajectory of Infrastructure panning out given the mix of jobs that we have?

P. Ramakrishnan: So Renjith, I think we have maintained in this particular year that we will refrain from giving a revenue and margin guidance. Having said this, if you see on quarter-on-quarter basis, the Infrastructure margins have stabilized, I would say, this quarter we have done around 6.2% as compared to the previous corresponding quarter of the previous year which was roughly around 6.1%. We do have I would say more better order mix in terms of having secured some large orders in this segment, and a combination of smart cost saving and better execution will hopefully improve the margins and we do believe that quarter-on-quarter with almost near normalcy coming in, Infrastructure revenues should hopefully go up and to that extent the under recovery of overheads will go down, but as I said margins in all the entire core businesses is a function of execution and job mix and proportion of jobs going into the respective valuation thresholds.

Renjith Sivaram: Sir, if I can ask one more like within the working capital which is that element where you are seeing major improvement because we see that order intake has seen a huge pickup, so advances would have increased a lot, so we would have ideally expected much more better improvement in the working capital, so is it the debtors or is it the payables that is still hurting us in the working capital front?

P. Ramakrishnan: So let me tell you that our net working capital which has remained stable on Dec 20 when compared to March 20 largely because of a drop in the gross working capital, which is mainly due to improved collections from customers. Having said that, it is also important as a company as we get collections from our customers which has been quite robust in this COVID year, we have also ensured that our supply chain doesn't get affected, so to that extent, we have also been quite supportive of all our supply chain vendors and ensuring that they get paid, so that they are in a position to ensure supplies are unaffected to our sites.

Renjith Sivaram: And regarding the advances from these orders which we have received wouldn't that had a support for the working capital or is that we had to?

P. Ramakrishnan: In Q3, one important advance which we secured was the advance of almost around 450 crores against the HSR, high speed rail order.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is on order inflow, we have announced order inflow of mere Rs. 630 billion versus the order inflow announced that the exchange is till date of Rs. 760 billion, this is marked departure from the earlier quarters where the announced order inflow was higher, is something that we have with here for Q4 and secondly, is it possible to tell us what is the L1 order inflow? How much worth of the projects there via L1?

P. Ramakrishnan: I would not like to comment on the second question Mohit, just because in the domain we may have been announced as L1, but as a company we do take into order inflows only after the due process of getting a proper LOA or a letter of award is done, so I would not like to comment on that part and as far as the first question is concerned, kindly note that when you are asking me about a number of December 19 vis-à-vis December 20, it is quite possible that some announcements which have happened in the subsequent quarter could relate to orders for which the letter of awards was given in the previous quarter itself.

Mohit Kumar: Secondly, given the fact that the order inflow from the Middle East or International order inflow for the Infrastructure and the other segment has been pretty slow, how do you see it panning out over next 12 to 18 months? Are we seeing more order inquiry, more tenders, do we expect more tenders to get finalized? I am talking about larger horizon of 12 to 18 months, not for the Q4?

P. Ramakrishnan: Mohit, as we speak, our order prospects even as I just now told is largely from the domestic space. As far as opportunities outside of India is concerned, we do see opportunities in the range of almost, I would say 40,000 crores worth of prospects, but they are largely coming from areas like Water, Renewables, Power Transmission and Distribution. We don't see any major prospects per say in the other segments where we cater to in the Middle East region.

Mohit Kumar: I am asking about the prospect from the timeline of around 12 to 18 months, are you seeing any traction in Middle East, in Hydrocarbon especially?

P. Ramakrishnan: Considering the fact that the crude prices still continue to remain subdued, as per the forecast the crude prices are expected to be, I would say within a range in the current calendar CY21, so it would not be proper of us to really forecast as to what kind of increased opportunities may happen, so we do see, if you really ask me from Hydrocarbon's perspective, the areas where we see more traction happen is more on the mid and downstream and largely in the area of Petrochemicals, maybe we would be in a better position to give a perspective on this segment from Middle East maybe when we close the current financial year.

Mohit Kumar: Sir, last question sir, how much cash were infused in L&T Hyderabad Metro in Q3?

P. Ramakrishnan: In Hyderabad Metro, we have infused around 500 crores during the quarter.

Mohit Kumar: And it there any plan to increase this infusion for Q4?

P. Ramakrishnan: So if you recall, in the September call, when we had the earnings call while we disclosed our H1 results, we clearly communicated that we have set aside some of around 2000 crores towards funding into Hyderabad Metro and I guess out of that we have advanced 500 crores in Q3, so based on the requirements we will continue to fund the metro operations till we reach this threshold and hopefully by then, we should be in a better position to have refinanced or restructured major part of the balance sheet of this particular operation.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: My questions relates to the work that was done in Q1 and Q2 and obviously, there were difficulties in our delays in work, is there any discussion with your customers about how that loss has been set aside?

P. Ramakrishnan: You are referring to the Q1 and Q2 claims regarding the COVID interruptions?

Puneet Gulati: Yes.

P. Ramakrishnan: So, as you are aware that most of our customers are all repeat customers and instead of pursuing through protracted hard negotiations we would rather adopt conciliation approach and ensure that we are able to manage sort of a win-win situation and we do expect and as you know that most of these cases where our customers are government parties and immediate settlements may not be possible. Hopefully, in the next 3 to 4 quarters, we should expect some of these claims towards COVID which we have already expensed out in the P&L should materialize, but it is too early for us to comment a number on that.

Puneet Gulati: But there is a positive movement in that direction?

P. Ramakrishnan: 100% yes, but as I said as we are pursuing all ways , because we are also executing the project, not only one project, but multiple projects with the same client, so we have to ensure that we are able to create as I said some sort of win-win situation, the clients accept the fact that we have incurred expenses, they are completely aware of it, but as you know that the government process on such clearances does take some time. Hopefully, I think in the next 3 to 4 quarters we should achieve or witness progress.

Puneet Gulati: My second question related to your current investments, cash and equivalents, that number seems to be sitting quite high, last quarter as well and continue to remain high at 450 billion, any thoughts of why you are keeping so much of cash?

P. Ramakrishnan: We did talk about again in H1, the total around 45,000 crores which we talk as surplus investments, out of that our financial services has around 7000 crores and then our IT and TS subsidiaries, they have another around 7000 odd crores and the rest is lying in the core business which is largely in the parent and as I talked about, maybe I have also discussed that how we plan to utilize cash when we closed H1 results having set some amounts for Hyderabad Metro, for infusion as part of our share into L&T Finance and also use some of the cash proceed to retire the debt. As we speak, in month of Q3 itself, we have reduced debt around almost 5000 odd crores, so a combination of subscription to defined commitments like Hyderabad Metro, L&T Finance rights issue and also reduction of debt hopefully should bring down our overall investable surplus as we close the financial year.

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

Sumit Kishore: You had mentioned that the order prospect base for H2 at the end of September quarter was about Rs. 6 trillion, but that figure has now come down to about 2.6 trillion and we understood that the high-speed rail contracts are not part of the prospect base, so would you say that there has been certain slippage of order prospects that we have seen to the next financial year?

P. Ramakrishnan: It is like this that when we gave the prospects as of September, that was for the balance 6 months of the current financial year and when I gave the number of 2.65 trillion it is Q4 pipeline. Some of the prospects in the pipeline we gave at the end of Q2 could have been deferred to the subsequent financial year and there is a good possibility that some of those could have tendered and maybe there are others who would have got those projects, so it is a number which is dynamic and as I said in the early part of my call that this is a completely bottom's up approach. So 2.65trn is a number which we are working on which should see some awards happening or tenders happening and crystallizing and hopefully in our favor and that is only for Q4 of the current financial year.

Sumit Kishore: Could you also talk about the impact of commodity prices on margins especially as the commodity prices have gone up and qualitatively how you are looking at the impact on business in 3Q and going forward?

P. Ramakrishnan: See, the impact of, I would say the steel price is in the range of around 9% and 6% on cement which are the two important commodities we have in terms of procurements. So that has happened, whatever those prices have happened that has been factored while we have reported the margins. Having said this, we do believe that these prices are unsustainable and as you know the government itself has made out some public pronouncements that this is completely out of control and we do expect that the prices to stabilize in the near term and as you are aware 50% of our contracts are on cost plus basis. So we have sufficient inflation buffers in place.

Sumit Kishore: And finally on productivity levels, where do you see them now and when do we get back to normal? What is the last stage of impact of productivity on core business?

P. Ramakrishnan: The productivity challenges especially at site level is most visible in the Infrastructure segment and as I stated that that continues to have some impact in Q3, but as you see from the numbers, there has been a vast improvement in terms of the overall progress of execution what we have achieved and that is reflective in the numbers for Q3. We do expect with the caveat that if there is no resurgence of the pandemic again, the productivity levels only to improve and hopefully with the vaccination efforts, which should hopefully cover a large part of the population in the next two quarters, we do expect that the productivity should come back to normal, but it would be difficult for us to say whether it will happen in Q4 or Q1 of the next financial year.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

Ankur Sharma: Couple of questions, one, when you look at the competition across the Infra segments, Hydrocarbons, both where you have won sizable orders in Q3, would you want to believe that competition has also gone down in terms of the number of players participating? Or is it that we have gone a little more aggressive in terms of winning orders?

P. Ramakrishnan: So first thing, let me tell you that when we bid for any tender or any project the company has and continues to review each project on a standalone basis. A complete reassessment of that project happens in terms of pricing and other technical conditions, so I don't think we have compromised in any form to get projects where margins are significantly or severely compromised. Having said this, it is also important to note that from an Infra perspective I do believe that we are reasonably well placed in terms of our ability to contract large orders which have a lot of complexity, be it on engineering on execution. To that extend, I do believe that we have an edge over the competition, but as you are aware that there are various projects which have been tendered out in Q3 where we have not been placed in L1, so it is a combination of, I would say our ability or technical complexity being more or the size being big, we do have the competency in both in financial and engineering part to bid successfully for these projects. So that is the way I will probably answer to your question.

Ankur Sharma: But in your view, you don't believe that the number of players participating would have also gone down meaningfully and therefore our win rates are so much better?

P. Ramakrishnan: If I have to give as a statistic now for any job which is between say, 500 to 1000 crores, we do witness a bit competition of almost 8 to 10 parties, but the moment it comes to very large jobs, as I say large job may be around 2000 to 2500 crores above, then depending on the sector which we compete, the list comes down, may be around 4 or 5 and there the technical evaluation is one of the very important criteria before the client actually goes into the price bid process.

Ankur Sharma: Sir, secondly on the Hydrocarbon margins during this quarter, that 12% odd number, are there any claims or any provision write-back sitting over there or is it just a function of execution of better margin projects?

P. Ramakrishnan: In this quarter Q3, it is primarily on account of efficient execution.

Ankur Sharma: Thirdly sir, on the defence pipeline, so in your comments, you did talk about there is 28,000 odd crore orders, not orders, but the K9 approvals by the Defence Council, so I am just wondering how much are we left with the Vajra order and any update on the follow on that because I think there were some talks on getting some more of the Vajra orders once the first one gets over?

P. Ramakrishnan: What I mentioned during the early part of the call was the government coming out through their Council saying that around almost 28,000 crores of opportunities will be put onto the domestic bid and that we believe is a very positive development, but as you are aware the ordering in Defence usually is a very patchy and sketchy, but when it comes, it usually comes with a large order value. So as we speak now, roughly around I would say, 3500 odd crores are the prospects which we are pursuing and we do believe that we are quite well placed to take care of these opportunities and this number what I said is for the current quarter.

Ankur Sharma: And on the Vajra Gun sir, largely over or is there something left on this?

P. Ramakrishnan: Of the 100 supplies, we have almost delivered till now 91 and in Q3 we did 13 and prior to that totally around 87 has been delivered.

Ankur Sharma: And just one last one from my side, sir, on the debt levels on the balance sheet, so when I look at the numbers you have given, right, I believe that 33,000 which relates to the others on your balance sheet in the presentation would be for largely the standalone debt, which I believe historically, used to be in the 10,000, 12,000, 15,000 crore number, so given the fact that we have done a brilliant job on the working capital side, we obviously have limited infusions into our subsidiaries if any, so when do we see these debt levels come back to normalized levels?

P. Ramakrishnan: So, as you are aware that in the first quarter of this financial year as a pre-emptive measure, the parent actually took into a market borrowing of almost 12,000 crores and this is one of the main reasons where the debt level shot up and after the EA IC divestments, once we have got the proceeds, we have already started pruning the debt levels and hopefully in the times to come, in the next two to three quarters, we do expect that the standalone debt levels to come down from where it is today setting aside, wherever there is no possibility of retirement prior to its maturity. Otherwise, we don't expect any sort of, additional incremental debt at the parent level. Today, our net debt to equity ratio at the parent level is around 0.1. So, the expectation is, probably post-March, it should become almost negligible.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, few questions from my side. First, on the execution side, I remember that when we spoke last in November-December, the broad expectations were that we are still running lower than last year's utilization levels and probably somewhere by Jan also, we were expecting to come back to previous year's level and your comments which mentioned that I am sure whether during Q4 or by the end of Q4 you would be back to previous year's level. So, does that mean that the overall ramp up which you were anticipating a couple of months back or the level of productivity improvement has been relatively softer than what we anticipated and larger projects will take time to scale up in terms of revenues for the core Infra portfolio?

P. Ramakrishnan: So Renu, it is like this that as you observed in all the segments, on a quarter-on-quarter basis, our revenues have actually gone up and that is why at an overall level, we are talking 15%, but if you go segment wise as well that the improvement in revenue is largely because of, I would say more larger execution given the fact that our mobilization at site levels have improved.

Renu Baid: But sir, just one thing, sequentially, usually, Q2 was a softer quarter from execution perspective and it was also impacted by COVID, so anyway, Q3 always is higher than Q2 in terms of execution. So essentially you are trying to assess that to come back to normalized levels, even if you look at Feb-March, I mean, are we seeing inherent bottlenecks to continue at sites which might delay this?

P. Ramakrishnan: See, as I said earlier, as far as supply chain is concerned, any supplies which are relating movements within the country, the bottlenecks seem to have largely been taken out. There are still some restrictions as far as imports or cross-border transactions are concerned. We do think now that also has significantly improved. We do expect that Q4 as far as Infrastructure segment and other E&C segments are concerned that there are no further restrictions from a supply perspective, but as I said earlier that the effects of the COVID situation is still there, although it has vastly improved as we speak for the Q3 as compared to what it was in the situation in Q2, but it would be conservative and prudent of us not to specifically target a number and that is the reason that we are refrained from giving any sort of revenue guidance as far as this year is concerned, but one comforting factor is that as we speak, the workforce is almost at 100% of the requirements at almost 2,65,000 people across the 900 odd sites we have in this country and we do expect that this will enable us to demonstrate better activity levels in Q4

Renu Baid: Yes. The base is lower for last year.

P. Ramakrishnan: Yes, so, we will try our level best, but I would request that I would not be in a position to provide you guidance as to how Q4 will actually pan out. The only thing is, we do see that the return to normalcy as we speak into Q4 as well.

Renu Baid: The second question is, if you look at the standalone financials and that is also partially reflected in the consol financials, there is a sharp jump in other income, so any particular drivers for the sharp rise on a sequential basis as well or are there any one-offs, either dividend or otherwise if you can highlight that?

P. Ramakrishnan: So Renu, the other income in the standalone financials is mainly on account of higher investible surplus as you are aware, the EA IC divestment proceeds and I would attribute a far more better treasury management, which has happened that has enabled us to have a reasonably large other income in the group results for this quarter.

Renu Baid: Sir, can you also share the headline on PBT, PAT numbers for Hyderabad Metro as well specifically in terms of, for the quarter or 9 months?

P. Ramakrishnan: So I will put across like this, the revenues for Hyderabad Metro for Q3 was in the order of around 50 crores, out of which 30 odd crores arises out of passenger ridership. The operating expense of the Hyderabad Metro as it stands now is roughly around order of around 50 crores to 60 crores and depreciation charge is in the range of 75 odd crores and interest for each quarterly is around in the nature of 365 odd crores. So I have given you a rough estimate of the entire operations of HMRL.

Renu Baid: And lastly, would it be possible for you and you did mention that your inflationary both steel, cement have had 9% and 6% impact and part of this was also seen in Q3 financials, would it be possible for you to broadly quantify in terms of basis point, the impact on the margins because of these super normal raise in commodities that you have seen on a sequential basis?

P. Ramakrishnan: So Renu, it is a very good question you have, but my first answer is that I don't have the ready answer to your question. The only thing I can articulate is to the extent of jobs where we don't have a cost pass-through to that extent, whatever procurements have happened at these inflated prices have been obviously reflected into the margins that has got reported.

Moderator: Thank you. The next question is from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: Just a few small questions. Firstly on the real estate side of things, there seems to be some optimism growing in the market. I just wanted to understand two things, one is, is this reflecting in any win positivity for you in terms of sales in your existing projects? And is that triggering any potential new launches that you could share? And secondly, at this juncture in the order backlog, what is probably the exposure you have to real estate construction for others more in terms of, let us say, the residential side? And is there any faster movement happening out there, could this be another area of positive strength?

P. Ramakrishnan: So Venugopal, I guess you have asked me two questions. One is on our Realty business and the other one is our contracting business, if I understood you right. Correct?

Venugopal Garre: Yes, that is correct.

P. Ramakrishnan: So coming to, if I say about Realty business, the total number of units what we have as an overall plan as far as whatever developments we are doing across the country, the number of residential units, if I sum it up at around 5,600, against that, around 2,600 have already been sold, which means we have already booked the revenue, okay, sold and transferred, then balance 3,000. Again, order of magnitude, around 1,900 has been contracted to be sold. So that means as and when we hand over, we will accrue the revenue and we have an unsold inventory of around 1,100 odd residential units, but our response to the second phase in our Navi Mumbai property and also phase 2 or 3 in our Bangalore property has been quite favorable and we do expect, there has been, I would say, in the Q3, the residential real estate in terms of especially the mid-ticket, not the Elite or the high-end stuff, but more on the midsize, that is the classic 2 BHK, 3 BHK segment has seen an offtake and we do believe that it will continue to be favorable in the next two or three quarters. Coming to the other part of the business as far as contracting opportunities in real estate are concerned, we do see mass housing opportunities in a more pronounced form and other public space projects like hospitals, data centers and so on. As far as hospitals are concerned, we have seen some orders coming from state-owned operations setting up hospitals. So we do expect a large uptick in this area, especially on the health sector, on the data centers or data concerning the IT&TS space and low cost residential housing. I hope I have answered.

Venugopal Garre: Sorry, I missed out, in terms of the projects that you have, what is the broad exposure today in the order book for the real estate in terms of quantum?

P. Ramakrishnan: So in the real estate space, our overall exposure is in the range of, I would say, around 45,000 crores and a large part of them are under execution. We don't have any major, I would say, non-moving order barring for maybe the Navi Mumbai airport, that is nonmoving, but otherwise, a major part of this entire real estate part is a moving order book, I would say, executionable order book as we speak.

Venugopal Garre: My second very quick question is, I just wanted to understand is that there seems to be a fairly good acceleration in the market in terms of order inflows, I also wanted to know that, at the same time, is there any quicker pace of, let us say, site access that has been given to you for the orders that have been awarded? Or is it like the usual timeline? So just wanted to see how quick the government is trying to push things? Is it just about announcing orders and selecting the vendor? Or is it more also about on the ground where things are moving faster?

P. Ramakrishnan: So most of the orders that we have secured in the current year for 9 months are all orders where a large part of the financing has been secured, number one and number two is, especially the large projects, whatever we have secured, I would say, high-speed rail and all, our understanding is there are no significant write of way or for that matter land or site availability issues.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Sir, just wanted to understand, you gave a pipeline of 2.65 trillion for Q4, of which 2.2 trillion was domestic, so if you could share the same number for last year, if that is possible? And also, how much is the Infra pipeline, sorry, I missed that number?

P. Ramakrishnan: So last year, which means you are referring to December '19 quarter, right?

Apoorva Bahadur: Yes, sir.

P. Ramakrishnan: So that was in the range of around 2,90,000 odd crores, total. Order prospects for Q4 of FY20 and I don't have a breakup of that in Infrastructure right now.

Apoorva Bahadur: And sir, for this year, what is the Infrastructure portion, I think 2.73?

P. Ramakrishnan: Infrastructure is around 80%, 2,20,000 odd crores.

Apoorva Bahadur: Sir, secondly, I think you mentioned on the Hyderabad Metro refinance, so that is being pursued by closure is probably sometime away once the normalcy reduced, so how far do you see it?

P. Ramakrishnan: See, discussions are progressing with all the other stakeholders, especially the government and also our lenders. As we stated in the September call, given the size of the project and the complexity, it would take some time. Our talks have been with all the stakeholders and our progress in Q3 have been positive, but I do think that it could take some time before we can come to a clear solution to this. But I do believe, hopefully, by March 21 or maybe first quarter of the next financial year, we should see substantive progress in terms of how we have progressed on the entire refinancing of this particular project.

Apoorva Bahadur: Sir, if I may just ask one more question and that is, could you share the slow moving orders in the order book, the overall numbers?

P. Ramakrishnan: I will tell you that as far as the order book of 3,31,000 is concerned, the amount of orders, which are what we call as slow moving is minuscule and negligible.

Moderator: Thank you. The next question is from the line of Sujit Jain from ASK Investment Managers. Please go ahead.

Sujit Jain: A few details, if you can just note them down, the net working capital for the core business that is standalone plus hydrocarbons; the ROE excluding the E&A sales, we had spoken about Uttaranchal Hydropower PPA is being signed, any progress there, progress on exit from Nabha? If you can give me Hyderabad Metro's absolute debt and equity numbers and from the numbers of the P&L that you just explained, Hyderabad Metro, which means that, and correct me if we are wrong on this is 375 crores of quarterly cash refund?

P. Ramakrishnan: So you asked me almost 4-5 questions. So let me put it in order, as far as cash operating expense of Hyderabad Metro is concerned, I talked about interest at 365 and maybe, shortfall in revenue vis-à-vis Opex maybe, around 10. So number of 375 is what you can consider for Q3. Now coming to Uttaranchal, the hydropower project has been fully commissioned. We are discussing with the state government to tie up a long-term PPA. We have not done it as of December, but since the plant is commissioned, we started selling power through the merchant power short-term PPAs and that is how the operations of the company have started. As far as sale of Nabha Power is concerned, we are pursuing, but we have not yet sort of concluded in any definitive form in terms of identifying a buyer and coming out with a proper sale agreement. So that, I guess, it should take some more time because today, currently, thermal power generation is not in the best of times in terms of valuation perspective, but we are following-up very closely to achieve the desired result of exiting Nabha power and hopefully, after some time even Uttaranchal as well, as a clear strategy in terms of moving out of the or divesting the assets in the power development business. The core business working capital is roughly in the range of Rs 22000 croreand if I have to take out the EA IC gain from the PAT of the current year, then the return on equity would be around 10.3%.

Sujit Jain: As and above Metro debt and equity absolute numbers?

P. Ramakrishnan: Debt would be in the range of 14,000 odd crores and equity would be around 2,500 crores.

Sujit Jain: The EBITDA margins that you report in the slides, segment wise, these are core operating margins without apportioned other income, right?

P. Ramakrishnan: Yes. Whatever other income is reflected is reflected in the corporate segment.

Sujit Jain: And one last question is on the sense of, at the PAT level because you give corporate separately, IT business would be contributing to how much in L&T today at the PAT level?

P. Ramakrishnan: I think that is mentioned at the last part of our analyst presentation.

Sujit Jain: Which is what I was referring to, but there is a large corporate item, so it is difficult to figure out post EBIT or let us say post EBITDA.

P. Ramakrishnan: So let me summarize that for you. If you see that yes, slide #29, right?

Sujit Jain: Yes.

P. Ramakrishnan: Okay. So we have IT&TS is the PAT that flows directly from those companies, okay, similarly, our Financial Services also flows largely from, there are no adjustments at the L&T consolidation, largely coming from the L&T consolidation of L&T Finance Holdings group, okay, and Development Projects is again a combination of Hyderabad Metro and Nabha, that is our Power Development business. So the rest of what we call is a core business that you see that in the first column as excluding services and whereas the interest and the tax part is residing in corporate.

Sujit Jain: Okay. I will take this offline, maybe.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Sir, you did say that about 50% of the contracts have some sort of price variation clause. Were you referring to the domestic order book or the overall order book?

P. Ramakrishnan: Overall.

Ashish Shah: Okay, of the overall order book, about 50%. So that would include some international orders also which has the price variation because the general understanding was that international orders are fixed-price contracts, that is why I am asking this?

P. Ramakrishnan: Yes, so when I talk about 50% fixed-price contract is comprising the international order book as well, but in international orders, the large part of orders is almost fixed-price contracts, but there are certain international orders where we have especially commodity price variations, but that proportion is less as we compare it to domestic order book.

Ashish Shah: So it would be a small proportion there, fine. Sir, I just want to ask, I mean, it is not about this one particular bid as such, but there is one bid for this tunneling contract where we were below the authority costs. I understand you did say that you have certain competency, a certain edge against the competitors and in complex projects, but what would be the sort of a thought process or rationale in a bid which is below the authority cost to see. I mean, what is that goes into that bid? What kind of savings we think we can manage in such bids? And I am not asking specifics about this one contract, but in general, whenever if that situation happens, if you can just talk a bit about it?

P. Ramakrishnan: See, you are taking up a one-off situation where possibly maybe what we quoted is below. what the client's overall cost parameters is, but as I said earlier during the call that each and every project is evaluated on a standalone basis from a pricing and engineering perspective and when we build up the cost estimate, that is based on whatever course and likely procurement prices we will have for either the materials or the various machinery that we need to procure for executing or as part of the overall supply order, but there have been a lot of cases and most of the cases, some of these estimates could be dated and what we have quoted is actually many times more than what you see customers own estimate. So it will not be proper of us to conclude that way, but if we are a bit at a lower than what the client is estimating, is there something going wrong or in terms of our pricing. As I said, each and every bid is taken into account, the pricing is done based on its own merits in terms of both technical and commercial basis.

Ashish Shah: Sir, just coming back on the margin part, you did say that the Q3 margins are reflective of the increase that we have seen in steel and cement, so is there, I mean, from a perspective of cost to completion estimate, do you think you can anticipate any negative surprise in Q4 from a cost to completion point of view, where we assess that probably because of the input prices going up, our margins need to be marked down? Or do you think that that has been corrected, then as we see the Q3 results and there is no cost to completion assessment revision need to be done in Q4?

P. Ramakrishnan: Ashish, see, in terms of, when we do projects business, every quarter, when we report revenues and margins, it is just not the progress of the job as far as that quarter is concerned. We also have to reevaluate the overall cost to complete the job and based on that, the site progress or the project progress and the margin is determined, so while we have closed the books for December, it does factor into account the overall cost to complete the job and that will actually factor any changes into the price parameters for the remaining portion of the job. So having said this, that in terms of whether we do see any sort of one-offs coming in Q4, it would not be proper of me to comment at this juncture because one-off elements do come as a surprise based on the progress of job in a particular quarter when we are proceeding on a particular project and then in this next quarter, we do see when we go into the next phase of the project, we could have some, I would say, geological or site level surprises either way, positive or negative. So based on that, we need to reassess and recompute the margins and the revenue as the project progresses.

Ashish Shah: Sure, sir. I appreciate that, only thing that I wanted to check is that the increase which we have seen up to 31st of December in the steel, cement prices or, let us say, diesel prices, whether that has been accounted in the numbers as far as the December quarter is concerned from a cost to completion of the projects point of view. That is all what I, of course, many surprises can come?

P. Ramakrishnan: I did refer that when we take the cost for the quarter that also is blended into cost for the portion which is to be completed, but that all will be taken at contracted rates and if orders have not been placed for those materials where we see a price increase, that also gets inbuilt into the cost to complete.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My question was, you did mention about Hyderabad metro refinancing, maybe in a couple of quarters' time, first half of next year. We are incurring almost 500 crores of cash burn, so you did mention that. So at the debt of 14,000, about 1,450 crores is interest cost, roughly 10%, so what is your sense on, if you can give some sense on what could be after the refinancing, what could be the interest cost, how much can it come down and whether we will be able to achieve breakeven levels wherein there won't be an equity requirement or any shortfall to be funded from the L&T parent?

P. Ramakrishnan: So Parikshit, there are two parts to your question. One is the Metro traffic, which is averaging out to roughly around 100,000 ridership on a monthly average basis and during the weekdays, it touches around 1.25L to 1.30L per day. I think the first threshold of what we call as a satisfactory operation in terms of metro ridership that would be a number what we have already seen in last year of around 300,000 to 400,000 ridership. I guess from a business perspective, that is the first threshold, which we need to witness and hopefully, with all the vaccination being successful and most of the companies in Hyderabad telling their employees to resume work from office because a major part of the metro network also covers the IT-intensive zones. I mean most of the IT companies still that work-from-home continues. To that extent, the traffic is affected, but the target to what we believe is something which we believe is coming to a number which enables us to show a profit on as far as operating cost is concerned, that should be in the range of 300,000 to 400,000 per day. So I guess, maybe it will take some more time. The second part, since the project has, I would say, a large outlay in terms of the overall project value and there is a significant amount of equity and debt, we do expect that it requires, I would say, combined efforts of the concessionaire that is the Telengana government, the lenders and L&T. So such kind of discussions, we don't expect to get closed out in one or two quarters, but as I said earlier, that we have achieved some, I would say, positive progress, but not yet not conclusive. We do expect, hopefully, by March or next quarter, we should witness some progress on the refinancing part, but it is still too early days for us to commit to any sort of a clear path ahead. Having said this, one of the reasons we have set aside 2,000 odd crores for Hyderabad Metro is precisely to ensure that pending the restructuring of the overall balance sheet, at least it is very important for L&T as a responsible investor, as a responsible developer to demonstrate to the stakeholders that despite the company's operations being affected, we still are to reserve some money to that. Hopefully, I guess, with the money having set aside, we do expect some amount of resolution soon, but I guess, time is of essence and hopefully, in the next one or two quarters, I should be in a position to communicate, I would say, constructive progress. That is the way I will put it.

Parikshit Kandpal: So you said that about 14,000 crores is debt and 2500 crores is equity, so that is about 16,500 crores. So what is the total capitalized cost of this project?

P. Ramakrishnan: I think the metro operations is around 16,000. We have not done much on the transit-oriented development. I guess we have around 18.5 million square feet of development that we can do. But against that, what we have done is only around 1.2 million square feet.

Parikshit Kandpal: So I was referring basically to cost overruns part, so which you have funded for. So the 16,500 includes your cost overrun?

P. Ramakrishnan: Yes, we don't expect any increase in the metro cost, okay, whatever costs will come in the project will be only towards transit-oriented development.

Parikshit Kandpal: The other question was on the mobilization advance, you did touch up on that 450 crores you have received for the high speed rail, so are these advances, interest bearing? Or these are interest-free operational one?

P. Ramakrishnan: They are interest-free advances and I think there is another installment of the similar amount coming in this quarter.

Parikshit Kandpal: And one more question was on the AP receivables, if you remember, year back I think May 2020, all these orders were canceled by the AP government, so have you received any money from there the pending receivables, so if you can update on the status, how much is the due still pending and how much you have recovered?

P. Ramakrishnan: So there has been some progress there. It is not that we have not been able to collect, but collection is coming in at trickle, okay, so I don't see any major improvement in the collections, but having said this, we are actively discussing with the government to resolve this matter and adequately, we have done with the ECL provisions and we do believe that we should be in a position to resolve this entire, all the orders under that particular state is concerned, which we had, I think, last year, removed it from our order book, but we are talking to the government to collect as much as possible. The government does recognize for whatever work we have done, it should get paid, but as I told earlier, any government-related job in terms of whenever it comes to claims or settlements, it will take time. So we have been realizing, but it is not of the very satisfactory amount and hopefully, I guess, in the next one or two quarters, we should see some progress.

Parikshit Kandpal: But how much would be the amount which is pending still?

P. Ramakrishnan: The amount would be in the range of, I would say, net of receivables will be around, say, 1,800 crores to 1,900 crores.

Parikshit Kandpal: So after the ECL provisioning, you are saying. So this is the gross amount or after the ECL provisioning?

P. Ramakrishnan: This should be the gross amount, please.

Parikshit Kandpal: And if you recollect, how much of the ECL provision would have already done?

P. Ramakrishnan: That would be in the range of maybe 100 odd crores.

Parikshit Kandpal: So this asset remains standard and as of now, we believe that it will come over the due course of time?

P. Ramakrishnan: Yes. We do evaluate this whole thing as we do evaluate it and we will adequately provide in case we see any lack of progress on this, but it has been continuously evaluated and pursued with the government authorities.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Sir, just one clarification, for the net working capital for core business, you said Rs. 22,000 crores, out of 35,000 consol, right?

P. Ramakrishnan: 31,000 is the net working capital we have at the group level.

Atul Tiwari: At the group level, 31 and for the core business, the parent and Hydrocarbon and other E&C?

P. Ramakrishnan: 22, yes.

Atul Tiwari: That number is 22, right?

P. Ramakrishnan: Yes.

Atul Tiwari: And you expect to maintain this at the same absolute level by the fourth quarter, I think?

P. Ramakrishnan: That is our intention. So Atul, I don't know whether you heard me. The intention is to maintain the L&T group's working capital position as of March '21 at the same or almost the same level as at March '20 and hopefully, with good collections and have vastly improved Q4. So we are monitoring it and we also like to mention here with response to this part, that we are also prospectively ensuring that wherever there is a visibility of collection happening from the client in all those projects, we are ramping up our operations. Wherever we are seeing visibility of collections not happening in all such sites, we are ensuring that the execution is in line with the collection's momentum. The focus on working capital at an absolute number is a combination of these two factors that you progress on execution at a higher pace in places where you see visibility of collections and in places, we don't see visibility of collections, the work is only to the extent of the money is collected.

Atul Tiwari: That is very clear and sir, my last question is on that 50% order book, which is on the fixed cost, so is there some kind of partial hedging that you do at like the group level on commodity exchanges or in Forex market to at least partially hit some of the commodity price risk in that part of the order book which is on the fixed cost?

P. Ramakrishnan: So it is like this. At the time of bid itself, as I said, the risk management protocol the way we follow in L&T is, we do give, our corporate treasury team provides , the kind of expected rates which need to be factored for procurements that may happen over the period of the project execution. So hopefully, till now, I mean, at least in the near-term past, I don't remember having witnessed any sort of a cost overrun because of adverse movement in commodity prices and where we are not able to have a pass-through.

Atul Tiwari: But over the past 2-3 months, the kind of movement that we have seen, that kind of movement had not been seen for the past several years, I guess?

P. Ramakrishnan: But there is also a possibility that okay, we are only talking of this current volatility in the commodity prices in this quarter, but there have been quarters where commodity prices have been also benign, right. So to that extent, it is a combination and at the end of the day, we have to ensure that the job margins do not get affected as and when they were built because of any sort of commodity price variations and as I said, we have not had any substantial impact in the near past in terms of having our margins impacted because of adverse movement.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Priyankar Biswas from Nomura Financial Services. Please go ahead.

Priyankar Biswas: Sir, first quickly, can you give me the split, like, firstly, of how much of the order book is right now multilateral-funded? And secondly, in the prospects pipeline that you said, like the domestic prospects is 2.2 trillion, so can you just split that up like, how much do you see in, let us say, Metro, Expressways, Water, the splits that usually used to mention there?

P. Ramakrishnan: So as far as multilateral, see we have 3,31,000 odd crores order book, so the amount of orders or the projects which are under multilateral funding is in the range of around 91,000 crores, okay, so that is my first response to your question and as far as our order book prospects, sector-wise is concerned, so we talked about core business prospects domestic around 2,20,000 odd crores, so a major part of that is coming from Infrastructure itself and more uniformly spaced across all the 4 or 5 segments we have in Infrastructure and we have I would say, 15,000 odd crores on the Hydrocarbon side and other businesses roughly around, I would say, 8,000 crores, 9,000 crores and the rest is all under Infrastructure and they are, I would say, broadly at the same level across the segments of, be it B&F or Heavy Civil or Transportation Infra or Water.

Priyankar Biswas: And sir, just one more, if I may, so what I was observing that in the Infrastructure segment that you have reported, it seems that the international execution is lagging far more compared to the domestic execution, I mean that is what I observed, so has this anything to do with logistics constraints like lack of container availability or the sharp rise in shipping rates? And if so, what is the hedging strategy here, like what are the steps being taken?

P. Ramakrishnan: So it is not with respect to any sort of cargo movement prices, but as I said in the early part of the call, that especially with regards to supply-like constraints, it is more manifest in, when it refers to cross-border shipments. To that extent, there has been, I would say, but the amount of impact what we had witnessed in Q3 to a large extent that has also got normalized and hopefully into Q4, the progress of execution in the international projects also should become near normal like the way we have seen in domestic.

Priyankar Biswas: As I have just missed one figure, so in Hyderabad Metro, can you repeat the amount, what was the amount for depreciation?

P. Ramakrishnan: 75 crores per quarter.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. P. Ramakrishnan for closing comments.

P. Ramakrishnan: So thank you, everyone for participating in the call. I hope we have been able to answer all of your queries and questions, but given the expands of our business, I am sure you will have some follow-on questions. So please feel free to call me or Harish in case you would like to have any clarifications. Thanks for taking your time off this evening and looking forward to meeting all of you in person soon. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Larsen & Toubro Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.