“The Anup Engineering Limited Q4 FY-20 Post-Results Analyst & Investor Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Conference Call for Analysts and Investors for Post-Results Discussion Quarter Q4 and full financial year 2019-20 for The Anup Engineering 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishi Roop Kapoor. Thank you and over to you sir.

Rishi Roop Kapoor: Thank you Raymond. Good afternoon everyone who have joined this call.

Before I begin let me share with you that I have with me our CFO, Mr. Rakesh Poddar and Company Secretary, Mr. Chintan Patel. We appreciate you joining today for our fourth-quarter earnings call for FY2020. Before we proceed to the call let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risk that could cause actual results, performance or achievements to differ significantly from what is expressed or implied in such forward-looking statements. Please note that we have mailed the results, the press release and also the outcome of the board meeting and the same are available on the company's website. In case you have not received the same you can write to us and we would be happy to send the same over to you.

We had our board meeting yesterday to review the annual financial results of FY20. As you all know FY20 per se has been a challenging year for many reasons, the overall economic scenario has not been encouraging. But I am happy to report that barring COVID19 impacted in the overall we had a decent performance on the financials of the company and I hope that you have received the investor deck which we have posted on our website to elaborate on the performances. I will first briefly mention the highlights of the performance for the Q4 and the year as a whole and then we will proceed with the remaining comments.

As most of you would have seen the Q4 numbers have seen muted growth. This is primarily due to the fact that we had about three weeks of critical activities getting impacted because of the nationwide lockdown due to COVID19. Therefore Q4 FY20 is not really comparable with Q4 FY19. The impact that has happened, you know, March being a very-very important month for the manufacturing industry and we are no exceptions. This is impacted our sales performance approximately by about 30 to 35 crores. All in all we were progressing towards the target that we had initially planned however the impact has been significant to the extent I mentioned earlier.

With regards to the number of Q4 FY20 revenue has been higher by about 8% at Rs. 70 crores compared to the corresponding period last year but because of higher cost absorptions and overall sales loss that we had in Q4, EBITDA has been lower at 11% compared with the previous quarter of corresponding period from Rs. 18 crores to Rs. 16 crores and at a margin of 22% compared to 27% last quarter. Adjusted for three weeks of production loss the growth would have been something like 55% in Q4 where the revenue would have touched Rs. 100 crores as compared to Rs. 65 crores last year. Having said that we are now happy to report that overall the year ended with a revenue of Rs. 245 crores which was higher by 11% with an EBITDA of Rs. 69 crores again higher by 13%. This is the highest ever EBITDA performed by the company and highest ever PAT of Rs. 43 crores as compared to the Rs. 39 crores of last year.

Going forward we are confident that with our focus on conserving capital, balance sheet protection and management of our operating expenses should hold us in good step vis-à-vis the prevailing COVID19 situation and the challenges that could spring up in the coming months.

On the funds part of Rs. 44 crores 31st of March, 2020 which has further strengthened by additional earnings of Rs. 21 crores translating to Rs. 65 crores as we talk today. We had order book of Rs. 267 crores as on 1st of April, 2020 which has been further strengthened giving us a very robust visibility ahead. In fact we are happy to report that since 31st of March till now we have booked additional orders worth Rs. 101-102 crores approximately and our enquiry pipelines continue to remain strong with healthy opportunity for us to book orders during the coming months.

On the CAPEX front as we have heavy day extension at the company's existing facilities in Odhav have been completed successfully in the month of January, we were delayed by about a month or so, about a month, month-and-half. But this goes a long way in strengthening our manufacturing capabilities at Odhav. This will also help the company to execute larger and more complex equipment orders. Further the company plans to ramp up its Kheda project to catch up on lost time due to COVID19 at the same time balancing the cash flows with a cautious approach precipitated by the pandemic.

As far as the dividend is concerned, the board has recommended a dividend at 70% that is Rs. 7 per equity share of Rs. 10 each of the company for the year ended 31st of March, 2020. Thank you very much for your patience and we are now ready to address your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: I have couple of questions; suppose this with regards to the order inflow. Quarter 1 has seen a wonderful order inflow of about Rs. 89 crores as in the presentation. So just wanted to understand two things, one is from what segment these orders have been received and going forward given the situation as we see today where do you expect transaction to come in further order inflows, which segment do you feel could be segment where we can have a much better order where the growth momentum of order inflow would continue and any of the segments where you see there might be some issues here and there? With regards to orders also in the deferment of any of the orders which is there in the order book and the current order book what kind of execution cycle do you have in terms of the time period?

Rishi Roop Kapoor: I think that was more than two questions. But let me begin by just updating you. Yes, Rs. 89 crores of order book has happened, was there until 24th of June till the time we had posted that presentation, in the investor brief. Further to that we got further orders of about Rs. 12 crores so that takes the total number to about Rs. 101 crores. Primarily the orders have flown in from the refining sector with the new refineries which is coming up in Barmer in Rajasthan, we got orders from there and plus the additional facilities that has been created by HPCL in Vizag. These two have been the primary sources. Added to that we have got some orders from export as well and this also was from the refining industry. So in a way the order makes that has happened in these three months have been primarily from the refining sector. We did get a breakthrough order in the power sector and also from one of the coal testing facilities of ISRO. These have been like sectors which have been like kind of new for Anup Engineering. So that takes our total order book to about Rs. 368 crores odd which is an all-time high for Anup Engineering. Look at the order mix; yes we have orders, from refining sector it continues to dominate. We do have orders from fertilizers, from waste heat, petrochemicals and of course big chunk of orders have come in from relatively newer sectors like LNG, power sector and like I said the coal testing facility, chemical sector, paper and pulp industry that is another different kind of segment of the industry which we have entered into. These are the primary business industry segments from where we have got the orders. If you were to look at the mix export versus domestic, for the last year the Rs. 245 crores is almost about 12% export, almost 88% domestic. As moving to this buckets of Rs. 368 crores almost 23% to 24% is exports and 77% is domestic. I hope I have been able to answer all your questions.

Rahul Jain: What is the execution cycle for these orders?

Rishi Roop Kapoor: Typically, Rahul these are static equipment's, these are critical equipment's and made to order, so these are not being the standard products. For each and every order the engineering has to be performed, followed by its own specific procurement. There are no standard material that we can stop. So typically the order cycles maybe from 7 months to anywhere up to 14 months or 15 months depending on the criticality of the equipment and the material lead times.

Rahul Jain: Just two book keeping questions, one is with regard to these Rs, 44 crores of loan which was given among our group companies and as per the current balance sheet currently that appears to be nil but we have about Rs. 20 crores in financial asset and about Rs. 24 crores in other expenses, again as a part of investment and your presentation does mention about some funds being invested into FDs with State Bank of India. So can we know this investment of Rs. 20 crores and Rs. 24 crores if you could share some details about this?

Rishi Roop Kapoor: As of now we have adopted a very conservative approach in line with the decisions at the board level and we have parked these funds as FDs in the State Bank of India.

Rahul Jain: So this entire 44 crores is now is with State Bank of India as an FD?

Rishi Roop Kapoor: Yes that's true. It has now increased to may be as on date it would be somewhere about Rs. 65 crores.

Rahul Jain: So this is quite good that means our inter-corporate related party transactions we had advanced these loans to Arvind Group Company….

Rishi Roop Kapoor: Has been now completely reduced to zero.

Rahul Jain: That is so nice. Lastly there is a sharp reduction in other expenses in this quarter. We have been generally taking about Rs. 13-14 crores of other expenses in each quarter four last Rs. 4-5 quarters, so this time it is down to around Rs. 8.5, any specific reduction which we have done and typically given the current scenario we are taking certain cost reduction measures which could be sustainable?

Rishi Roop Kapoor: Rahul I will let Rakesh answer this question.

Rakesh Poddar: So Rahul, our other expenses are having freight expenses, also we are having labor expenses, we are having core buckets of raw materials and stock, employee emoluments and other expenses, so this other expenses in the buckets of all other expenses maybe pertaining to freights, labor charges and our other manufacturing overheads. So yes, as you rightly commented we have been able to contain many of these expenses so as to reduce from Rs.13 crores to Rs. 8 crores in the comparative quarter.

Rishi Roop Kapoor: So it also depends Rahul, just to elaborate a little bit more on this is that the freight expenses tend to be like it depends on the sites where our equipment have to reach and also on the scope of our company, so lot of these orders the freight was included in the scope of the customer which is the reason why you see this as a sharp reduction as compared to the previous quarter of the corresponding period.

Moderator: The next question is from the line of Kirti Jain from Sundaram Mutual Fund.

Kirti Jain: My first question is with regards to in your presentation you have highlighted that we continue to have a strong pipeline, so in that regard how you see the order flow in the rest of the nine months? I know you've achieved (+) Rs. 100 crores in the first quarter itself, how you see the order flow in the remainder of the period even the strong order pipeline you see? And also how you see the margin trajectory in the orders which we have taken in the recent times we see, whether we would be able to maintain the similar margin range which we have been doing? So these are the two questions from my side.

Rishi Roop Kapoor: To answer the first question I think the trend which has been set in Q1 I do not really see that ebbing in the coming months because we continue to have very strong pipeline of enquiries and again we are in that position of like we are going to be may be more. So that we will have to take into consideration the kind of capacities that we have because the most important aspect of dealing with Anup Engineering that our customers have conveyed to us is our phenomenal on-time delivery records and that's the kind of reliability that we have developed and we would not like to dilute that because that's something which is very close to our heart. So order booking as far as the availability of the opportunity is concerned is not a problem. Going forward I don't see any dip in that. In terms of the margins also we have been pretty consistent in the kind of margins that we have delivered. Overall if you look at the last year we've delivered 38% EBITDA as compared to 27% in FY 19 and again the process of evaluation of enquiries and the prices that we offer to our customers, the process of evaluation does not change at all. So we don't see any kind of changes in the margin trajectory in the months to come.

Kirti Jain: What will be the CAPEX outlay which is planned for FY21 and what were the areas where the CAPEX was spent in FY20?

Rishi Roop Kapoor: In FY20 like we have mentioned I think we have also presented in our presentation to the investors is that we have created this new Bay; it is a kind of an extension of our existing heavy Bay. So that itself is about Rs. 13 crores, so this is the work that we have been able to do in Odhav this is in the existing facility because of several factors which included a kind of extended monsoons in this area we could not really work to the extent that was possible at our new facility, new land that we have purchased at Kheda and the moment that we were regrouping and remobilizing our resources to take that work forward we were hit by the COVID outbreak. So everything pretty much came to the standstill and we were not really able to take it forward in Kheda. So the entire CAPEX outlay almost about Rs. 200 crores that continues to remain in the pipeline and we intend to may be do it in the next 2 to 3 years. In this current year we have started the work at Kheda in a limited manner but at this moment because of the uncertainties which are there because of COVID it is not really possible for me to make a prediction as to how much will be able to do in this year. Our intention is that we would like to at least one Bay in Kheda in this year and also create one Clean Room in inner facilities that Odhhav. So these are the two things that we have planned so going ahead in this current fiscal, what has started but then again like I said there are several factors which are not really in our control and as we move forward we got to balance out everything without taking too much of risk in terms of moving ahead on the CAPEX. So we stayed committed to the original plan that we have of developing the plant in Kheda which will be a state-of-the-art facility comprising of totally 8 Bays with lot of additional augmented facilities which will take us and propel us to a complete new product range in the Pressure Vessels and Columns business and also the Clean Room in Odhav is extremely important I mean strategically it's very important because we want to position ourselves as a fabricator who is not limited by the kind of metallurgy that we can offer. So in that area we would continue to make our efforts.

Moderator: The next question is from the line of Apoorva Saha from PhillipCapital.

Apoorva Saha: My first question is with context to your opening remarks, so you said that Rs. 30 to 35 crores of order was impacted by because of the COVID situation, so just wanted your clarity so that

Rs. 30 to 35 will be reflected in Q1 or Q2 and as on March 20 the same number because that Vessel or equipment might be sitting as an inventory in our balance sheet?

Rishi Roop Kapoor: Yes I think to an extent you can say that the equipment's were in the final stages at that time meaning the final joining or final assembly was remaining or the testing of the equipment, the final hydro-static testing of these equipment's was pending and that is certainly going to reflect in the Q1 and Q2 sales.

Apoorva Saha: So basically that is not a revenue loss but it's the deferment, so maybe in Q1-Q2 that will be adjusted somewhere?

Rishi Roop Kapoor: No absolutely, it is not a loss of revenue, it is going to be like a kind of spill-over into March and into next quarters.

Apoorva Saha: Second question is related to like it's heartening to see your order book at Rs. 368 crores but can you guide us through our user industry because our most of the user industry which is like refinery or petrochemical which is passing through critical situation, what kind of feedback you're getting from your customers or consultants we are working with because we are working with one of the top most consultants, so what is their expectation and what they expect and when do you see situation getting normalize and have you seen any of the user industry CAPEX getting delayed or canceled?

Rishi Roop Kapoor: No, on the contrary there are lot of these investments which are happening in India or in the refining sector and there because of the environmental norms and going forward these norms are going to become stricter and stricter and even in the developed world also we will have the second or third wave of these norms, so even in the Western countries we will have the refineries who will have to upgrade in order to keep up with the emission norms with those countries are going to adopt in the coming future. So it's not really that something which the refineries will have to do to same business and to keep producing. Similarly in the fertilizers sector and most of the fertilizer plants especially in India they are coal based and they would like to be converted into gas, so those kinds of projects we continued to happen in the fertilizer sector as well. Plus we are seeing that a lot of power plants in India though India is power surplus but still the main feed continues to—they are all—coal based and they will have to be and we have the abundance of coal as a natural resource, so that has to be maybe the coal gasification plants will strike a balance which allow us the balance to find the best optimum use of this resource very important resource that India have and convert these power plants from thermal based to maybe gas based. So these are the things that we are looking at plus like I said at Anup Engineering what we believe is that we are skillful with materials, we are skillful with all kind of metals and we know how to cut them, how to form them, how to bend them and this is where our skill-set lies and our services are going to be available to any core sectors that will open up in the future. So that's how I would like to answer your question.

Apoorva Saha: Just one related question to you, so out of these Rs. 368 crores of current order book can you have the split across the user industries, first thing and second thing, the split between domestic and export orders?

Rishi Roop Kapoor: Between domestic and exports we have about 23% of exports and 77% of domestic. In terms of industry segmentation if you were to look at it we have almost 59% from the refining sector, we have fertilizers sector about 15%, we have midstream and petrochemicals about 7% and the remaining comes from these kinds of new areas for us which are LNG, power, paper and pulp, may be chemical sector to that extent.

Moderator: The next question is from the line of Anand Bhavnani from Unifi Capital.

Anand Bhavnani: I have two questions but before the questions I would congratulate management for the very minor shareholder friendly move of unwinding the transaction and putting it in FD. Thank you very much. So my first question is about our broad expectation after COVID; now if I were to refer to the last year Q4 FY19 presentation, there the distinctively envisaged that in 4-5 years we can touch Rs. 1000 crores kind of topline. That was the ballpark kind of estimate we had. Now with COVID how does that change that is my first question?

Rishi Roop Kapoor: Let me answer your questions, broad long term outlook does not change at all. We would like to inform you COVID is a short-term blip though it has impacted us majorly in the past year and also continues to impact us in the current year. But hopefully this is something that we will soon get by. It's all question how soon, maybe in September, by end of this calendar year we will have to wait and watch. But this will not really impact our overall strategic plans. On the long-term horizon of 4 years or 5 years we continue to aspire achieve Rs. 1000 crores and it is to this end that we are investing in our plants and facilities, to upgrade our capabilities and capacities. If you look at our asset base, currently it's about Rs. 156 crores; it's another Rs. 200 crores that we have planned outlays for. It's going to about Rs. 350 crores, so if we were to even look an asset turn which is less than 3 we should be able to hit Rs. 1000 crores if we were to optimally utilize our capacities. So that's how I would like to answer.

Anand Bhavnani: Secondly with regards to our CAPEX since the plan for new developments at Kheda is kind of currently postponed a bit in just to one Bay, wanted to understand with our existing set up what is the revenue potential possible and would you be able to take all the orders or would it delay entry into certain newer segments because the Kheda plant is currently pushed back a bit. So in terms of our capabilities, any new capabilities which we will now have to start doing later because we don't have much space, from current capability what is the revenue possible?

Rishi Roop Kapoor: You're talking about the overall possibility the potential that we have from the current capabilities?

Anand Bhavnani: Yes current capabilities, the revenue potential from the fixed infrastructure if we have to utilize to optimal level what is possible?

Rishi Roop Kapoor: Infrastructure should be able to give us about Rs. 500 crores, anywhere between Rs. 500 to 600 crores and that's a capability that we have developed.

Anand Bhavnani: Given that Kheda plan is now a bit delayed, does it in anyway limit our entry into the newer products segments that we were planning?

Rishi Roop Kapoor: Not really because we have been able to strengthen our capacities in Odhav to quite a high extent and this Bay that we have created over here and which we have commissioned by end of January in Odhav that is again one of the states of the art kind of facilities with heavy lift capabilities—not to the extent of it 800 metric tons which we planned to achieve at Kheda—but here also it is able to lift up to 500 metric tons. So to that extent we will be able to take our initial steps in the direction of having a different kind of product mix and we already have orders which are quite different in the order buckets that we have our equipment which are heavy walled, heavy thickness where we are going to utilize the capacity that we have already created. Just to set the Kheda project line into a good perspective we had initially planned that—I remember what we had planned was—the commissioning of the first Bay at Kheda was scheduled to be in the month of June or July in this year. So this stand impacted. But like I said we are on the lookout, we are focused on that creating that infrastructure very fast and if we get the opportunity we get a clear window we will go ahead with that. So that also should like I am not able to commit to you, not able to indicate to you the timeline in which we will be able to do this because of course with so many uncertainties and our prime focus right now is to do justice with the orders that we have, the strong order book that we have and of course keep making progress in Kheda to the extent possible.

Anand Bhavnani: Just a book keeping question, in last year's presentation year ending presentation we had given a split up heat exchangers and pressure vessels and other smaller areas of the order book, so the Rs. 300 crores order book was split into five areas. Can you give that split for the order book that we have as of today?

Rishi Roop Kapoor: More or less it continues to remain the same because from Odhav we are like traditional product mix has been predominantly heat exchangers but I would say that in the current fiscal from the order buckets that we have of Rs. 368 crores, I think this year we would be slightly higher on the vessels, from somewhere 22% last year it would be more to the tune of about 30%. So 70% heat exchangers and 30% vessels and columns.

Moderator: The next question is from the line of Ritika Gupta from Aequitas Investments.

Ritika Gupta: I wanted to know what is the kind of competition against which we won these orders for the coal testing facility from ISRO, Fertilizers the newer segments that we have entered into. Are we seeing like great competition there and are we seeing any realization pressure?

Rishi Roop Kapoor: See again like I said the kind of facilities that we have, the kind of engineering and manufacturing capabilities that we have, we are all I mean the battle is being fought amongst the 3 or 4 of leading fabricators in the country and you all know about those companies. And this was right there at the top, one of the highest end equipment with thicknesses very high in excess of maybe 6 inches. So that limits our competition, it rules out a lot of other companies. So it was limited to that but having said that there is always the pressure from competition always drives us to do better and better. So we would like to state that.

Ritika Gupta: How would be your current capacity utilization?

Rishi Roop Kapoor: Since the lockdown has ended somewhere partially in the beginning of May in Ahmadabad but still there is a lot of kind of other issues which everyone is aware about specially the safety protocols, the new normal as we would call it now has been pretty like it is taking some time for people to learn and we have also taken kind of tentative steps towards ramping up our full capacity utilization. And I think we are still yet to achieve it because it was two primary factors that have impacted, first is the COVID itself where it introduced a lot of protocols and lot of administration guidelines that we have to adhere to, working hours and the curfew timings etc. It's only maybe about 15 days from the initial day that we really partially started functioning maybe at the level of 30% I would say. By the end of May we were somewhere about 30% of our capacities and at this moment may be we would be working about 55% kind of capacities.

Ritika Gupta: Do we see any impact because of the Indo-china tensions like any of our raw materials which we import from China because of that any of our orders could get delayed?

Rishi Roop Kapoor: So here I think traditionally the Pressure Vessel industry has been quite skeptical of the Chinese material, so a lot of our projects they bar us from using material from China. So to that extent our dependence on China was less, in fact in the last year we were looking to explore new areas and we did place a couple of orders but those orders got closed out. So as on today there is no material that we are importing from China. So whatever the imported materials that we had ordered in China in a very limited manner we have received that material without any problems. Going forward of course how I envisage is that we would skeptical in ordering anything from China given the geo-political situation that is prevailing in the region of course and even otherwise if I look at it purely from a project perspective I would not like to endanger the timelines by going ahead and ordering something from China and where the material gets stuck and we have to relocate the order. So as of now we have decided that we will not order material from China and in any case in the past also our purchasing from China was extremely limited. We were just beginning to kind of explore when this situation has emerged.

Ritika Gupta: Have any of our existing orders that we had received last year or the year before last been canceled of late?

Rishi Roop Kapoor: We are in fact pretty happy to report that none of our orders have been canceled. Yes there could be limited holds on individual orders but that again depends on lot of technical changes etc.

Ritika Gupta: And none have been renegotiated downward for price either?

Rishi Roop Kapoor: Not really. There is no justification for a renegotiation. In fact I would like to maybe highlight that last year one of the achievements that we have made is that just in order to let you know about the kind of emphasis that we have on the project timelines is that in these times in the Q4 in the period that we worked in January and February we were able to actually deliver one equipment to one of our end users and earned bonus on it, so that's something which we have achieved.

Moderator: The next question is from the line of Abhilasha Satale from Dalal & Broacha.

Abhilasha Satale: It is just a continuation of the previous question like we have said that Rs. 30 crores of order, the revenue couldn't booked, so basically I want to understand what is the reason for this, is it from the client that they have delayed because our plants were shut we couldn't deliver this order? And similarly like as you said our plants operating at 55%, so will that be impacted also would aggravate in Q1?

Rishi Roop Kapoor: Let me just clarify a little bit; the Quarter 4 for manufacturing industry is always a very heavy quarter. we tend to almost deliver very high percentage, maybe 30% of what we do in the year is actually delivered in the Q4 and out of Q4 the month of March especially is very-very important because by that time we are getting our peak in terms of manpower mobilization, in terms of capacity utilization, in terms of all our resource mobilization, so that's the most productive months that we have in the whole of the year. So when the lockdown hit us and then this situation actually came into prominence we were kind of taken by surprise and it did start impacting us from 15th of March onwards when the clients inspected, there were restrictions on travel and people were not really knowing what is around. So there was a time in which there was a lot of skepticism and there were a lot of questions as to how things are going to pan out, what exactly is this. So in that 15 days we were not able to complete the orders which were in the final stages of completion, so which means the final assembly then followed by inspection activities, some of the NDT testing which is there and then hydrostatic testing and painting and finally dispatch. So these activities got impacted because of the last 15 days in March getting impacted because of the COVID, so that's how we could not build those equipment as we had planned to do and that has gone into the process stock for as into the Q1 and Q2 of course and that you will see that equipment, they will reflect in the sales of Q1 and Q2.

Abhilasha Satale: Seeing the current order inflows and visibility you have in terms of the opportunity size and all, this year would you like to give any guidance in terms of top line because earlier you used to give 15% to 20% kind of guidance. So this year would you stick to that number, is there a…

Rishi Roop Kapoor: It's very difficult for us to give any kind of a guidance. Based on the current situation, we consider the situation to be stable and remaining like this across the remaining of the fiscal year maybe we can certainly expect to do a double-digit growth. However it is very difficult to make any kind of concrete predictions; maybe if the better time would be to evaluate and reassess at the end of H1 and that would be the time when lot of contributing factors would have stabilized and that is the time when we can perhaps say it more confidently.

Moderator: The next question is from the line of Ronak Vora from AUM Advisors.

Saurabh Shah: This is Saurabh Shah here from AUM Fund Advisors. Rishi question about, so of a different kind of comments we have been hearing. So it sounds like you have the highest ever order book as we stand today. Secondly you mentioned that you will have bit of the rollover from the last quarter, approximately Rs. 55 crores kind of gap between your budget and your top line which you said will be carried forward in this year and also you seem to be having interesting new segments opening up. So it does look like on the sale side there is a good pipeline building up and there is a positive momentum on demand and there you mentioned I think few minutes ago that it is still very difficult and you would look at potential double-digit growth player. Just kind of wondering between the two, where should be we keep our minds at? It does seem a bit that comment on the number for growth fair to be conservative related to the other qualitative commentary you just mentioned. So could you give some more better view?

Rishi Roop Kapoor: Let me share with you. There are reasons for it because you see the COVID impact is something that we will need to factor in. So it's not just the 2 months that we have lost, practically the whole of April and most of May was lost in COVID, so the damage has already been done for the year and the more important factor that we need to look at is that a restoring the plant capacity utilization. How soon we are able to do that is something which is what is driving our efforts and our energies in that direction. So that's the reason why still I, mean it's too early to make any kind of a firm kind of a projection because of the prevailing situation. We are not having a round the clock working, there are curfew hours that have to be factored in and there is more than anything else…

Saurabh Shah: So the execution and the expectation with the people involved and managing your own.

Rishi Roop Kapoor: Yes of course there is a human element which is involved here where people have really gone through a lot of trauma. So for us to really hit the levels, the pre-COVID utilization and the kind of momentum that we had at that time, I'm not really sure when we are able to get that plus every day you hear things like where the administration places restrictions on you by sealing of areas, sealing of buildings, where people tend to, we could also be impacted because of that. So we will have to adhere to the various guidelines that come out time to time. So keeping all that in mind yes I am conservative as far as the projections go.

Saurabh Shah: You are basically saying the execution could be addressed with these external factors in play and that's…

Rishi Roop Kapoor: Yes I would like to further review and see how it goes in the next 3 months and then perhaps more from kind of a projection.

Saurabh Shah: The other part was regarding the investing in Kheda. So just wanted to clarify so Kheda what you are saying also on similar grounds, you are seeing good demand momentum and the normal course with this demand come you would have liked to expand Kheda as fast as possible especially as you want to go with the Clean Room at current location, more upstream products and all that but because you have difficulty getting the CAPEX executed that's why it will be slow and you will probably have just one Bay ready or you are actually conserving because you see some order fall off.

Rishi Roop Kapoor: No let me just clarify. Kheda is not really just a short-term measure. So just because I am having a good demand right now is not going to something which is driving me towards to do the work at Kheda. Kheda sets in the larger scheme of things, may be on a longest span of 4 years or 5 years going forward and that outlook does not change. It's only a short-term measure where I am in order to execute the project over there, there are some practical issues which everybody is facing in getting the necessary permissions and necessary the manpower, availability for executing the project. So to that extent it is difficult and of course because of the uncertainties which are there we would like to move forward with a lot more confidence post this COVID crisis has blown over.

Saurabh Shah: But just to play whether devil's advocate here say if you were to put Kheda into place with all the uncertainty given that it is there slightly ahead of the order execution; you would have to wait be may be a couple of quarters before its full, it doesn't sound like it's going to be much more than that given, you already, pre COVID utilization at the current location? So the question is why would we…

Rishi Roop Kapoor: We are not really at the pre COVID utilizations and at the same time more than Kheda what is right now we are focusing is on the Clean Room which happens at Odhav that is something which will definitely commission in this year. As far as Kheda is concerned right now even the focus is really on execution, that's something which is very important on us. So the work at Kheda will pan out to the extent the circumstances permit us. We are going to make efforts but at the same time not able to really commit because in the past whatever time that we have seen; in the last year we had monsoons which were extended right until December we had showers and we were not able to do the soil work that we wanted to do there in Kheda. So that got extended and then once we restarted it again the COVID impact was there and once again we are in the monsoon period. So how much of that momentum we will be able to develop at Kheda is something which is but it does not change our plan or the intent to develop the plant in Kheda is something which is very much on the cards and we are looking for opportunities and we get a stable window, we will go ahead and do it.

Moderator: The next question is from the line of Shubham Agarwal from Equitas Consultants.

Shubham Agarwal: I wanted to know if you have entered into any new technical tie-ups in the last quarter and if you could also elaborate on the technology or asset that you are looking to acquire or any new product segment that you are looking to enter?

Rishi Roop Kapoor: Yes I am very happy to share with you that we have if you remember the last year; around the same time we had entered into an agreement for a new technology and I can now share with you that their technology is called the Embaffle Technology and we had entered with an Italian partner. We are the sole licensee of that particular technology. It is for an advanced kind of a heat exchanger and we have been able to make a breakthrough in terms of bagging our first order based on their technology and that happened in the beginning of March. So from a refining measure we have been able to get that order. So that's something which is a very-very important breakthrough that we have been able to get. It proves, it reinstates and reinforces our belief in the fact that to going forward we will have to keep reinventing the kind of product mix that we have, keep looking for equipment which are high technology oriented and where we are able to customize the solutions to our customers based on their specific requirements. At the same time we have been able to begin our work for the power sector, for GE we have been able to get our first order and we are going to execute that in the coming months so that has been a breakthrough for us. Similarly in terms of metallurgies we have been able to add a couple of new kind of metallurgies in our product buckets, something which is Chrome Moly we are a been able to get those approvals for the Chrome Moly Steels, for Super Duplex stainless steels now we are among the handful of people who are approved in India for that kind of materials for Indian projects. So that journey of course it continues and we will keep our on enhancing the kind of approvals and the kind of capabilities that we have, hand-in-hand going forward.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Just one question; so I think you mentioned about you are entering into new area like LNG so can you elaborate on the kind of products that we are making, is it for the refrigeration cycled heat exchangers that we are working on or it's like some smaller component of that?

Rishi Roop Kapoor: It is high Pressure Vessels that we are making.

Dhwanil Desai: It's a Pressure Vessel, it's not the heat exchanger that's used for….

Rishi Roop Kapoor: It's a Pressure Vessel.

Dhwanil Desai: I understood from AGM that our aspiration is to move towards getting into that liquefaction cycle and the heat exchanger, does that stand or you think there is some road to travel?

Rishi Roop Kapoor: That very much stands and we are committed towards, see again as far as we are concerned, the kind of capabilities that we have developed over the years they find many applications across industry segments. It's not just about LNG, LNG is liquefaction of course it continues to remain there on our radar and as far as our efforts goes we are continuing in that direction but of course because the kind of capabilities that we have, we will be able to do more severe kind of operating conditions whether it is temperature, whether it is pressure; we will be able to make those kind of equipment's which are suitable for more severe of the applications because we need to understand where all these plants going forward because of the environmental norms getting imposed, they will have to really evolve the way that they have configured their plants and they will have to move towards more severe operating and design conditions like pressures and operating temperatures etc. which will involve usage of very-very high metallurgies and very different and high pressure kind of equipment. So we are gearing ourselves up and we have been able to make the big breakthroughs in the kind of order buckets that we have. It does contain that high-end equipment, the extreme high-end equipment.

Dhwanil Desai: But we can handle cryogenic, that capability already exist or something that we need to apply?

Rishi Roop Kapoor: Clean Room, the cryogenics is going to become a very close reality.

Moderator: We take the last question from the line of Rane Jhaveri from JNJ Holdings.

Rane Jhaveri: Can you throw some light on the working capital cycle going forward? Is there any deferment of pickup of the goods that we will manufactured or are the clients asking for some delay, if you can just throw some light on this aspect please?

Rakesh Poddar: Mr. Rane we are having a working capital turns of 2.5 as on 31st of March 20 and we target our working capital turns of 3 by end of this fiscal. There has not been any case where we are finding that there has been a delay on the pickup from the customers as in fact as Rishi sir mentioned we have been able to prepone our dispatches in one of our clients where we were able to land up with getting bonus payments. So forgetting about postponement, there are cases of even preponement. So we think that we should be able to close the year with 3 turns of a working capital.

Rishi Roop Kapoor: Thank you everyone for being on the call.

Moderator: Thank you very much. On behalf of The Anup Engineering Limited that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.