"The Anup Engineering Q1 FY23 Earnings Conference Call"

August 09, 2022

MANAGEMENT: **MR. RISHI ROOP KAPOOR – CHIEF EXECUTIVE OFFICER, THE ANUP ENGINEERING LIMITED**
MR. BHAVESH SHAH –CFO, THE ANUP ENGINEERING LIMITED
MR. CHINTANKUMAR PATEL – COMPANY SECRETARY, THE ANUP ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 earnings conference call of The Anup Engineering Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we proceed to the call, let me remind you that the discussions may contain certain forward-looking statements that may involve known or unknown risk, 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 has been expressed or implied in such forward-looking statements. Please note that the Company has uploaded the Results, Press Release, Investor Presentation and also the outcome of the Board Meeting on the website of the stock exchange and website of the Company.

I now hand the conference over to Mr. Rishi Roop Kapoor, thank you and over to you, Sir.

Rishi Roop Kapoor: Thank you and good afternoon to everyone who has joined this call. Before I begin let me share with you that I have here with me our CFO – Mr. Bhavesh Shah and the Company Secretary – Mr. Chintan Patel. We are officially joining today for our con call for Q1 FY23.

Let me begin by taking you through our numbers for Q1 FY23:

The revenues are at the same level at Rs. 52 crores, we have a very strong order book and WIP, which provides good revenue visibility in the coming periods. EBITDA is at Rs. 9.4 crores, that is 18.2%, this is primarily because of the impact of high material prices. We have an all-time high opening order book of approximately Rs. 537 crores, also we have booked orders worth almost Rs. 70 crores since 1st of July till date. Current year order booking till date is about Rs. 263 crores including the highest ever order of Rs. 103 crores from a public sector refinery. I'm happy to share with you that we are in advanced stages of discussions for our technological tie-up for more complex and advanced designs equipment and we will be sharing the details with you once the collaboration, the agreements has been inked.

On the CAPEX front:

We were able to make significant progress by achieving some important milestones including the new urban bay with lifting capacity 150 metric tons along with clean room facility which will allow us to tap the exotic materials segment and upgradation of existing bays. We were also able to speed up the progress of construction in our new facility at Kheda which will be as the cornerstone for future growth.

Thank you and I shall be happy to answer any questions that you may have.

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Chirag Shah, please go ahead.

Chirag Shah: Did we face any execution challenges during Q1 because what I understand is that during the Q4 call we had an order book of I think Rs. 394 crores odd and the management had guided a revenue of more than Rs. 400 crores for FY23. Now Q1 is out of the picture and we just had more or less similar levels when compared to last year. Did we face any challenges on the execution side that is question number one, the question two, does the management to retain the guidance for Rs. 400 crores of topline for FY23, now that the order book is just increasing and my third and the last question is that we have seen 18% margin for Q1 and now we have seen the commodity prices softening going forward, can we expect the margin to go back in the range of 22-24% or so? Thanks.

Rishi Roop Kapoor: Thank you for your question. As far as the low revenue in Q1 is concerned I think this is mainly the result of selected revenue mix that we have with the most of the deliveries which are related to happen in the subsequent quarters. That means, now onwards. Q2 onwards will be the most of the deliveries of our revenue mix that we have selected for the year. Yes we are trying to pull them forward as much as we can but this is how it is. To answer your question there are no operational challenges, in fact on the contrary if you look at the closing WIP, it's an all-time high of about Rs. 85 crores, this is the level of WIP that we have, opening for Quarter 2. As far as the turnover, the revenue guidance that we have shared in the previous con call for the year, there is no change in that. Like I said the revenue mix has been selected based on the deliverability and all factors have been considered, so we retain the revenue guidance of about Rs. 382 - Rs. 400 crores for FY23. As far as the margins are concerned, yes it is an impact of affiliations in the material prices and that impact will continue to be there with us, however we're confident that we will be closing the year with about 4 or 5% hit on the EBITDA margin at about 20%.

Moderator: We take the next question from the line of Saket Kapoor from Kapoor & Corporation. Please go ahead.

Saket Kapoor: As during yesterday's AGM also and earlier also in the Q4 con call you did guided for this 380 to 400 band and now the first quarter being a very soft quarter, so the run rate is definitely going to improve significantly if we are nearing anyway between 380 to 400, easily 100 crores is envisaged, just to reach this mark even on the lower side at 380. So, that understanding is correct that this is the bottom in terms of execution cycle and now it is only the upward graph that you are expecting from this quarter itself?

Rishi Roop Kapoor: Yes, that is correct.

Saket Kapoor: In terms of margin profile for the year as a whole year we will be trending at 20% margin, what was the margin for the last year FY22?

Rishi Roop Kapoor: I think for FY22 it was about 24.5% and we are looking at closing FY23, we are expecting to close it around 20% mark, taking ahead of about 4 to 5% of the EBITDA.

Saket Kapoor: Okay and Q1 was 19%?

Rishi Roop Kapoor: Q1 was like 18%.

Saket Kapoor: You did mention that this is the deliverable cycle from the client end or mapped in such a way that the scheduled deliveries are post-June, so that is the reason that is built-up in inventory and the working capital progress?

Rishi Roop Kapoor: That is correct. If you see, just give everybody a sense of the whole comparison, in the previous year if you look at the closing WIP for Q1 it was somewhere in the region of about Rs. 44 crores and in the current year it is about Rs. 85 crores, so that gives you an idea.

Saket Kapoor: In your presentation you have mentioned that for better synergy, fungibility and optimally utilize the capacity at Odhav and Kheda, you would be operating Kheda as a plant to the existing Company rather than the subsidiary. If you could explain what are we trying to convey from here?

Bhavesh Shah: Initially we have decided to operate Kheda facility as a 100% subsidiary to take the advantage of Section 115BAB, which is at subsidized taxation of 15%, but since there were certain clauses in that section which restricted the fungibility between both these units, so there were a lot of transfer pending issues, we had to shift the material from our current premises to Kheda premises. So, it was being decided to optimally utilize both the facility, we will be operating Kheda as a plant that is in the subsidiary.

Saket Kapoor: So, the taxation would be at 25%?

Bhavesh Shah: Overall taxation will remain at 25%.

Saket Kapoor: If you could throw some more, I mean our presentation is one of the best for an engineering organization, majority of the questions are very well answered in the breakup of the presentation, I am very thankful to the team for preparing a very conclusive and exhaustive presentation. If you could explain to us the benefits that the Company would derive in terms of revenue and the probability when the Kheda side comes on screen and also Roop Sir you mentioned in the last quarter 4 con call that you would be in a better position to give outline how the business will move ahead of FY23. Now with this order book and the business environment, could you please give us some more color how are we looking ahead for FY23 and beyond, if you have some color on these two points?

Rishi Roop Kapoor: I think there are three main drivers for growth that we had decided when we started on this journey. The first one of course was the CAPEX and building of the Kheda plant which would give us much needed capacity augmentation along with some exceptional capabilities which could be accounted as one of its kind and more state of the art highly advanced kind of facilities for these kind of engineered equipment. So, Kheda plant once it comes on stream it is going to be done in three phases, the first phase we are likely to complete in this current financial year or sometimes in the beginning of Q4 is where the likely to have this plant closer to completion and commissioning. This is going to add about Rs. 100-Rs. 150 crores to the revenue and we are talking about going ahead the next two phases once when we are all completed we will have almost Rs. 500 crores coming from Kheda in terms of the revenue contribution, it would be about Rs. 500 crores and beyond the phase 3 we will definitely when we look at Rs.500 crores it is not even full utilization, there is a good five-year run way beyond that which will allow us to enter new segments, new industry sectors and take the growth further beyond Rs. 1,000 crores, overall. So, I think that's where we are talking about the first pillar for this growth, the second is of course we are reaching out to our customers, we are building references, getting the approvals, getting the technological tie-ups to get into more and more advanced designs of equipment specially heat exchangers and other proprietary items. I would be happy to share with you that from the current order book almost about 60% would be contributed by these special designed heat exchangers, which is in a way also responsible for us to be able to pool down to the margins, yes we are seeing ahead but still if you were to compare with some of the other business which are impacted in this I think this is a much better ground that we are holding on.

Saket Kapoor: When we look at the breakup of order book between domestic and exports it is only 10% that we have garnered from the export segment. Any reasons or is it tough competition or the vulnerability that are involved in exports that we have booked only 10% of the total order booking and also the aggressive market, I think heat exchangers as per the order book review we find that out of the total order booking of Rs. 538 crores, Rs. 424 crores is towards the heat exchangers, what is the total addressable market in the country and also on the global basis if you could give us some more colour?

Rishi Roop Kapoor: So, I think the more proportion of heat exchangers is simply, it's a reflection of the fact that currently the entire revenue is contributed by Odhav where we are going forward we are going to focus on heat exchangers, shell and heat exchangers and exotic equipment. So, that is the product mix that we foresee for the Odhav plant, for non-heat exchangers the process equipment that is following the non-heat exchangers category that is columns, reactors and pressure vessels I think that is where we had envisaged Kheda to come in and allow us that kind of bandwidth to deliver the best of equipment and the most credible, and most complex of those equipments in these categories. So, that would perhaps explain, as far as the proportion of export is concerned it is purely a reflection of the available opportunities, at this moment India is a big market which is happening, there is global competition which is being faced by us here in India for Indian projects. It's a lot of action happening here with so much of investment happening in the refinery sector, petrochemicals and chemicals. So, it is pure clear reflection of that. Having said this, we have sights set firmly on the international market and whatever work we're doing here in India, it is all delivery supply, with every dispatch that is happening we're taking our credentials a notch higher, this is what we have done consistently over the past 4 or 5 years and will continue to do that and this will hold those in very good position as far as the global market is concerned, we are strengthening and augmenting our reach to go out to the customers and present to them and showcase to them our capabilities and we intend to do it in certain forums including global multinational exhibitions as well as one on one meetings with the customers to showcase to them to present them our capabilities and we have a very good track record which will help us to bring these customers to our shop and get more export orders.

Saket Kapoor: Going ahead how this mix be looking at, currently it is totally domestic, 10% here or there is not making a big difference but going ahead as you are thinking of inroads to the export segment, correct me here in Q4 also you mentioned that there are people who would be garnering to our product and there because of some constraint won't be able to develop these products at their end and also I think the logistic part plays a bigger role here. Are these sectors are the ones that will give export growth opportunities and going ahead how the percentage would like to look like?

Moderator: Sorry to interrupt, the participants are requested to restrict their questions to 2 per participant.

Rishi Roop Kapoor: Perhaps I can take this question, going forward I think the proportion of the export is going to normalize and perhaps it'll be evenly divided, revenues were to be evenly divided between domestic and export sales. The prime reason is that currently I think in Indian market many opportunities are there and I don't see that changing over the next five years, at the same time we will be taking big strides in the international market. So, putting these two together and considering the fact that we will be making more international customers as compared to what we have today in the international customers portfolio is going to grow, it will eventually settle somewhere about 50% exports and 50% domestic in 3-4 years' time.

Moderator: We take next question from the line of Chetan Vora from Abakkus Asset Manager, please go ahead.

Chetan Vora: I wanted to understand the order book would be right now have Rs. 540 odd crores, we will execute with what period of time, over what period of time and why we still maintain the margins will be in the range of 20% because these orders have booked since January and since January the commodity prices had already gone up and now we are seeing a downward trend, so why still we are maintaining muted outlook on the margin front?

Rishi Roop Kapoor: Out of this order mix that would have today, if I consider Rs. 537 crores plus another Rs. 70 crores, maybe that would be somewhere about close to Rs.600 crores, I would think that around Rs. 270 crores is what we will have for the next year. So, that is going to be delivered in the next year, so that is order book for FY24. Now talking about the new orders, I would think that whatever orders we have booked post, in the last Rs. 100-Rs. 150 crores orders that we have booked, these are all booked with the historical margins and these are going to be traditionally where these are operating at about 25% EBITDA, these are those kind of orders.

Chetan Vora: So, after this Rs. 600 crores what you said, what would be the order book which has been booked at a historical margin level?

Rishi Roop Kapoor: Maybe about 350.

Bhavesh Shah: Apart from the Q4 order book, I would think that somewhere in the region of about Rs. 350 crores would be, yes Rs 320 crores or Rs. 330 crores would be at historical margins.

Chetan Vora: Which is 25%?

Rishi Roop Kapoor: Yes, 320 out of 600.

Chetan Vora: Going into the quarterly numbers, the gross margins YoY have declined by close to 180 bps but there is a dip in the margin close to 400 bps. On the Q2 levels there is uptick on the margin front, on the gross margin front but still we have seen sharp down on the EBITDA margins. Could you explain the divergences because of that?

Bhavesh Shah: Though the other expenses which have gone up this to our execution much higher than our revenue, this year the WIP is close to around Rs. 20 crores in the current quarter, so our execution has been much higher that means the other expenses have been at the WIP stage, our execution was much higher than figures in Q1. So, it should normalize, the impact is because of raw material only in the current quarter.

Chetan Vora: Technically the margins should be improving sequentially, 18% is the bottom and though you're guiding out 20%, but still the margin should improve on Q2 level, right?

Rishi Roop Kapoor: As we move along it will depend on because several of these orders that we have received recently, which received maybe about two months back there are still in the initial ordering stages, major would have been ordered but still there are some of the peripherals that has to be ordered. So, we will come to know as we move on, but looking at the current analysis of the we have done on the revenue mix I think this is most likely will close at somewhere about 20%. There are going to be some orders which are there even in this year also where they have been booked at traditional profits, however there were some orders where the impact was even higher than what we had envisaged. So, more or less it is coming down to somewhere about 20% is what we can tell you right now.

Chetan Vora: Last question the balance order book out of the 600 crores, of which you said 320 crores has been booked at historical margin, the balance of the nearly about 280 odd crores, have been booked at what margin?

Bhavesh Shah: That would be the material cost of the orders which got impacted worth to the tune of close to 56%, the gross margin at around 44%.

Moderator: The next question is from the line of Kunal from Carnelian Asset Management. Please go ahead.

Kunal: I have 2-3 questions. One was basically you received a very big order of Rs. 100 odd crores on from refinery, so if you could explain the traction, how the pipeline is going forward and how should we see our order book ramp up from here on because if I understand correctly from the current unit we have execution capability of doing about Rs. 450-500 odd crores and then there is additional Kheda, how is the order pipeline, that is the first part of the question and second the execution from the current facility.

Rishi Roop Kapoor: Order flows are continuing and we are expecting a similar run rate that we have experienced in the past 3-4 months. So, we have a strong facility as per the enquiries and the probable orders are there.

Kunal: Orders to the tune of Rs. 100 odd crores is a sizeable order considering the size of the order, the type of heat exchangers to the tune of 3-4 odd crores per unit that we do, anything specific out in this particular order or is it one of kind of an order or how should one look at that?

Rishi Roop Kapoor: I think it is just a milestone of Rs. 100 crores, that's in a way first for us, apart from this for us it's not something very new because we have been notching up orders in excess of let's say between 50 to 70% we have had several orders over the past let's say five years in this category, in this range. So, as such it was just Rs. 100 crores plus kind of numbers which was there in a single order, so that is the specialty here and apart from the fact that it was another category of our advanced heat exchangers, so that's where it was.

Kunal: Do we see any sizeable orders pipeline as well going ahead in the current possibility of taking converted into order?

Rishi Roop Kapoor: I think this is going to happen because we are now amongst the leading 4 competitors in India for this work and we will be encountering more of these large orders.

Kunal: On the execution part from this facility how should one look at that?

Rishi Roop Kapoor: This facility is as think is capable of delivering anywhere about Rs. 500-Rs. 550 crores going forward because you have completed the CAPEX here in Odhav with the commissioning of clean room it is done now, so this is capable of delivering up to Rs. 550 crores and we are like said we are looking to set to grow at a CAGR of 25% here on.

Kunal: How much money we have spent in the current year for the Kheda facility so far and how much we plan to spend for the Kheda facility considering that it will have a revenue potential of Rs. 100 – Rs. 150 crores in the first phase?

Bhavesh Shah: The total CAPEX is Rs115 crores and Rs.30 odd crores have been spent already in last year and the current year we have spent around Rs. 25 odd crores, Rs. 60 crores more to go in next 6 to 9 months.

Kunal: One question on, correct me if I'm wrong, we see the competitive intensity kind of increasing in this space, does that kind of also putting pressure on the margins because if I could understand correctly out of Rs. 600 crores order book, you mentioned that Rs. 270 odd crores order book which is to be executed in the next year, we have margins like 25 odd percent, but still the remaining if I see the momentum of the order book from January to March, there are still like good Rs. 150 odd crores post which prices have kind of cooled down, still your guiding only for 20% kind of margins, wherein historically have been at 20-25% kind of margins, so somewhere to meet through, is it because of the competitive intensity as well?

Rishi Roop Kapoor: I think it is fairly a reflection of the market conditions where the prices shot up and you can't read the steel that we buy as a commodity. It is not categorized as a commodity. Steel is specialty steel based on very stringent requirements are there and we have very few, suppliers worldwide. So, there, the impact was even higher. It's purely a function of price escalation that happened and lot of the materials that a lot of the orders that we got were nickel bearing. As you know nickel has been extremely volatile, especially in the phase between February to May. It has been extremely volatile.

Kunal: Historically you have mentioned that as soon as receive the order we have back-to-back arrangements for booking of the raw material as well. In that sense our gross margin still should be protected.

Rishi Roop Kapoor: Not at all, these were exceptional situations. We have taken the orders because the prices are valid, our bids were valid but suppliers, they are not according as the similar kind of, you can say a facility or a similar kind of courtesy if there is an exceptional circumstances like this, they can go back on their prices on their offers. We also had that query but we chose to not to do that because we are in this for the long run and these are our customers and we didn't want the opportunity for taking the project, participating in the project or delaying the project in any case. So, we went ahead and took the orders.

Kunal: Just one last question from my side. You mentioned that we would get done with the Kheda project by latest early Q4. So, the order booking for the same would I believe start only in FY24, would that be fair understanding and the execution post that, there will be some lag for audit of those facilities that as well or when should one see start execution on account of Kheda facility building in our order book?

Rishi Roop Kapoor: It's going to be a set of orders, which we can start execution in Kheda once it is commissioned, once it is ready to be taken in for production. However, a lot of our customers, in fact, the majority of our customers would like to visit the site they would like to audit the facilities and whether they are at par with the existing facilities or not or better. There are formalities that have to be completed, I guess that according to our estimates, if we commission the Kheda plany by the turn of the financial year, by 31st of March, we should be ready for taking orders from there in the middle of the next year. Maybe, somewhere in the Q2 we will have the orders specifically for Kheda.

Kunal: So, order book execution on account of Kheda would only happen from Q2 FY24?

Rishi Roop Kapoor: Yes.

Kunal: From the current facility, we have room for another Rs. 100 crores for execution if we close the year at Rs. 380-Rs. 400 odd crores execution?

Rishi Roop Kapoor: Yes. If he would have listened to what Bhavesh Shah said earlier that we are, now developing this plant it's like an extension of our facilities. That allows us to have some kind of a complementary existence cooperation between these two facilities, even for existing.

Kunal: That will give more room for execution on the higher side?

Rishi Roop Kapoor: Absolutely. It will definitely add to our capacities.

Moderator: We take the next question from the line of Raghav Soni an individual investor, please go ahead.

Raghav Soni: My question is on EBITDA margins, going forward since we have clocked the significant part of our order book at historical level of EBITDA margin. Won't it be higher than 20% what you had guided? So, this is my first question.

Rishi Roop Kapoor: No, it is going to be higher than 20% in the next financial year that is FY24. Most of these orders have been flow over to the next year.

Raghav Soni: Perfect. Secondly, on the run rate from Kheda facility going forward what type of run rate we can expect from Kheda facility because you have been mentioning that revenues CAGR would be….

Rishi Roop Kapoor: Sorry. Could you repeat what you said?

Raghav Soni: Sure Sir, I'll repeat my questions. And my question is regarding the revenue run rate. You have been guiding that revenue run rate would be close to 25% CAGR, in the same line I was just asking about the revenue run rate from Kheda facility, which is supposed to commission from H2 of the current financial year.

Rishi Roop Kapoor: Yes it will be commissioned by the end of the financial year. It will also see a similar kind of growth rate, both put together is what we are looking at CAGR of 25% from here on, both facilities put together.

Moderator: The next question is from the line of Ajit from Nirzar Securities, please go ahead.

Ajit: Few of my questions have already been answered. Just I wanted two clarifications, what is our current capacity utilization? The second one is you told that we are amongst top four learning competitors in India. So, just wanted to understand who are our competitors in the heat exchangers and pressure vessels which are our major products?

Rishi Roop Kapoor: Capacity utilization would be to the tune of about 80%. And our major competitors would be heavy engineering division of Larsen and Toubro and izec.

Ajit: Is this capacity utilization similar to the previous year, is 80% standard?

Rishi Roop Kapoor: It has been similar to last year and last year we had one less bay because urban bay was not commissioned. This year we also have that bay contributing.

Moderator: We take the next question from the line of Yog Mehta from Skand Capital, please go ahead.

Yog Mehta: I just wanted to understand, given that you said that the export revenues would be contributing half and the revenue potential from the Kheda side, would we be seeing the pull forward of the Rs. 1,000 crores guidance for FY27?

Rishi Roop Kapoor: Not really. I don't see that we'll be able to pull it forward, but I think we will be we're on track.

Yog Mehta: Just one more question, you had said that you're trying to get into fermentors and bioreactors and other capital goods in previous phone calls, any update on that front?

Rishi Roop Kapoor: I can only say that the work is in progress and I mean, that's a big, it is very high on our agenda and it's in fact increasing the customer portfolio and also the product portfolio is something, these have been designated as key drivers of growth for us. It's something which is very high on my agenda its work is in progress.

Yog Mehta: Actually, two more questions, just a little small question. Given that we are manufacturing heat exchangers and columns reactors and special vessels, we haven't seen Nuclear Power Corporation of India Limited (NPCL) one of our clients. We haven't mentioned them and I think we should be having orders from them, they require the equipment reproducer, any update, like any comments on that? One more question do we track the turnaround time for any of the orders, like the execution time for any of our orders for the machinery?

Rishi Roop Kapoor: To answer your first question NPCL has been one of our clients and going forward I think nuclear recoupment is going to be one of the business segments that we will have and Kheda is going to play a key role over there. So, that is one and the second question, if you could please repeat?

Yog Mehta: I was just asking like the orders we received from clients. Do we track the turnaround time, the execution time to deliver to them? Has there been any progress on that front?

Rishi Roop Kapoor: I can only say that we have the best track record when it comes to on-time deliveries and we maintain our leadership position for the last six or seven years consistently. And we retain that position. We are delivering upwards of 90% on time or before time.

Yog Mehta: Just one update if you could add NPCL in our client list because it isn't there in presentation or anywhere else. So, that was a doubt.

Moderator: We take the next question from the line of Ankit from Shubhkam Ventures. Please go ahead.

Ankit: Couple of questions. With strong traction in order in flows and I mean, you've already booked some Rs. 265 crores till July in four months. You mentioned that this momentum will continue. Is it fair to assume that for the full year, your order inflows will actually cross around Rs. 700 crores mark?

Rishi Roop Kapoor: I think it's too early to say but I think I can just tell you that we will definitely have something upwards of Rs. 500 crores for the next year opening order book.

Ankit: Opening order book of at least Rs. 500 crores is what you mentioned.

Rishi Roop Kapoor: Yes.

Ankit: The second is, now with Kheda coming, where more complex and high ton range of products would be manufactured. Wouldn't it have margins higher than your normal margins of 24, 25% because the competition level would be less and those would be more complex products.

Rishi Roop Kapoor: I think that is what we are heading towards. And that's the whole idea as you will see we have made rapid progress in terms of the kind of equipment that we have been delivering and every year we have seen an improvement there. Of course, that is something which doesn't get reflected in the numbers that generally analysts analyze. But it is definitely something which has been very consciously being pursued by us and we have been largely successful in that. In the coming years and when Kheda is on stream definitely it will be reflected in the bottom line as well.

Ankit: Lastly kindly give some more details on the technology tab which you are seeking, how it's going to upgrade your existing skills, which area you people are looking for tie-up and how can it scale up your addressable opportunity?

Rishi Roop Kapoor: I think that is again, we are working on all fronts, on all product categories, whether it is any kind of process equipment, any custom-built equipment or heat exchangers or vessels or special vessels, reactors, columns, everywhere we are looking to scale up the kind of equipment that we are doing and one way to do it is of course, engaging with technology providers, something specialized and we have been quite successful is what I can share with you at this stage. As we move forward, as we are in a position to share with you more details, we will do that.

Ankit: Just one small follow-up in this, the Kheda CAPEX what kind of asset turnover you are looking at in the phase one?

Rishi Roop Kapoor: Phase one would be close to around 1.6 or 1.4, overall, it should be 2. Because in phase one there will be lot of facilities which has to be developed. Initial phase it would be between 1.3 to 1.4 and going forward overall at the end of all of Kheda it should be 2.

Ankit: Because to the best what I could gather was that in phase 1 it was 2 and on incremental CAPEX you people had mentioned it would be 3. So, has there been any change in that?

Rishi Roop Kapoor: No, there has not been any change. I think we continue to have similar run rate.

Ankit: Three times on incremental CAPEX at Kheda asset turnover.

Rishi Roop Kapoor: Yes, Overall, 2x.

Moderator: Due to time constraint we take this as the last question I would now like to hand the conference over to Mr. Rishi Roop Kapoor for closing comments.

Rishi Roop Kapoor: Thank you everyone for participating in the conference call and I hope we were able to answer most of your questions. Thank you once again.

Moderator: Thank you. On behalf of The Anup Engineering Limited that concludes this conference. Thank you for joining us and you will now disconnect your lines.
