



“Kalpataru Power and JMC Projects Q3FY15 Results Conference Call”

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MANAGEMENT: **MR. RANJIT SINGH – MANAGING DIRECTOR – KALPATARU
POWER & JMC PROJECTS**
**MR. KAMAL JAIN – CHIEF FINANCIAL OFFICER -
KALPATARU POWER & JMC PROJECTS**
**MR. MANOJ TULSIAN – CHIEF FINANCIAL OFFICER – JMC
PROJECTS**
MR. GAUTAM JAIN - AGM - INVESTOR RELATIONS

MODERATOR: **MS. BHOOMIKA NAIR – IDFC SECURITIES LIMITED**

Moderator Ladies and gentlemen, good day and welcome to the Kalpataru Power & JMC Projects Q3 FY15 Results Conference Call hosted by IDFC Securities Limited. As a reminder for the 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 this conference, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to Ms. Nair.

Bhoomika Nair: Thanks Margaret. Good morning everyone welcome to Kalpataru Power and JMC Project Q3 FY15 earnings call. The management is being represented by Mr. Ranjit Singh – Managing Director, Mr. Kamal Jain – CFO and from JMC Projects is Mr. Manoj Tulsian –CFO. Now, I would now like to hand over the call to Mr. Ranjit Singh for his initial remarks, post which we can open up the floor for Q&A. Over to you sir.

Ranjit Singh: Thank you very much Bhoomika and good morning to everyone. We have declared our Q3 Financial Year 2015 Results of both KPTL and JMC and a copy of the results, press release and presentation has already been sent to you.

Before proceeding with the Q&A session, I would like to take you through the key highlights of the results and the recent developments. In KPTL this quarter we had tuned out another industry defining performance we have achieved top line growth of 9% and PAT growth of 22% over corresponding quarter of last year. Core EBITDA has also grown by 19% with margins at 9.7%, it could have been better but for infra business where we continue to see improvement in performance quarter after quarter. As of now we have order book of around 5,000 crores excluding L1 position of around 2100 crores. Lot of tenders are in final stages and we are expecting to conclude many of these in the next two months. The full year we are targeting to have a total order inflow of Rs.3500 to 4000 crores. On the portfolio front in line with our strategy in the T&D segment share of international business continues to grow and in this quarter it has increased to around 50% of the total turnover. In infrastructure segment we are at last stages of our consolidation strategy and we expect to grow profitably from second half of next financial year.

Our second TL BOOT project at MP is progressing very well construction is on scheduled and we are targeting to complete the construction at schedule that is by the end of this financial year. JMC in line again with our strategy of consolidation, margins improving with some decline in revenues, we have achieved operating margin of over 7% in the last quarter. JMC has received very strong order inflow of Rs.1800 crores in

the last quarter mainly in residential and commercial projects. And has also bagged a few prestigious government contracts. All of our road BOT projects are progressing well, Rhotak-Bawal project is tolling our entire stretch since for last four months. Agra-Aligarh project has just received second provisional COD, Nagpur-Wainganga project has received provisional COD for entire stretch, and Reva MP Project is also progressing well with over 75% completion. Currently we are not in a position to discuss the financials and other information about Shree Shubham Logistics as well as consolidated the performance of KPTL. We request all of you to bear with us on this account. With this update I would like to open the floor for Q&A session. Thank you very much.

Moderator Thank you very much. We will now begin the question and answer session. The first question is from of Renu Baid of B&K Securities. Please go ahead.

Renu Baid: Sir few queries from my side first if you look at the performance for the current quarter what was the FOREX element that we had in the P&L the standalone level especially the interest cost side?

Ranjit Singh: Mr. Jain you would like to.

Kamal Jain: There is hardly 1.5 crores.

Renu Baid: Okay, so it's negligible last year it was about.

Kamal Jain: Negligible.

Renu Baid: Okay. And aligned with this though I would say on a quarterly basis you have seen execution billing being slightly lower but you think that full year there would be any likely upward revision in the sales growth guidance or it should be at 15% levels only?

Ranjit Singh: Our guidance last time was about 12 to 15% and we continue to stick to our guidance.

Renu Baid: Sure and aligned with this relatively on the YTD if you look the order flows still have been weaker and I think the numbers you have indicated were full year guidance seem to be lowered from earlier 4500 crores so approximately 35 to 4000 crores. So do you think as in with a likely lower order book or weaker order book side the growth for next year could be a bit more moderate or flattish?

Ranjit Singh: If you look at order book position and I would like to look at the L1 position also along with order book because our lowest bid position in many of the projects is there and

we expected that the next two months we will be able to convert the lot of it to order book. So if we look at the beginning of this quarter we had a total order book plus L1 position of 6300. End of this quarter that is on 31st December that is improved to about 6800 what we expect is that by 31315 that is end of financial year it will be about 7200 crores, I am talking about order book plus L1 both put together which in visibility terms would be about 18 month visibility of the current last 12 month turnover or expected turnover. So we are in a comfortable position as far as financial year 16 is concerned we expect the top line growth to be about 15%.

Renu Baid: Correct. And sir aligned with this, what is the outlook for ordering pipeline from the domestic market as in do we still see a preference for international at 50% of the order book levels or we see domestic ordering environment and competition level improving?

Ranjit Singh: As far as overall, I would it's this part of conscious strategy that we said that okay we are going to diversify our portfolio and get into new country so that international has been focused and that has yielded results we have been talking about in past. This year also if you look at it in this quarter if you look at PLI their turnover share has gone up to that is a international business within this transmission line the turnover share has gone up to around 55%. And if you look at the order book position it will be about 60-65% or so. So definitely the significant traction which we are seeing in international but domestic business we expect that to improve going forward because of various actions being taken by the government. So we expect the domestic order book scenario also to improve in the second half.

Renu Baid: Okay. And sir just one last question before I close, I know you would not be sharing too much details on Shubham Logistics but overall as in if you can just give qualitative comments with respect to there was an expansion that we were planning with respect to the processing facility and..

Ranjit Singh: No comments at all sorry. That is why upfront only we said that please bear with us we will come back to you later, but no comments right now.

Renu Baid: Sure, then related to other questions I will get back in the Q&A queue later then. Thank you sir.

Moderator Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

- Kishan Gupta:** Sir just want to know how would you explain the expansion T&D margins this time around?
- Ranjit Singh:** Sorry could you repeat that again?
- Kishan Gupta:** How would you explain the expansion in T&D margins this time?
- Ranjit Singh:** I will not say it is a secular trend or anything of that sort, it is around a long term sustainable EBITDA margin of 10% we expect that this will continue as going forward.
- Kishan Gupta:** Do you think in the long term you would be able to sustain 9.5%?
- Ranjit Singh:** Yes, sure.
- Kishan Gupta:** And do you think it has something to do with softening of global commodity prices as well?
- Ranjit Singh:** That impact has not come in at yet. Going forward yes some of the projects were it is on turnkey basis we expect. See there are two kind of projects they will be doing one is we are linked to index, whenever our supply prices are linked to an index obviously any plus, minus gets passed on. But definitely some of the project is not linked with this, it is a turnkey project **10.08** in those it will yield definitely benefit.
- Kishan Gupta:** And how would you explain this fall in revenue of JMC Projects was it that primary reasons why?
- Ranjit Singh:** It has been a part of a conscious strategy that you have adopted we said that we are not going to chase the top line but we are going to focus on consolidation through right product mix, right contract mix and taking up a lot of actions in terms of **(Inaudible)** **10:38 improvement**, etc., but Manoj would like to add few more things, Manoj.
- Manoj Tulsian:** As Mr. Singh has said from the very beginning of the year we have been saying that since last two years the margin was under pressure our focus was towards improvement of margin and we have been maintaining this that we have not been looking at any substantial growth of turnover this year. However if it comes in terms of improvement of margins we absolutely had no issues. So this is the part of the strategy only in the last three years we grew substantially on the turnover and then it was time for us to consolidate on margins. And I think going forward we will again start looking at growth.

- Kishan Gupta:** But, if you have sufficient order book in hand so how come the revenues are declining then, is it because of poor execution as well?
- Manoj Tulsian:** No I will tell you. We have never come across any case where any of our clients have even discussed about any case of LDE right. So which means that we are not performing on our execution rate. To some extent the turnover is slightly bearish because earlier in the last two years we were doing substantial turnover on the road sector on the BOT projects and since most of the BOT projects are near in completion those sales have come down, however we have improved on our BNS sales. So by next year we will see more of BNS sales and sales from other division and we will also see a growth trajectory.
- Kishan Gupta:** Okay. Thank you so much.
- Moderator** Thank you. The next question is from the line of Chinmay Gandre from Dalal and Broacha. Please go ahead.
- Chinmay Gandre:** Sir with respect to your interest cost and the standalone basically last time we had loans of around 850 crores and this time we in Q2 we had 850 crores of loans now we have around 800 crores but our interest cost is almost say if I adjust for the FOREX which you said is almost 37 crores so average cost of borrowing some do like 18% also so could you explain this?
- Ranjit Singh:** Mr. Jain would like to take this question.
- Kamal Jain:** See interest also depends up on the collection whether it has happened in the first month or last month or it always depends on the utilization of that. So interest cost as compared to the last year in the same quarter this year is a little half a percent, quarter percent is higher than that rate wise. Otherwise it is more of less similar line, but depends upon when the cash flow happens.
- Chinmay Gandre:** So basically utilization of loans who are on the higher side this is the ending balance.
- Kamal Jain:** Yes, ending it has come down, last month has come down.
- Chinmay Gandre:** What is the average cost of borrowing for us?
- Kamal Jain:** Around 10.25%.
- Chinmay Gandre:** Okay. Sir and with respect to the JMC borrowings also that has significantly shot up to almost 740 crores and last in Q2 FY15 it was almost 596 crores. And we thought

that, that could be around a peak debt for JMC but the debt for JMC has significant gone down?

Manoj Tulsian: Shall I take this question Kamal Jain?

Kamal Jain: Yes, please.

Manoj Tulsian: On this I think in the last call itself we mentioned that we have substantial amount of investment which is still left to be done in the BOT and we had given an estimated numbers of around 770 to 780 for the year end. So we are very near to those numbers, we are at 740 and I think this quarter at most the borrowing may go up by another 30-40 crores.

Chinmay Gandre: But that would be the peak debt because I think the most projects would start, the cash flow will start coming from the...

Manoj Tulsian: Yes, so I think on the investment side most of the investments will take place by the year end for BOT project and then from next year it will be only marginally funding some cash loss on some of this projects as per the gestation period of these projects. So which we would be able to then fund possibly from the internal accruals and we don't look at substantial increase of borrowing now in the next year.

Chinmay Gandre: Even in the breakup if you could just throw some light the short term borrowings has significantly increased. So..

Manoj Tulsian: When our internal accruals were good and we had good amount of cash in the business we were not utilizing our short term limits. Those limits were in place, we were not utilizing them and since we had to invest in this BOT projects as well as this year what has also happened is we did not get good amount of orders in the beginning of the year, so there has been a depletion in the mobilization advance which is also putting up pressure on the working capital. So now we have built up some good order book we would be able to maybe get some money on the new projects which will also help but at the same time the new projects also demand high CAPEX, because most of them now come with a new form of technologies so that remains to be seen.

Moderator Thank you. The next question is from the line of Sanjib Panda from Sharekhan. Please go ahead.

Sanjib Panda: Sir just to give a color if you can throw some light on the infra space where you said as part of your initial commentary that you are looking for a improvement in second

half in the next year probably, if you can throw some light how much legacy order are there and how we are tracking it?

Ranjit Singh: Yes, as you can see from published results as far as Q3 is concerned in this financial year turnover has gone up, plus our EBIT loss has also have come down so to that extent financial performance has improved significantly as far as infrastructure is concerned. But the financial results are still not up to the mark we are still into losses. As you rightly pointed out significant reason is because legacy projects that we are having and the learning curve that we went through most of these projects are over to start with railways we had started off with six projects which are legacy project out of which five have been either been closed or are close to conclusion. Only one project will be left over. As far as total order book which is older order book I would say it will be in the range of 150 to 175 crores.

Sanjib Panda: Sir if I just if I just remove these 150 crores broadly as a legacy order the remaining orders can we expect in that what kind of margin that we can expect in a blended basis?

Ranjit Singh: It is difficult to say right now, I cannot answer the question but it has improved significantly compared to what it was in past and our past experience so it may not be as high as what we are seeing in T&D business but get closer to that as time goes by.

Sanjib Panda: And are we bidding currently in that or we have become little conservative in that.

Ranjit Singh: We are conservative and we are making sure again, number industry structure has improved slightly as per pipeline business is concerned and also we are getting more cautious and looking for profitable growth in this segment. Rather than just chasing the top line or.

Sanjib Panda: Okay. Sir the next question is regarding JMC. If I look at the JMC balance sheet my calculation says that in the consolidated side we might have to go for more funding to address or our requirement to finish our projects left over, if you can throw some light on the quantitative side how much funds we might require and whether our interim cash flow will be enough or we need to add some debt or we have to raise some funds in other sources.

Ranjit Singh: Manoj you would like to take this?

Manoj Tulsian: Yes. So in the last question we just clarified on that. The debt has already risen around 740 odd crores. The balance investments, the committed investments in this project is now around the 50 crores and as we mentioned that in this quarter also we are looking

at may be the borrowing going up by around 30 to 40 crores for which we have the line in place. And then we think we would be able to sustain within that borrowing numbers in the next two or three years.

Sanjib Panda: Sir I the borrowing side keeping that number at 800 crores that you are saying, keeping that do we need some external sources because I believe the cash flow the internally generation will be relative lower than what we had gestimate earlier. So do we need to arrange some funds on that part?

Manoj Tulsian: Which has already happened if you really see the borrowing have gone up, we already have our lines in place so that in case the internal accruals does not if not able to service this entire funding then we are not stuck anywhere so those loans were tied up and even if the borrowings have to go by another 30-40 odd crores we are well tied up on the borrowings side and those number may go up to that extent. Then next year we feel that possibly this number will be the peak number so around 780 to 800 crores of borrowing would be a peak number for JMC.

Sanjib Panda: Okay. Thank you sir, in case any other question I will come back in the queue. Thanks a lot.

Moderator Thank you. The next question is from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: My question is on JMC Projects. Could you let me know the pending equity requirement on the projects including the short fall that we estimate that will be required to be funded going forward.

Manoj Tulsian: So, as I mentioned we need to put another around 50 Cr towards the pending investment which is our initial investment plus the cost overruns of the projects.

Ankita Bora: Okay. Cost overruns including cost over only 50 crores?

Manoj Tulsian: That is right, other than that then in any case for the next two, three years they will be operating a losses on these project. Which you need to fund but I think on the capital commitment side another 50 to 60 Cr. maximum we will take care of everything.

Ankita Bora: Okay. And on the margin side very good growth and must appreciate your focused approach towards improving margins, so now we are standing at 6.4% of average margins on last nine months, what kind of margins do you see closing for this year and next year going forward.

Manoj Tulsian: Thanks for the appreciation I think lot of hard work has gone into it and we have been talking about it also. We were slightly on the defensive side because it was still to be proven whether we are able to improve the margins to that extent we took a call of that last year that we will improve the margin by around a percent. 100 basis points bit aggressive also I would say sometimes when we have not tested it, we are better than that, today around 6.3-6.4% so this year we still look at for the full year around anything between 6.3 to 6.5 so slightly further improvement may be and next year we will again take our endeavor to improve that by another 75 basis points, so 50 to 75 basis points for sure.

Ankita Bora: Okay. And that will driven by?

Manoj Tulsian: That is driven by as the effort which we have taken in the last 18 months so some of the legacy orders which we were not at a very good margins they are also coming to the finishing side and the new business which we are taking, we are taking with much more conscious effort on estimation and everything. So the blend of the two is now improving the margins and which is visible. So the efforts taken in the last 12 to 18 months on the new order book building up which is slightly at a better margin and also execution is happening at somewhere similar number, and some of the old orders which are also closing. So that is helping us in improving the margin.

Ankita Bora: Okay. And on this BOT side what is taking so much of delay for final COD for Agra-Aligarh project?

Manoj Tulsian: Agra-Aligarh we have already received the second provisional COD by the time we discussed we just received it last week which now entitled us to almost toll 99% of the stretch, where there are two small portion for which the land has still now being acquired by NHAI which is less than a percent. So as long as that land is not an acquired and they don't handover the land in terms we don't complete the construction it will continue on a provisional COD unless NHAI itself takes a call of short closing the order.

Ankita Bora: Okay. So would we get any kind of extension in the concession period because since it is a delay from the concessioner side and because land is not available so we will be compensated for the toll that is not being collected on the balanced stretch?

Manoj Tulsian: No.

Ankita Bora: Okay, fine and just on order inflow side could you give me a breakup of how much was in factory buildings and anything in the power or railway side?

- Manoj Tulsian:** No on the power side if you are talking of the nine month?
- Ankita Bora:** No for the quarter, the 1800 crores order inflow that we see?
- Manoj Tulsian:** No 1800 whatever we have received is all toward factories and buildings, buildings mainly actually buildings.
- Ankita Bora:** Okay. You want to highlight any few key orders that we have bagged?
- Manoj Tulsian:** We got few prestigious orders in southern parts of the country. Where we have maintained earlier also that JMC enjoys a very strong goodwill now after L&T which helps us in getting some of the repeat orders and we have also got two prestigious orders one from Supreme Court so this is extension of the Supreme Court building in Delhi and we are also constructing a museum at the presidential house. So these are two very prestigious orders which we have received in the last quarter.
- Moderator** Thank you. The next question is a follow up from the line of Renu Baid of B&K Securities. Please go ahead.
- Renu Baid:** Sir just one more thing on the real estate side if you can give an update in terms of how our development is there both on Thane as well as Indore?
- Ranjit Singh:** Mr. Jain would you would like to?
- Kamal Jain:** Yes. As per Indore project is concerned all required approvals and permissions are in place and we are expecting to launch either during this year end or in the beginning of the next year. As far as Thane is concerned we have already leased out 15% of the area and some discussions are going on with various parties so we are hopeful that some more will either leased out or will be sold out.
- Renu Baid:** Okay. And sir what proportion of this lease income has flowed into our other income in the current quarter would you be able to share that value?
- Kamal Jain:** This quarter I will not be able to give you just now, but I think we have signed the LOI, and revenue might start flowing from this quarter. Fit out period is going on.
- Renu Baid:** Okay, sure. And sir on the domestic environment I know as a policy last two, three years we have tried to stay away from distribution type of projects but now if one sees back investments from central funded scheme getting into **(Inaudible) 28.14** separation RE as well as our APDRP, so what is our outlook on that segment of the market with respect to participating in these projects on turnkey basis and otherwise.

- Ranjit Singh:** We continue to follow that wait and watch strategy as far as we are concerned we are very keenly watching this development in this area. Once we have some project rolling out because investments are going to be large and it is going to be over the next three or four years. So we are not in a hurry to jump on to the band wagon right away. You would rather see as to how what are the terms of which this is being done, how it is being funded and then only we will take considered opinion and considered decision based on the project.
- Renu Baid:** But otherwise there would be no averseness that you would not want to do sub T&D turnkey project?
- Ranjit Singh:** Is this thing changed significantly. And the entire project configuration of business model changes definitely we would look at it seriously.
- Renu Baid:** Sure. So that is it from my side. Thank you and all the best sir.
- Moderator** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** And I have some specific question for this JMC you have already replied, just can you throw some ball park I mean how much degrowth for the full year we are anticipating this current year and how much we are expecting growth for next year?
- Ranjit Singh:** Manoj would you like to again?
- Manoj Tulsian:** Yes. This year I think the negative growth would be anywhere between 7 to 10% we are at around 11% negative growth right now. And possibly the way Q4 is going it should be between 7 to 10% negative. Next year possibly we will register a growth so we are still working out our next year numbers, we are in the process of budgeting may be in some more time you would be able to give you some better feeler on the same, but I would assume because again there is substantial drop in our road construction business from this year possibly next year there would be hardly anything so that sector will be growing negatively. So keeping that in mind another 5 to 10% growth is something which I envisage subject to our final numbers being freeze and then we come back to you.
- Bharat Sheth:** Sir typically in this factory and building side what is the order execution I mean the time frame normally?
- Manoj Tulsian:** It last between 2 to 3 years.

Bharat Sheth: Okay. And sir I believe that originally once upon a time factory and building which is likely to contribute substantially next year where our margin was almost as high as in double digit so is that stand is still there?

Manoj Tulsian: Well we would not say that the margin is in double digit but the margins are surely better, we also have some legacy orders still pending to be executed where the margins are extremely lower so once we are able to close those orders and possibly in the new order book we don't see some challenges or certain challenges like that. It will help us in improving margins further.

Bharat Sheth: Is it possible to quantify what is the size of legacy order?

Manoj Tulsian: Just a ballpark number it is close to around 250 to 300 crores.

Bharat Sheth: Okay. And how much CAPEX we did in this year and what is the CAPEX plan for next year?

Manoj Tulsian: This year I think by the year end we should be almost at around 65 to 70 odd crores and I think next year also possibly we might have to invest that much of money, see what is happening in this business is all the new orders which are coming with the new technology form work and which call for investment because most of these high rises now are being made on this technology and that calls for substantial investments so we have been investing that money for the last two years, possibly we invest for another year in the coming year and then we will have adequate inventory internally to reduce our CAPEX size on this technology innovation.

Bharat Sheth: Okay. Sir how has so far we have invested in this BOT project total?

Manoj Tulsian: We have invested 460 odd crores.

Bharat Sheth: Okay. And still 50 crores is left over.

Manoj Tulsian: Yes, sir I think that is what we even discussed earlier.

Bharat Sheth: Because of high loss on that project?

Manoj Tulsian: Because of cost overrun and to some extent in some of the project not getting the COD as per our own calculations so there were some interest cost over and also we have to pay. So taking both those things into account.

Bharat Sheth: And what is our average cost of borrowing sir?

- Manoj Tulsian:** We are at around 11%.
- Bharat Sheth:** And is there any strategy that we have in place to reduce our leverage.
- Manoj Tulsian:** Right now we have been able to manage with our borrowed funds and our internal accruals and as we also mentioned in the call a while back that possibly now we are looking at peak of our borrowing number so we would see whether we really need to think otherwise or whether our internal cash flow improvement from the next year would be able to bring this down again.
- Bharat Sheth:** Okay. And what level we will be comfortable internally?
- Manoj Tulsian:** We had not put any numbers on that, I think we also need to see that how we can improve our top line and margins going forward.
- Bharat Sheth:** Okay and tax rate is going to remain at around this 25-26% for next two year?
- Manoj Tulsian:** Yes, around 27 to 28%.
- Bharat Sheth:** Okay. And sir on KPTL can you throw some light on pipeline business how do you see the traction and out of this whatever L1 we have is there any pipeline order is there or not?
- Kamal Jain:** Yes we have as far as infra business is concerned. Most of the models that we have right now apart from the legacy order and Railways which is related to pipeline.
- Bharat Sheth:** Okay. And sir this 2100 crores this project that we said L1 so how much is L1 is in pipeline is it possible to quantify?
- Kamal Jain:** Surely, we will come back and we will tell.
- Bharat Sheth:** And sir how is the margin between railway and pipeline?
- Kamal Jain:** Railway most of the project has been legacy projects as well as on pipelines we had some projects which were the projects and we got into site **(Unclear) 35.32** issues, because of which project got delayed. So out of that both of the projects we have negative margins.
- Bharat Sheth:** So new pipeline order is that I mean at par with T&D or better than T&D?
- Kamal Jain:** No it will be lower than T&D broadly. That is the number we are talking about.

- Manoj Tulsian:** L1 is around 150 crores in the pipeline.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from AMSEC. Please go ahead.
- Amber Singhania:** I have couple of follow up question on the JMC side. First thing is the debt which you have taken and the cost overrun which you are seeing in the BOT, so including the cost overrun how much would be the total capital investment we are looking for BOT projects including that 50 crores we need to put?
- Manoj Tulsian:** That will be close to around 100 crores.
- Amber Singhania:** So including the previous investment and all it will be around 450 odd crores total?
- Manoj Tulsian:** No, 510 crores.
- Amber Singhania:** And 50 out of this we need to put further?
- Manoj Tulsian:** Yes.
- Amber Singhania:** And sir currently whatever debt we have taken that is primarily for the BOTs so these are on a standalone balance sheet sitting at a investment head or it is still continuing to be there as a long term loan and advances?
- Manoj Tulsian:** It is in both the heads investments as well as long term loans and advances.
- Amber Singhania:** So roughly sir investment like it was in Q2 190 crores odd was there so how much it would be now?
- Kamal Jain:** When we are talking of this 460 crores of 510 crores it is inclusive of both the figures. It is either reflected in investment or it is reflected in long terms loans and advances.
- Amber Singhania:** Okay. So once this projects will be fully operational entire thing will be reflecting in investment only right?
- Kamal Jain:** No, not necessarily. This is based on whatever is the requirement of NHAI on the capital funding of this project and also the lenders requirement. So we meet both the requirement and the rest of the capital we actually continue to show it as loans and advances. So at any point of time you will have to look at any type of restructuring or anything that helps us.

Amber Singhania: So at present it will continue to be at 190 crores as investment, remaining will be reflected in the short term loans.

Kamal Jain: If it is, to be very honest I don't track those two numbers separately if it is showing us 190 odd crores we since have some more investment to do may be that 190 might become 200 or 205 and the rest will go into the loans and advances.

Amber Singhania: Okay, fine sir. Sir secondly like we have around 1800 crores of order inflow in JMC which is pretty good number as such. And mostly it is as you mentioned it is a building construction as such, so are we seeing that there is some revival happening on the real estate side because of which the order inflow is happening and what exactly is the scenario now and what is your outlook on that?

Manoj Tulsian: If you see most of these building orders which we have received it from the Southern territory of the country which is still not influenced to that extent as we are seeing possibly in West and North so we have not build up an order book in West and North. So that is how we look at, in North there is a subdued market at this point of time. So are slightly keeping up this away unless and until we get order from someone where we are very sure that the cash flow will not be a challenge for them, otherwise we are slightly bearish on that market for may be next six to eight months. And even West we see some subdued business activity on the real estate side so we are careful even in West but South we have not faced any problem. Southern market is going well and that is how we have been able to take those orders in South.

Amber Singhania: And what would be the rough cut break up of private and public order books in your total order book?

Manoj Tulsian: Today you see my total order book around 25% is government order book.

Amber Singhania: Okay. So working capital do we think that there will be any further stretch on the working capital from the earlier levels which we were seeing on a standalone books?

Manoj Tulsian: We are trying to run a very tight shift to be very honest. This year slightly our working capital has gone up because we didn't get orders in the beginning and there has been reduction of our mobilization advance which we had from the earlier order books so to that extent only our wronging capital changes have taken place. If you see on the regular debtors' side or the inventory management we have not really missed out. Next year if the growth is around 10% we would be possibly we will try and manage within the same working capital and if it goes beyond that then possibly it may need some

more working capital. That is our target that is the internal target we will try to walk towards that.

Amber Singhania: Sir secondly my question is towards the T&D side on the broader outlook on domestic as well as global market. On domestic front we are hearing about that Green Corridor bidding happening as well as lots of BOT BOOM projects coming up which we have also discussed in the last quarter. How is the situation there and where we see ourselves placed in that entire bidding as well as the Green Corridor bidding side?

Ranjit Singh: As far as Green Corridor concern as we discussed previously also Government's talk about \$100 billion investment. Some things we are already seeing on the ground PGCIL recently floated few tenders which were related to this Green Corridor by KFW. Those tenders have not been opened as yet we have predicated in all of them, we hope to bag a few of it. So Green Corridor definitely will be one of the key drivers of demand as far as T&D business is concerned. As far as BOOT project is concerned total identified projects that we talk about it about 35000 crores out of which 10000 crores will be bid out in the next six months. We have participated in one of the BOOT projects we have placed second in that. So we did not win it, we placed second in that.

Amber Singhania: Okay. And how big is that project sir?

Ranjit Singh: That project was about 1500 crores.

Amber Singhania: So it is a majority that in transmission side?

Ranjit Singh: Yes. Everything was actually on transmission side but, what you have distinguish when we bid for a BOOT1 project then all the supplies also to our accounts so bought out items also get added in the total project side whereas. When you are bidding for PGCIL there is a lot of material we can supply in the PGCIL, primarily construction, tower supply which is in our scope, things like conductor, and insulator are centrally purchased by power grid and they supplies on a supply material. So when you look at the BOOT project side and when you look at PGCIL what we get from PGCIL there are two apple and oranges.

Amber Singhania: Okay. Sir just one last question on Shubham Logistics side I appreciate that you are mentioning that at present we are not disclosing anything much as such but just wanted your opinion we are keeping and hearing a lot of things about Shubham it is funding as well as the probable listing and the valuation and all. So just if you can give anything, any time line if you can share anything on that?

- Ranjit Singh:** No comments at all.
- Moderator** Thank you. The next question is from the line of Ravindra Nayak from SBICAP Securities. Please go ahead.
- Ravindra Nayak:** And I want to know something on this transmission and distribution business, once upon a time your order book actually was divided between 50% both from overseas and domestic market. Domestic market has come down due to the very bad investment cycle of the country now, I want to know what type of order because if I see the transmission either in substation and the transmission tower and conductor are the major components of the transmission line so what type of tender you are looking at in the domestic market going ahead in terms of ordering if at all both from the PGCIL and private sector.
- Ranjit Singh:** When PGCIL bids out something our scope has pointed out earlier as PGCIL supplies conductor and insulator part. Our scope is limited to erection, line material where the hardware, etc., is there and the tower material so that is our scope of work. So when we are bidding for BOOT project the entire scope is ours because it is a turnkey project where we are also buying the pot out material and supplying in the project. So typically a PGCIL project would be about 40% of a BOOT project size on a like to like basis so if there is a 100 crores project on BOOT it will be 40 crores for PGCIL when we are bidding for PGCIL. Does that answer your questions sorry?
- Ravindra Nayak:** I am just asking in terms of PGCIL is actually putting a CAPEX of around 20,000 crores every year and they have already spent around 12,000 to 13,000 crores so far in the last nine months so in next year what type of order tendering you are expecting from PGCIL to happen, whether the Erickson contract will dominate or conductor or substation contract will dominate what type of?
- Kamal Jain:** Overall when they are bidding out the project they bid out the project for a transmission line. So when the transmission line is being bid out, transmission line the bought out items we do not this thing, but we are erecting and commissioning that, we draw the conductor but the supplies are made by PGCIL.
- Ravindra Nayak:** Okay. So do we think the conductors when a tender is going to happen in the next year or it will be transmission line tender will be happening in the next year?
- Kamal Jain:** PGCIL always takes out transmission line tenders so they divide it into the tower supply and the erection. We will supply them to **(Unclear) 47.01** component and all

their conductor requirement and builds out separately they will **(Unclear)** all their insulation requirement bring it out separately.

Ravindra Nayak: No, I am just asking whether this transmission line erection will dominate in the next year CAPEX or it is already happen and only conductor will happen next year?

Kamal Jain: No transmission line new projects are coming up there. They have got Green Energy which is major participant of this. See two kind of parties will come from PGCIL number one are the projects where they still have monopoly and they are preferred suppliers by Government of India like Green Energy project which did not go through the BOOT route But PGCIL go the project from government of India they bid it out, similarly in North East right now the project worth about 10,000 crores which will come up for bidding partly world bank funded, partly funded by Government of India. Similarly in Kashmir, some projects for which we have bid there also it is all PGCIL monopoly. The second part is after the policy changes rest of it ITPC is all competitive bidding. So where PGCIL also competes with other players, like Sterlite, Essel like us for the BOOT project itself.

Moderator Thank you. The next question is from the line of Ashish Jalan from Reliance Mutual Fund. Please go ahead.

Ashish Jalan: Sir I wanted to understand the consolidated debt of the four road BOOT projects under JMC and also the kind of tolling that has happened in the last quarter and going forward what is the expectation of the tolling amount for the next quarter.

Ranjit Singh: Manoj would you like to answer that?

Manoj Tulsian: Yes. So on the consolidated debt for the four BOT project we are close to around 1300 crores and in terms of tolling revenue on Rohtak-Bawal we are at around 75% of our initial estimates. Agra-Aligarh we will just start the balance portion for which we were awaiting the COD so we would be able to let you know in the next call, but the initial numbers are looking good, they are almost near our estimations and Nagpur-Wainganga we had just started so as have mentioned earlier also that initial six month is a stabilizing period so there is no point putting a number and confusing everyone and Reva the tolling will only start in Q1 of next financial year. So once that happens then possibly we would be able to give you some picture on that also by the end of Q2 or Q3.

Ashish Jalan: Sir currently what would be the annual potential of your four projects combined together in terms of the tolling revenue?

- Manoj Tulsian:** It should be close to around 200 odd crores.
- Ashish Jalan:** Okay once everything is fully COD then you achieve the complete.
- Manoj Tulsian:** That is right.
- Ashish Jalan:** Okay. And sir would you be able to share the consolidated debt figure for the Kalpataru Group as such?
- Ranjit Singh:** Sorry we will not be able to comment on that today.
- Moderator** Thank you. The next question is from the line of Sanjib Panda of Sharekhan. Please go ahead.
- Sanjib Panda:** Sir follow on question on the opportunities that you see in the T&D space some of the things that you highlighted is Green Corridor, if you can just point out and help us to understand what kind of opportunity in terms of size these could be like Green Corridor and also we are talking about some SAARC countries opportunities across border?
- Ranjit Singh:** As far as the Green Corridor is concerned the total T&D opportunity would be something like 20,000 crores to start with or water projects which are being identified that is primarily in Rajasthan and Gujarat. And also part of it in Karnataka, Tamil Nadu, etc., so that is the current one but going forward the only numbers that we can go buy is \$100 billion. And one thing is very-very sure the registry of renewable energy in our total energy mix is likely to go up to reduce the carbon footprint. Pace at which it will happen will depend significantly in terms of what happens in the next Summit on carbon reduction and climate change. We believe that India will end up making some voluntary commitment in terms of carbon cutback. This will give a huge boost to green energy how much, etc., it is all very difficult to say at the moment so as far as Green Corridor is concerned our country is a concerned as we have talked about it earlier also, there is a huge potential of hydel electricity in Nepal and Bhutan whereas their consumption is only about 10% of their total hydel energy potential just to give you an example, Bhutan has got a identified potential of 30 gigawatts of hydel energy where their requirement will not exceed 1 gigawatts so the rest of it can be sold to India. For that the hydel projects which are typically long gestation projects. One is very-very sensitive about logical balance so those kind of projects have to be envisaged fully understood, they have to be implemented, and then the second challenge really is evacuating the power and linking it to Indian National Grid there is where our opportunity comes. Where other two neighbors were concerned that is Bangladesh and Sri Lanka, these two countries we are likely to export power going forward. That extent

some linkages will get established and they will also get integrated to the National Grid and that is where huge amount of opportunities. Right now what we have is something like 4,000-5,000 crores of project will be announced and we are looking at that. Broadly it says that. The third major thing that we expect to happen is in the budget, we have seen that coal issue is getting resolved to certain extent at least some progress is there. It is moving toward some kind of resolution. Second major thing which could happen at the budget really is as far as infra funding is concerned. Key initiatives are infra funding so that is another constraint as far as investment in transmission and power sector is concerned especially in transmission sector where the BOOT projects typically are about 25 year concession that would will be funded by matching.... So we believe that government is still going to announce some initiatives in this area as far as budget is concerned or immediately after the budget that will be another positive that is something which we are waiting for.

Moderator Thank you. The next question is from the line of Mansi Verma from Karma Capital. Please go ahead.

Mansi Verma: Sir just a follow up on the expectation from the budget sir any of these expectation or any of the possible announcements going to act possibly as a deal win in the short term for the company.

Ranjit Singh: Short term I don't see too much happening. Other policy related initiatives are already happening. Where government clearly announce whether it is a Green Corridor or whether it is strong linkages with the neighbors and power integration with the neighbors that has already been announced by the government and work is happening as far as debottlenecking, the power generation sector is concerned that is already happening on BOOT front again we expect significant. Two areas which we expect one is "Make in India" part which definitely will have an impact so to that extent it may throw up manufacturing opportunities in the segment so broadly that is one thing which you are going to back the T&D segment and to promote that some of the government organizations may also insist on certain levels of indigenization and local production so that is one major thing which is likely to happen though it will not have significant impact as we are concerned except that throws up certain manufacturing opportunities in the long run. The second is as far as BOT in concerted intra funding is concerned. That is where we hope that there would be significant announcement and initiative taken.

Moderator Thank you. As there are no further questions, I would now like to hand the floor over to Ms. Bhoomika Nair for closing comments.

- Bhoomika Nair:** Thank you everyone especially the management for taking time out and answering all our queries. Thank you very much sir.
- Ranjit Singh:** Thank you Bhoomika.
- Kamal Jain:** Thank you Bhoomika.
- Ranjit Singh:** Thank you everyone bye-bye.
- Moderator:** Thank you. On behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your line.