



“Kalpataru Power & JMC Projects Q1 FY 2016
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power and JMC Projects Q1 FY 2016 Earning Conference Call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. 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 you Ms. Nair.

Bhoomika Nair: Good morning everyone. Welcome to Kalpataru Power and JMC Projects Q1 FY2016 earnings call. The management today is being represented by Mr. Manish Mohnot, Managing Director, Mr. Kamal Jain, Director Finance and CFO, while JMC is being represented by Mr. Manoj Tulsian, Director Finance and CFO. I now hand over the floor to the management for their initial remarks post which we will open our floor for Q&A. Over to you Sir!

Manish Mohnot: Good morning friends. We have declared the Q1 results of financial year 2016 of both KPTL and JMC and the copy of the results, press release and presentation have been sent to all of you all. Before proceeding for the Q&A session, I would just like to take you through the key highlights of the results and recent developments. In the last quarter KPTL has grown in excess of 10% on topline and with core operating margin growth of more than 15% and PAT growth of 16%. JMC had a small decline in topline, but core operating margin grew by 32% and PAT by 48%. Last quarter was reasonably good in terms of order flow given the huge L1 orders which we had at the end of the year and we have secured orders in excess of Rs.1800 Crores in the previous quarter with a mix of international and domestic, international being 50% and domestic being 50%. In addition to this, as on 1st July, we are favorably placed in orders of excess of Rs.2500 Crores with similar mix of domestic and international.

On an overall basis current year, we believe that we will be growing at a rate of 10% plus and depending upon how fast secure the L1 orders, the numbers could be revisited at the end of Q2. On the margin front, we have achieved slightly higher than 10% in Q1 basically it is driven by few specific projects, but for the year as a whole we still target operating margins in excess of 10%. In April this year, we also achieved COD of our second TL BOOT project at MP in a record time of 16 months, the project is operational now and this would be a second TL BOOT project which is operational as of today. In JMC, we have walked well in the past few quarters on margin improvements and we believe that in the current year, we will achieve 5% to 10% topline growth with operating margins in the range of 8% for the year as a whole. All of our road BOOT projects are operational except Reva and all are operating on full length and full toll basis. Reva project in MP is expected to receive final COD by the end of the second quarter. We have already received partial COD where we are operating at closer to 80% level and balance should happen by the end of third quarter.

As a part of our asset monetization plan, we have partially sold Thane IT park for consideration of Rs.65 Crores, some of the balance portion is leased, we will be looking at options of selling or leasing the balance portion. We have also received all the necessary approvals to launch Indore project, it would be residential cum retail project. The initial site activities have started and we are planning to launch the project very soon. As most of you are aware, we have filed DRHP of our subsidiary Shree Shubham Logistics with SEBI. We are constrained to discuss financial and operating performance of business plans at this stage. My humble request is to bear with us on this matter. As and when on obtaining regulatory clearances, we will be happy to discuss in length about that business vertical of ours. With this update and request, I would like to open the floor for Q&A session.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.

Kunal Sheth: Good morning Manish. Congratulations on a good set of numbers. My first question is what kind of order flow we targeting for this year given the fact that we have already Rs.1800 Crores in hand and Rs 25 billion approximately is L1 and if you also can throw light on some environment that is in domestic and international market. How is the environment shaping up?

Manish Mohnot: Our target for order inflow for this current year in the range of Rs.6000 Crores to Rs.7000 Crores and we believe we should be able to achieve that. As far as environment is concerned, we are seeing a lot of tenders coming in domestic and international both, domestic mix coming from private sector, SEBs and Power Grid and international, a lot of orders coming from the African belt. A lot of tenders we have bid for which we are expecting results to be known soon. So while there is a lot of traction, yes there is also some additional competition coming in at least from the domestic front, but even with all of this, we are confident that we should be having new order inflows in the range of Rs.6000 Crores to Rs.7000 Crores in the current year.

Kunal Sheth: Sir, as far as Thane land sale is concerned, we have sold, so what part of Thane have been sold for Rs.65 Crores and how much did we invest vis-à-vis Rs.65 Crores that we have got?

Manish Mohnot: Saleable area which we have sold is in excess of 1 lakh square feet and the rate has been more in the range of Rs.6300 plus and this would be approximately fairly less than 30% of our total area. Some portion of the premise is already leased and the balance we are looking at options of both leasing and selling. On an overall basis, it is a profitable sale with IRR in double digits.

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

Sanjeev Kumar Panda: Good morning Sir. Congratulation on good set of numbers, if I heard it correct you continue to have guidance at around 15% in the topline, did you revise it this time or how do you look at?

Manish Mohnot: We are now seeing in excess of 10%, at the current year we are not still going to 15%, we are saying in excess of 10%, we will have a lot of more clarity in the next few months once our order book which is L1 of Rs.2500 Crores crystallizes, but right now our guidance is more in the range of 10% plus.

Sanjeev Kumar Panda: What is the reason for it Sir? Do you see some execution delay or is it some other reason?

Manish Mohnot: Reason is primarily delay in securing all the L1 orders which got converted, so I think the only reason is delay in receipt of orders nothing more than that. I do not think there is any execution challenge; it is only the order book which is the reason for muted guidance for the year.

Sanjeev Kumar Panda: Regarding Reva MP project, when can we expect that to happen and regarding the entire total BOT projects if I see, what kind of shortage we have at this point of time in terms of revenue collection and what is the kind of run rate we are having in terms of loss that we need to fund from our balance sheet for the whole year?

Manoj Tulsian: Good morning. Your first question, Reva we are looking at by the end of Q3, we would be able to go for full tolling. We are almost at 80% tolling right now and the present run rate is around Rs.50 lakh per day of revenue and for this year based on the current rate of revenue assuming, there is hardly any traffic growth in the next nine months we might have to have a cash loss of close to around Rs.55 Crores to Rs.60 Crores.

Sanjeev Kumar Panda: All put together?

Manoj Tulsian: Everything together.

Sanjeev Kumar Panda: Okay. Regarding the infra segment this time, we saw margin turnaround and profitability as well as we saw top line growth. What is going to go ahead and what kind of sustainability we can see going ahead that is where because this entire result of this quarter was that was one of the key highlight. So, if you can throw some light and help us to understand and how sustainability and going forward what kind of number we can expect?

Manish Mohnot: On our order book, as far as KPTL is concerned, we are confident this order book will be able to achieve operating margin in the range of 10%, so the current order book including L1 we are confident of achieving this kind of margins, so from next few years perspective, I think 10% or 10% plus should be easily achievable as far as Kalpataru power is concerned. As far as JMC is concerned, we have improved our operating margins significantly from as low as 4% few years ago, we have now come up to 8% levels on operating margin levels. We believe that we should easily be able to sustain this 8% level as far as JMC is concerned.

Sanjeev Kumar Panda: I was actually referring to the pipeline and railway infra segment within our standalone that we report.

- Manish Mohnot:** The pipeline infra segment yes, we have had a last two years of losses given by some new projects and given by some mistakes which were there. I expect the operating margins to be in the range of 3% plus for at least the order book which we have in hand today. It can only improve from here. I do not believe that it will deteriorate from there.
- Sanjeev Kumar Panda:** Is there any other related losses regarding Forex or something in interest cost if you can share the details?
- Manish Mohnot:** We have loss of approximately Rs.5 Crores which have come into the MTM due to the timing issue in interest cost. Removing that, our interest cost is closure to Rs.36 Crores which is similar to what we had budgeted at the beginning of the year.
- Sanjeev Kumar Panda:** The last question is Sir, partial selling of Rs.65 Crores for the Thane project wherein we have accounted for in our line items?
- Manish Mohnot:** It is not for accounted line items, because this is a standalone that is the subsidiary, so it is not got accounted as profits in any of the line items as account.
- Moderator:** Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Thanks for taking my question. I just wanted to know how the ordering environment is currently apart from PGCIL or SEB front private players how the ordering environment as it improved overall I just wanted to ask.
- Manish Mohnot:** We see a lot of bids on SEBs, private sector and PGCIL, so obviously the bids in terms of the tenders which we have submitted looks much better than what they were few quarters earlier. So as far as tendering is concerned, yes, we have seen uptake in tenders, along with that we have also seen some fresh competition coming in; we have our own set of challenges from a long run perspective. On quarter-on-quarter or year-on-year basis, definitely there is a big improvement as far as tenders are concerned.
- Ravi Swaminathan:** But competition also are you seeing at only in PGCIL related orders or also in SEBs, how is it and in PGCIL also it was evident if you scan through the orders that they have tendered out, number of bidders per order has actually increased over the past few months?
- Manish Mohnot:** I think it has come across all segments, but there is a lot more in PGCIL, but it come across all segments of tendering.

- Ravi Swaminathan:** Okay and regarding JMC, the losses that we would be incurring in the road projects, are we going to fund it through debt how are we going to do it and any further equity investments are required any of the road projects?
- Manoj Tulsian:** For the losses we have tie up of debt and also internal accrual this year which we feel would be better than the previous year given that our margins are improving. What was your second question?
- Ravi Swaminathan:** How are we going to fund the losses I mean through debt or?
- Manoj Tulsian:** No, that is what we said we have debt lined up, so if required, it is the internal accruals are not enough then we have debt line which we can use for the same.
- Ravi Swaminathan:** JMC out of the current order book, how much of it would be fixed price and how much of it would be fixed price contracts and how it would have been one year ago?
- Manoj Tulsian:** It is almost similar. We have ratio of around 70:30 and that continues because we have become slightly more careful and cautious from the bidding stage itself in terms of not going for too many fixed price contracts. So we are maintaining that discipline in the last 18 months I would say.
- Ravi Swaminathan:** Okay and regarding the transmission BOOT projects further be going for any further BOOT projects going forward, are there anything the pipeline that we will be looking at?
- Manish Mohnot:** On the transmission side?
- Ravi Swaminathan:** Yes, transmission BOOT.
- Manish Mohnot:** We have bidding for transmission BOT projects also, right now depending upon the size of the project, so we continue to bid for this project, but at our defined levels of returns.
- Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** Congratulations, Manish Ji and Manoj Ji on good set of number. Manish Ji, regarding this BOT project recently we have bid it I mean for a very large project, so what is the thought process and how we are ultimately and what is the pipeline on, it is ultimately our thought process on this BOT project, because some of we heard from the newspaper we have bid it for a very big project also. We heard from the newspaper we had bid for a very big project also of course it did not go through, so can you just give long-term thought process and how the funding and all?
- Manish Mohnot:** We will continue to bid for BOT projects of reasonable size. From a funding perspective, we are at the stage of signing up with the strategic partner with significant equity as far as the project is

concerned and we should be announcing that in the next whatever few weeks or few months. We have already lined up with strategic partners who would come on board whenever we **win** the next BOT project. So from a funding perspective that is already in place and given that you see that our size in terms of the projects which our bidding has slightly gone up from what it was in the past, but at the same time we will be conscious enough to make sure that we bid all projects where we can **put** an equity through free cash flows and nothing beyond that.

Bharat Seth: EPC will flow into our order book and second thing on what is your outlook on this infra side recently we won big order and we have also got Q4 large size projects and how is the environment on those infra side?

Manish Mohnot: You will be seeing a lot of tenders coming up on the infra side both on pipeline and railways. Railways are a lot more than pipeline; yes we continue to be conscious. We have decided to work only in five or six states and we are not trying to work across the country as far as these projects are concerned even the kind of experiences we had on all our projects in the past. So we continue to be cautious in terms of bidding and also we have improved our levels of bidding in terms of margins as well as costing. So there is a lot of traction and I believe next few years we should easily see this the infra segment being reaching levels of Rs.1000 Crores as far as revenue is concerned as in the next few years itself.

Bharat Seth: What kind of margins in new bidding we are targeting?

Manish Mohnot: We are bidding at our normal levels of KPTL, but we are still cautious, so we are not still declaring that, so we are right now saying 3% to 4% as far as our operating margins are concerned, but otherwise all the tenders have been submitted at much higher levels, but we just want to make sure that two, three quarters we see all the deliveries of confident of whatever the numbers come out and then we will see how it improves.

Bharat Seth: How much is the legacy order in infra side?

Manish Mohnot: Legacy loss making orders would hardly be anything now, which I think we should be getting out of it in Q2 not significant, may be around 50-60 cr.

Bharat Seth: On JMC side how much is the legacy order, just can you Manoj Ji if you can share?

Manoj Tulsian: On JMC side it is now close to around Rs.100 Crores.

Bharat Seth: So once we are through them there is a further room to improve EBITDA in next year also because our most of the factory building, we were earlier earning double-digit kind of EBITDA margin. So what is your phase in going ahead next year?

- Manoj Tulsian:** For sure if you see we have been working on the margins in the last two to three years, margins have improved significantly and we would continue to travel on the journey in next one or two years, you are right to some extent after the legacy orders, the margin improvement should reflect assuming that there are no other orders, which has gone into this same trend of lower margin profile.
- Bharat Seth:** There is a further room to improve it, correct?
- Manoj Tulsian:** Very sure.
- Bharat Seth:** How is the pipeline because in Q1 of course we have good order book although but in Q1 there was not much win, so pipeline?
- Manoj Tulsian:** We have also L1 position of close to around Rs.600 Crores today, so we are not really worried on the order book side.
- Bharat Seth:** Full year tax rate what could be approximately?
- Manoj Tulsian:** We should be in the range of 30%, 31%.
- Moderator:** Thank you. The next question is from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.
- Madhan:** Good morning Sir, this is Madan. Sir first on what will be your current year debt target by the end of the year would you expect the debt to come down further, what will be your debt on standalone basis?
- Manish Mohnot:** As far as KPTL standalone, we are at being a debt level in the range of Rs.900 Crores at the year-end. At the quarter end, our debt levels have come down to levels of Rs.770 Crores at the end of Q1, which is also driven by the infusion of cash flow from the Thane property, which we sold; year end targets are more in the range of Rs.900 Crores for KPTL standalone.
- Madhan:** So this increase in debt you are assuming will come in through the 10% growth that you are factoring in?
- Manish Mohnot:** The combination of 10% growth plus the kind of payment terms, which we are seeing on the new tenders. The new tenders are all power grid tenders or SEB tenders which have those payment clauses of 10, 55, 25 and 10, so none of those old tenders where we had 80% coming from supply exist, they are all over given the new payment terms, given the kind of orders we are seeing and given the kind of tenders for which we are bidding, I think we will continue to be at those levels of Rs.900 Crores, combination of both growth as well as the payment terms based on whatever tenders we are bidding.

- Madhan:** So the incremental working capital days should be factored like for the new projects as we execute, what sort of working capital days we should factor?
- Manish Mohnot:** It would be very different to say exactly, but I am seeing on international anywhere between 190 to 200, working capital days and net working capital days in international I would say 75 to 90 and in domestic again in the same range more on the higher side of 90 and international more on the lower side of 75.
- Madhan:** When you are saying Rs.900 Crores, you are not factoring any inflow coming in because of Shubham Logistics going for IPO right?
- Manish Mohnot:** None of those. We have not considered anything of events which we are still not sure when it would happen.
- Madhan:** For the BOT projects, I would just like to get some numbers. Based on Q1 run rate, what is the toll collection expected to be in FY 2016 Sir?
- Manoj Tulsian:** We just shared the numbers. Our daily revenue is close to around 50 lakhs per day, so you can assume fairly the run rate has to be anything either the same or better than that.
- Madhan:** Reva partial toll collection is part of the 50 lakhs per day?
- Manoj Tulsian:** Yes, there will be slight improvement, but most of it will only start in the FY 2017.
- Madhan:** So in FY 2017, what would be your target with Reva full toll collection?
- Manoj Tulsian:** That is going to add another Rs.4 to Rs.5 lakh per day.
- Madhan:** Current debt in the total BOT books?
- Manoj Tulsian:** In the BOT books, we are close to around Rs 1350 crs
- Madhan:** Total how much of the loss funding you expect?
- Manoj Tulsian:** This year anything between Rs 55 crs to Rs 65 crs. Next year it should come down significantly, we are only looking at anything between Rs 15 crs to Rs 20 crs
- Madhan:** You were explaining on the BOT transmission side, what will be our funding strategy like you will bring in some strategic partner. Just want to understand from our side what will be the minimum equity exposure that we can factor in?

- Kamal Jain:** We will continue to be a minority partner in that and at this stage I cannot disclose what exactly would be an equity state, but we will assume that we will continue minority partner in SPV and get full share in EPC.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** Thank you for taking my call Sir. Just want to understand on JMC standalone, why has the debt in Q1 FY 2016 increased so dramatically both long term and short terms, if you could help us understand what is happening there?
- Manoj Tulsian:** Significantly I do not know what the numbers you have are. Our debt has gone up by around Rs.50 Crores in Q1 and that is mainly because we are funded close to around Rs.36 odd Crores in the BOT itself on account of our capital commitment, the loss funding and some amount of repayments also which were on there on the BOT projects. That is mainly the reason for the debt to go up.
- Dhruv Bhatia:** Because the income has not grown so we are wondering whether there were any changes because of working capital and what are you guiding for this debt number by FY 2016?
- Manoj Tulsian:** Our target was this year to keep the debt increase anything between Rs 60 to 85 Crores and since we have already added of around Rs 50 crs, we are still targeting that by the year end this number should not go beyond another Rs.35 odd Crores.
- Dhruv Bhatia:** These are the total debt and the second question again pertains to JMC, what sort of monetization strategy do you have in mind for road BOTs, is there any monetization strategy?
- Manoj Tulsian:** We have been discussing at the board level on all those issues and as and when some concrete decisions are being taken at the board level, we will definitely come back on the same.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Thank you for taking my question. Just couple of questions starting with JMC site, in the last con call we discussed that on the road project we are expecting roughly Rs 25 to 30 Crores of annual loss per year and right now we just discussed about Rs 55 to 60 Crores, so what has changed in this quarter, which has taken as a loss number to be higher in our estimate?
- Manoj Tulsian:** There are two reasons; first prima-facie region itself is that we were slightly more aggressive in terms of our own assumption on the interest rate reductions, which is a major component which has been hitting all these projects. So on one side things have not gone on the way it should have been in the last two years in the economy which has its special on the top line, the other significant area which hits, the overall number is also the high interest rates and we have not seen any reduction in interest

rate except maybe around 15 to 20 basis points in the last three to four months. So assuming that and we do not see any scenario at this point of time also that there would be any major reduction during the year. So we are presuming that this number will remain high if the interest rates come down significantly then definitely we will be better off.

Amber Singhania: Secondly Sir, how much total equity we have invested so far in this four road BOT combining together?

Manoj Tulsian: It is somewhere close to around Rs.520 odd Crores.

Amber Singhania: And the remaining is only the losses, which we need to fund, there is no more equity requirement from the capital ...

Manoj Tulsian: No, there are some capital commitments which is still pending, but that is I think around 25-30 Crores in the balance period.

Amber Singhania: Another 25-30 Crores is pending there?

Manoj Tulsian: Yes, I think it will come around that number.

Amber Singhania: So altogether JMC need to fund around Rs.60 Crores of loss plus Rs.30 Crores of this capitals and R.90 Crores to the road BOTs in this year?

Manoj Tulsian: Yes, out of which we have already funded and some repayments also, there are some repayments also on the BOT because the BOTs are not self-sustainable today, but out of that we have funded 35 and the balance here we should be looking to fund in another Rs.60 to Rs.65 odd Crores taking everything together.

Amber Singhania: Will we be comfortable with Rs.750 Crores of debt levels at the end of the day with including this commitments and debt repayment, will that be sufficient?

Manoj Tulsian: Today we have the lines tied up and everything, but to answer and knowing the way we work as a philosophy it is not a very comfortable level for us as a company. So we are definitely discussing the various options and everything at the Board level and whenever we get a concurrence of Board, we will come back and we will see how to reduce our debt profile.

Amber Singhania: Sir, secondly on the standalone JMC side, the current order book continue to have Rs.5100 Crores plus Rs.600 Crores of L1 as you mentioned. Have you not seeing any kind of slow down on the real estate side yet because we still have a very high proportion of order book coming from real estate primarily on the southern side and what is your outlook on the same because everywhere we are

seeing that real estate is giving a negative outlook as such, so what is your understanding on that part Sir. Can we assume something negative coming from that perspective in the future?

Manoj Tulsian: You are very right and I think all of us are privy to the same type of news and information, which is there today and the heat, is on, on that sector. So we are not booking any real estate orders except in south because and south also mainly Bangalore, which still looks hale and hearty. Other than that in the country whatever order book in L1 positions we are talking, none of them are residential projects. So we know we are careful about that and our order book building will also be other than residential most of it other than what we get in southern territory.

Amber Singhania: Coming in to the KPTL standalone side, the inflow of Rs.1800 Crores, how much is coming from the L1, which we had last quarter or it is entirely from that only?

Manish Mohnot: It is entirely from the L1, which we had in the last quarter.

Amber Singhania: And also if you can share the current L1 of Rs.2500 Crores, what are the major orders in that in this Rs.2500 Crores?

Manish Mohnot: It is a mix of international, domestic and infrastructure, significant more than 80% is transmission orders, I would say more than 90% is transmission order with the equal mix from international and domestic.

Amber Singhania: Sir, good reporting numbers on the infra segment, what could be the normalized margin once we are through with the legacy project in another one quarter, so in the second half what kind of normalized margin we can expect from infra segment?

Manish Mohnot: Right now bidding at levels which are closer to our KPTL levels of tendering, which is more in the range of 8 to 12% depending on project to project, so I am seeing for the current year also we think that we would be able to achieve operating margin only 3-4% while on a steady state we should see it is going up to 6-7% over the next few years.

Amber Singhania: So we will be over with all the legacy including low margin as well as the loss making in this year itself, right?

Manish Mohnot: Yes for sure.

Amber Singhania: Okay, so FY'17 would be 8% plus margin you can assume on that part?

Manish Mohnot: Unless we caught with few more surprises.

Amber Singhania: Okay, is there any chances on that part, Sir, are you seeing any...

- Manish Mohnot:** None of us like the surprises, right. Surprises do not come by telling you that they would. None of us want to have surprises, but we believe it would improve from where we were there in the past for sure.
- Amber Singhania:** Sir, on the BOOT, BOOM project side on the transmission I believe like earlier we were aiming for two projects, which is Chhattisgarh in MP, which has already been bid out as such, if you could throw some light how was the competitive intensity and what was the difference with people who have won the bid and our bid as such and also you mentioned that new projects which we are planning to bid are slightly larger than this, so what could be that size as such because these were like 2000 Crores plus projects, so what could be the size, which we are now aiming for as such?
- Manish Mohnot:** As far as competition intensity, we saw competition from four or five players on the TL BOT projects. There was difference in some of the projects exceeding 15-20% between us and the winning bid, going forward we will continue to look at projects where we believe that we can win, deliver the EPC in the defined time and make sure that from equity perspective it is something which we can deliver, which project it will focus, what size are something which we would like to keep it confidential as of today.
- Amber Singhania:** Sir, the 15-20% difference with the people who win, is there something which we are missing or is there they are going very, very aggressive or some color on that Sir, how the industry shaping, is it going on the same way where road BOT has gone couple of years back?
- Manish Mohnot:** I would not like to comment on what are the industry practices as far as the other players are concerned. As far as we are concerned, we have bid at levels, which is beyond our threshold levels, which is above our threshold level and we would not like to bid up or below this.
- Amber Singhania:** Just one more thing Sir, on the debt side on the standalone as you guided around Rs 900 Crores plus, assuming that we have already received **Rs** 65 Crores of land sale money and last year Q4 was slightly heavy on the working capital side because of various reasons from PGCIL and other clients, are not we factoring slightly higher target for that number or is it just your sense on that Sir?
- Manish Mohnot:** No I think, we have calculated based on the likely orders, which we are going to receive and based on the payment terms, which we have most likely to be received and we believe it should be in this range plus minus Rs 25 Crores, but we should be in the similar range.
- Amber Singhania:** Okay thanks sir, just last question on my list, any timeline you can share for the logistics IPO, what exactly the scenario there if you can share?
- Manish Mohnot:** We will not be able to comment on this question.

- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much sir for the opportunity. My first question is on the BOT side of your JMC, now debt that we are talking about 90 Crores of addition in this year, so that will take to about Rs 760 Crores that by year end, so is it fair to assume that this would be the peak level from FY 2017 onwards they should start declining?
- Manoj Tulsian:** Well, in the given scenario, I think yes and in any case as we just mentioned some moments back that in this Board Meeting also we had a discussion because this is not the level of debt at which as a group philosophy we are very comfortable internally itself, but the board does ask to do some homework and we are going to go back to them and then we work out what is the next action.
- Deepak Poddar:** I understood that. My second question on BOT would be what would be the break even level that we might be at the BOT level, currently we had about Rs 50 lakhs per day collection, right, so what would be the break even level?
- Manoj Tulsian:** There are two factors on this, one also how the interest rates pan out, it is difficult right now to just put a number because every quarter the number can change.
- Deepak Poddar:** Rough rate on like earlier we were speaking about Rs 55-56 lakhs, considering your loss funding requirements has increased, so this break even level would have also increased from 55-56 lakhs to 60 lakhs.
- Manoj Tulsian:** Yes, right now if you ask me, it is around Rs 64-65 lakhs.
- Deepak Poddar:** Rs 64-65 lakhs and when do we think we can achieve such kind of tolling like in how many years kind of like maybe two years down the line, can we achieve these kinds of per day collection?
- Manoj Tulsian:** Again, it is anybody's guess because there is not much we can do on the tolling side, right, all the right things which we could have done by appointing a professionally O&M team and tolling team and everything we have done. We all have to see how the economy pans out in the next 24 months assuming now that already 18 months for the government wherever whatever action they have taken and things would start reflecting, I have seen some CV sales showing some signs of recovery now, some of the companies have shown good number, overall the CV sales, I was just reading an article has improved around 10-15%, so some of these things should start reflecting and based on all these things happening, I think another 24 months is maximum when we have to continue to fund loss.
- Deepak Poddar:** 24 months, FY 2017 we are talking about 15-20 Crores?
- Manoj Tulsian:** Yes, so FY 2018 possibly I think that we will be into profits.

- Deepak Poddar:** Okay, I understood that, and at the BOT level we had about Rs.1350 Crores of debt, so any kind of addition we need there as well in terms of debt?
- Manoj Tulsian:** Another 50 odd Crores will get added.
- Deepak Poddar:** And this is over and above this Rs.90 Crores we are talking at the JMC?
- Manoj Tulsian:** Yes, that is the project level.
- Deepak Poddar:** Okay, I understood. On the revenue side at JMC level, we are talking about 5-10% growth in FY 2016, so any kind of vision we had in terms of like 15-20% growth we want to see over the next two to three years, any kind of strategy or anything on those lines would be helpful?
- Manoj Tulsian:** Well, if you see last two to three years, we discussed that we are on the mode of consolidation where we wanted our EBITDA margins to come back, we also looked at our quality of order books fixed versus variable, estimations, everything, things are reflecting now in the numbers. In terms of growth, if you see last two three years there were huge internal orders because we were also doing the EPC for all these BOT projects, which is almost now come down to near zero during the year, so if you factor in, our other business actually is growing at 10% plus. So I think from next year onwards, we should start looking at for sure 10% plus growth.
- Deepak Poddar:** 10% plus growth from FY 2017 onwards.
- Manoj Tulsian:** Yes that how it looks like right now.
- Deepak Poddar:** My final thing you said that we are further room for improvement in EBITDA, so any kind of guidance you want to share from 8% level, how can we see it over next two to three years?
- Manoj Tulsian:** No I think the first thing is, let us keep our promises, we said that we will improve the EBITDA margin by around another 75 basis points during the year, first quarter has shown reasonably good numbers, though we lost slightly on the growth side. Let us maintain it for the time being and after two to three quarters we can again discuss on this
- Moderator:** Thank you. The next question is from the line of Ankita Bohra from B&K Securities. Please go ahead.
- Ankita Bohra:** My question is how much would be the deficit in toll collection currently as per our original estimates?
- Manoj Tulsian:** We are at around 75 - 80% level.

- Ankita Bohra:** And we expect this to get ramp up in the next two years?
- Manoj Tulsian:** Obviously if that does not happen then there are larger problem for the entire economy, I understand.
- Ankita Bohra:** Sir this L1 position that you highlighted of around Rs.600 Crores, this could be I believe largely in the factories and building segment?
- Manoj Tulsian:** Most part of it is infra segment and also factories and building.
- Ankita Bohra:** Would you be able to give me the breakup exactly?
- Manoj Tulsian:** I would say around 50% of this is on infra and the balance is on factories and building, so it is almost 50-50.
- Ankita Bohra:** We were also looking to explore international geographies for new orders, so have we found out something or have we identified any projects that side?
- Manoj Tulsian:** While we are talking this Rs.600 odd Crores, one of the L1 position is international destination.
- Ankita Bohra:** This would be in which market?
- Manoj Tulsian:** No this is in the neighboring countries only.
- Ankita Bohra:** Could you give us more details in this project, what kind of project is this, project size?
- Manoj Tulsian:** This is a water project and the project size is around Rs.125 odd Crores.
- Ankita Bohra:** And when we expected to start commence construction activity?
- Manoj Tulsian:** We are waiting for LOI, once that comes and we are all prepared to start the commencement of work also.
- Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** We were earlier also talking on taking infra and pipeline business also to international level once we have a kind of expertise as well as JMC on this African Market where we have reasonable good presence, so how the things are working out?
- Manish Mohnot:** We are working on the same strategy of taking our other businesses on the international front. JMC got one road project and now our L1 as Manoj indicated in a water project. Oil and gas pipeline also

we have submitted three or four tenders as well as prequalification in different countries where we exist today on the transmission side, railways it will still be some more quarter before we start taking them on the international side, but as far as JMC and pipeline we have already initiated this and I believe next few quarters you will see some traction on that. Railway side may be Q4 that we start taking them or may be early Q1 next year kind of time.

- Moderator:** The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good morning sir and congratulation on great set of number sir. Sir my first question was on the orders that you recently bidding on the T&D side from a margin perspective are there any better off, worse off, or similar to margins reported earlier?
- Manish Mohnot:** They are very similar to margins reported earlier. On a totality basis, they are very, very similar to what we have got margins, which is in the let us say low teens kind of thing.
- Aditya Mongia:** Sir the second question is on the real estate properties on the investments say in Indore and Thane that you have made, I am assuming it is partly equity and party debt, right. The debt which you have taken to fund these things is it sitting on the standalone books or is it completely on subsidiary side?
- Manish Mohnot :** It is completely on the subsidiary side.
- Aditya Mongia:** And then you have booked Rs.65 Crores gain which is coming in?
- Manish Mohnot :** Rs. 65 Crores is the revenue, not the gain, this is the revenue, not the gain.
- Aditya Mongia:** This has impacted standalone numbers?
- Manish Mohnot :** No it has not impacted the standalone numbers, but whatever money we had invested that cash flow has come back here, because whatever we had invested on the land side for Thane that money is come back to KPTL so from a cash flow perspective it has helped KPTL. As far as P&L is concerned there is nothing, which has come on KPTL books because it is a subsidiary and we have declared standalone results.
- Moderator:** The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.
- Swarnim Maheshwari:** Hi sir, Good morning. Thanks for the opportunity. I have got two set of questions, first one what is the breakup of order intake of Rs.1800 Crores during the quarter?
- Manish Mohnot:** Breakup in terms of domestic and international?
- Swarnim Maheshwari:** Breakup in terms of segment, how much was T&D and infra?

- Manish Mohnot:** Let me just give you international and domestic. International was 55% and domestic was 45%, out of the domestic 50% was infra and the balance 50% was transmission lines
- Swarnim Maheshwari:** Now sir the second question is when you giving the guidance of 10%, so does that include a very strong growth from the infra business, just like what we saw in Q1 or it is a balance mix of growth on the back of both infra and T&D business both?
- Manish Mohnot:** The balance mix of growth with both infra as well as T&D, but fore sure infra would improve from what it was in the past. T&D continue to be at those levels slightly plus minus 15, 20 basis points, but whatever our guidance is the balance mix of our entire order book.
- Swarnim Maheshwari:** And in legacy projects of around Rs.50 to Rs.60 Crores that we have currently in the infra business I assume that we have booked all the cost overruns, we have already provided for all the cost overruns in those projects?
- Manish Mohnot:** Provided for significant portion of the cost overruns, which we are aware of as of today.
- Moderator:** Thank you. Ladies and gentleman that was the last question. We would now like to hand the floor over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** Thanks Margaret. I would just like to thank all the participants for being on the call especially the management for answering all our questions and queries sir, thank you very much sir.
- Moderator:** Thank you on behalf of IDFC Securities that concludes this conference. Thank you for joining us and you may disconnect your lines.