



“Kalpataru Power Transmission Limited and JMC Q1 FY19 Earnings Conference Call”

August 08, 2018



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

Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power Transmission Limited and JMC Q1 FY19 Earnings Conference call hosted by IDFC Securities. 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.

Bhoomika Nair: Thanks Stanford. Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q1 FY19 earnings call of Kalpataru Power and JMC Projects. Today, from the management we have Mr. Manish Mohnot – Managing Director and CEO, Mr. Kamal Jain – Director Finance and CFO, while JMC management is being represented by Mr. Manoj Tulsian – Whole-Time Director and CFO. I now handover the call to Mr. Manish Mohnot for his initial remarks post which we will open up the floor for Q&A. Over to you, sir.

Manish Mohnot: Thank you Bhoomika and very good morning everyone. I am thankful to you for your continued interest on attending this earnings call of KPTL and JMC. I am happy to inform you that we have delivered a strong quarter with good set of growth and profitability numbers for KPTL, JMC and Shree Shubham Logistics. Our focus on cost efficiency, early completion of projects and automation has already started showing visible impact on our performance and margins. Our order intake across T&D and non-T&D business has been encouraging with 40% of our new orders are from T&D and balance from infrastructure business. We have also secured very good orders in JMC in the first quarter. Overall, we are confident of delivering a minimum 15% plus growth on a full year basis for both KPTL and JMC.

Getting into more details on our performance, at KPTL we have delivered a Y-o-Y revenue growth of around 10%. On a like-to-like basis adjusting for impact of excise duty and other taxes, our revenue growth on Y-o-Y basis is around 16% for Q1. Our T&D business has grown by over 12%, our railways business by 10% and pipeline business by 33%, in Q1FY19. Our core EBITDA is at Rs. 157 crores in Q1FY19 with 11.9% EBITDA margin and improvement of 50 basis points over previous year. We have delivered strong EBITDA margin on the back of various cost reduction initiatives and focus on project execution. Our net borrowing at the end of June 2018 increased to Rs. 1,000 plus crores due to delay in some collections from few clients, which we received in the month of July reducing a net debt at Rs. 850 odd crores at the end of July. Our PBT for Q1FY19 is at Rs. 125 crores a growth of 16% on a Y-o-Y basis with PAT of Rs. 81 crores, a growth of 15% on a Y-o-Y basis.

Our order book as on 30th June 2018 is at Rs. 13,742 crores. This is excluding the new orders of Rs. 900 crores declared yesterday. Our order intake till date in FY19 is Rs. 3,600 crores. Incrementally we have L1 position of approximately Rs. 2,340 crores as on date. We have also recently started with manufacturing of steel structures for railway electrification and continue to explore new manufacturing opportunities within our core business.

At JMC, our revenue for the quarter one is Rs. 689 crores, a Y-o-Y growth of 3.3%. On a like-to-like basis JMC Q1FY19 revenue grew by around 10%. Our core EBITDA for Q1FY19 is Rs. 71 crores with the margin of 10.3% at JMC. Our PBT for Q1FY19 is at Rs. 35 crores a growth of 4% on a Y-o-Y basis and PAT is 27 crores, a growth of 22% on a Y-o-Y basis. At JMC our order book is Rs. 9,800 plus crores at the end of June 2018. Our order inflow till date is over Rs. 3,464 crores largely driven by infrastructure projects. Additionally, we have L1 position orders of over Rs. 1,000 crores. Compared to earlier inflow guidance of Rs. 4,000 to 4,500 crores in JMC we are now revising it in the range of Rs. 5,000 to 5,500 crores.

Our road BOT assets continue to witness good growth in traffic and toll collections. Our toll collections for the entire four road assets excluding overloading grew by 13.2% in Q1FY19 compared to Q1FY18. Our average daily revenue was Rs. 55 lakhs per day in Q1FY19 as compared to Rs. 49 lakhs per day achieved in FY18. This is our share of the revenue.

At Shubham Logistics, we have witnessed remarkable improvement in utilization levels of all our warehouses. The revenue for Q1FY19 was Rs. 29 crores a growth of 115% on Y-o-Y basis. EBITDA was Rs. 13 crores with PBT of Rs. 0.7 crores and PAT of Rs. 0.6 crores. We continue to work towards expanding our reach through lease base model for Shubham Logistics and expect better performance in the forth-coming quarters. Thank you once again I am happy to take your questions now.

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

Renu Baid: Sir, my first question is if you can help us understand the 12% growth in the T&D was driven by international domestic, so what was the growth split between both of them? And also segment wise what was the revenue split for the quarter in percentage mixed terms?

Manish Mohnot: So, on a T&D we grew at 12% in Q1FY19, our domestic operations grew by just 6% to 8% and international operations grew by more than 15%. So that was an average of around 12%. On the other segments, railway sector grew by around 10% and infrastructure which is pipeline sector grew by around 33%. The breakup of the railway and infrastructure is railway sector did revenue closer to Rs. 100 plus crores in Q1FY19 and the pipeline division did revenue of Rs. 180 plus crores in Q1FY19 and T&D was around Rs. 1,030 odd crores.

Renu Baid: Sir, second question is on the interest to sales we have seen the borrowing cost also going up and also working capital for the quarter has been a bit firm. Though in the comments you have mentioned is to come down again in July. So are you see overall because of the liquidity issues in the system and subcontractors, working capital being a bit of stale for this year or do you see I would say risk to your 1.8% of interest to sales guidance which you had given last year in terms of maintaining it flat compared to last year. So, do we see that cost element moving or northwards this financial year?

Manish Mohnot: So let me answer first the second part of the question. We still are committing to that 1.8% levels and we are confident will achieve that. Our Q1FY19 interest cost went up primarily because interest rates went up across the board that was one reason and second there were some payment delays, which happened in the few months. We have reasonably confident that we should be back to reasonable levels at the end of Q2FY19. But while we say so, we have already targeted debt levels at around Rs. 1,000 crores for standalone KPTL at the end of the year and this is what I had mention that in my first and year-end call also. So, we believe that our debt levels by the year end should be around Rs. 1,000 crores but still will be in that 1.8% range as far as interest cost is concerned.

Renu Baid: And sir, third question is primarily it looks like that because of strong international T&D execution where we are having fairly good margins. On the operating level we have continued to do well for the core business. So, on the margin side you think we should be able to see upsides to the 11%-11.5% numbers that you have guided at the start of the year. And with this continuing should we expect cost headwinds to be under control?

Manish Mohnot: No, we would still continue with the guidance given at the beginning of the year, I do not think we are going to change that guidance from the base of results of a particular quarter. We still believe that we should be in the range of 11% as per as EBITDA margins are concerned, with at least a minimum 15% topline growth for the current year.

Renu Baid: And my last question is having there been any specific impact of Ind AS 115 on our business given that we also have Shubham Logistics and real estate also. So, any key meaningful impact on the numbers and accounting treatment if any?

Manish Mohnot: No, we have not had any significant impact with Ind AS. There were some very small impacts which were, which is what we have reported also. So, in Shubham Logistics there is no impact of AS 115, even on real estate what we are doing, Thane is nearly sold as at indicated earlier. We are expecting that cash flow to come in the next few months and Indore sales is this not much impact because the sales is still not picked up, we still at the stage at which sale has not been recognizing in books. On an overall basis it is been very minimal, it is something which is negligent.

Moderator: Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: My question pertains to JMC. Sir, earlier in the call we have mentioned that our breakeven for the BOT projects is around Rs 49 lakhs per day collection. Now, we are already collecting Rs 55 lakhs. So, does that mean that we do not require the additional loss funding which we guided earlier in the Q4 call of around Rs. 50 to 60 odd crores?

- Manoj Tulsian:** So, the last guidance also with respect to this year was that most of that funding will be required for repayment of loan during the year. Any case for loss funding including some CAPEX I had given a guidance of only around Rs. 10 to 15 crores maximum.
- Subramaniam Yadav:** Yes sir, but you have revised because the 5/25-scheme got discontinued right?
- Manoj Tulsian:** Yes, so Rs. 10 or 15 crores was the maximum number which I said last time may go towards operating funding and CAPEX and around 50 crores is the repayment. But the good part is that I had mentioned last time that we are still working on getting the large project refinanced and we are at a good level of discussion. So if it materializes hopefully the number may again crash down to something around Rs. 10-15 crores only. There is a good level of development and I am very confident that we would be able to sign that off.
- Subramaniam Yadav:** So, at max the funding would be around Rs. 15 odd crores.
- Manoj Tulsian:** See, the only thing is timing because since we are already sitting in the month of August and I have some repayments in September. So, if we are able to sign off before September then my repayment for September is also taken care off. Otherwise, I am also having a discussion with them where they can top-up the repayment on my behalf. So, I get back my money even if I have to repay around Rs. 30 crores in the month of September. So, there are both possibilities on which we are working it is just a matter of timing. But I am quite confident that this number which earlier we were thinking around Rs. 65 odd crores will be much lower.
- Subramaniam Yadav:** And sir, is it possible to give a breakeven project wise, sir?
- Manoj Tulsian:** Project wise breakeven I do not have. But the overall number remains around Rs. 48 to 49. And the growth has been very good. So, this year at operating level on a console basis for all the SPVs together we will be on cash profit.
- Subramaniam Yadav:** And sir, you have revised the order inflow guidance to Rs. 5,000 to 5,500 crores. What about the execution part, sir? How are they faring?
- Manoj Tulsian:** So, execution we are very much on track. We had mentioned that this year we will be doing in excess of 15% and we still maintain that because we knew that quarter 1 would not be so good because of the challenges of labor and other things were slightly severe. Quarter 2 will be definitely better than quarter 1 but our major growth will be in quarter 3 and 4 because most of this large infrastructure orders which we have got they are still going through their design approvals and other environmental clearances and they will be full throttle giving us revenue impact in Q3 and Q4.
- Subramaniam Yadav:** So sir, is it possible to achieve the 20% mark easily?
- Manoj Tulsian:** Well, right now I would continue to maintain the same thing that it will be in excess of 15% because when you go through the approval processes sometimes you do not know if it takes

extra one month or two months. While there is a possibility but at this point of time I would say that let us remain with the same guidance.

Subramaniam Yadav: And there has been some expansion of the debt quarters at by Rs. 68 odd crores. Largely I believe that is because of the non-payment of the debtors. So, how are they at the end of the July.

Manoj Tulsian: Well, in July it has come down, right. If you see even in the last year we had the trend of the debt increasing in the first 3 quarters and then it drops down significantly in Q4. So, this year also I think in Q2 itself we will see a drop down on this number. If there are significant collections which is happening in the month of August and September.

Subramaniam Yadav: So, full year debt guidance would be around Rs. 700 odd crores, right?

Manoj Tulsian: Well full year debt guidance I had given at the beginning of the year that it will go up by around Rs. 50 crores to 75 crores compared to last year number. But it also remains to be seen that what type of revenue growth happens in Q4. So, that might need additional working capital temporarily. In which case it may happen that the March 31st number may look slightly higher. But in terms of interest if you really see my interest cost are well under control. This quarter also we are done around Rs. 24 crores of interest cost which also includes a one-time hit on account of foreign exchange of around Rs. 2.7 crores. So, on a like-to-like basis if you see between Q4 and Q1 on interest cost we are very much similar.

Moderator: Thank you. The next question is from the line of Yash Bhotika from Karvy Stock Broking. Please go ahead.

Yash Bhotika: Sir, after getting railways order from Bangladesh what is the strategy to expand railways business in international markets?

Manish Mohnot: So, we continue to explore opportunities in a few international countries primarily in Africa and CIS for railways. Our current order book gives us good visibility for the current year, so our focus would be more on domestic for the current year but while we say so we continue to explore opportunities in a few African and CIS countries.

Yash Bhotika: Sir, on margin front we have close this quarter at around 12%. Can we expect the same margin to carry forward or they are still room for improvement?

Manish Mohnot: So, we still sticking to our targeted margins at the beginning of the year of around 11 odd percentage for the entire year numbers. We are not revising that as of date. I think we still have to wait for a few more quarters to look at revisions and margins if at all.

Yash Bhotika: Sir, has been collection wise delay can we term increasing businesses SEBs is the main reason behind it?

Manish Mohnot: So, our exposure to SEBs is not as high. So, today in our order book or if I look at my domestic order book my exposure to SEBs is only around 40% which on a total basis would be less than 10% of my total order book. So, the delay is primarily happened on a few international projects and with some inflows we expected in June and they came into July and a few domestic projects which also got delayed. But our significant delay which happened in June particularly was on a few international projects.

Yash Bhotika: So congrats for making SSL at PAT positive what can be more expected from this space, sir?

Manish Mohnot: So, our focus with the current year will continue to strengthen operations and expand our reach by getting into more lease hire model. We have been doing that for the last few years and today more than 40% of our revenue comes from leased warehouses. So, we are committing us to see that we would try and the PBT break even or positive for the year. But nothing significant beyond that for the current year. We should see significant improvement in numbers getting into the next year.

Moderator: Thank you. The next question is from the line of Aditya Kiran from L&T Mutual Fund. Please go ahead.

Aditya Kiran: My question on JMC projects and it is a follow-up of one of the earlier questions. So, of course on a gross debt basis our debt has gone up by Rs. 50-60 odd crores on a Q-on-Q basis. But on a netted basis it is still gone up by Rs. 200 crores on a Q-on-Q basis. Of course, there would be some increase because of working capital going up because its seasonal thing in nature. But anything more to look into that that some of the SPVs were required to be put more money and that is been up fronted? Thanks very much.

Manoj Tulsian: So, on the SPV side we have only funded Rs. 7 crores during the quarter. And most of it also again has gone only towards repayment out of the debt. See a few things, few changes which has been driven by the government and RBI like the withdrawal of LoUs and also strengthening their terms and conditions on LCs. So we had some larger payments on the LC side during this quarter, which we are very sure that going forward this numbers will improve only.

Aditya Kiran: So, if you were to just look at on a like-to-like basis including the LoUs for the earlier quarter as well also for the sequential quarter basis. How should we read at these numbers? Rs. 783 crores of net debt which we see as of now.

Manoj Tulsian: You can reduce approximately Rs. 45 odd crores on the same or in the earlier period you can add it, so whichever way. See, if you really see this is one of the reasons on the interest cost it is not gone up. Because they were instruments which were on the non-fund basis which were in any case interest-bearing instruments.

Moderator: Thank you. The next question is from the line of Abhijit Vora from Sundaram Mutual Fund. Please go ahead.

- Abhijit Vora:** Sir, was there any execution curtailment in Q1 on the account of increasing debt? Just wanted to check on this for the Kalpataru standalone, sir?
- Manish Mohnot:** No, we did not have any specific execution curtailment because of debt on any of our projects. Projects specific sometime things get delayed because of labor, because of some payment pressure all of that but otherwise no, on an overall basis, not.
- Abhijit Vora:** Sir, second question is, is your guidance of 15% on the conservative side? You have been clocking quite strong order inflows for some few quarters now. So, is it fair to say that the 15% is on the conservative side or its fair reflection of the way the order execution is panning out?
- Manish Mohnot:** So, we have guided for a minimum of 15% and to be frank, yes, it is on a conservative side. But as I said earlier we would like to wait for at least the half one to revisit this guidance, but we have guided for a minimum 15, we might be able to do better than that.
- Moderator:** Thank you. The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agarwal:** Sorry, I miss the initial part of the call. So, if you can give me the guidance?
- Manish Mohnot:** this is for Kalpataru Power?
- Varun Agarwal:** Yes.
- Management:** So, for KPTL we are guiding for a 15% plus growth but margins continuing to be in the range of 11% for the current year. On order book our guidance is that we have guided for a fresh order inflow of Rs. 9,000 crores to 10,000 crores for the year. And we continued to stick on that guidance.
- Varun Agarwal:** Sir, the debt has gone up on account of some delays in collection. So, this should correct next quarter?
- Manish Mohnot:** Yes, so if you see our presentation or even if you my initial thing we already guided that as of the end of July our debt is already come down by closer to Rs. 200 crores. So, we are back to levels of Rs. 850 odd crores by the end of July. So, I think, we are on track as far as debt is concerned but while we say so for the year end we have guided for debt around Rs. 1,000 crores for KPTL standalone and we still stick to that guidance.
- Varun Agarwal:** Sir, on the KPTL side in terms of the order inflow you are targeting, so this will come more from the railways and other segments rather than T&D?
- Manish Mohnot:** So, we believe that approximately 40% of our guided order book should come from the infrastructure segment which is railways and pipeline and balance 60% should come from transmission and distribution including substation.

- Varun Agarwal:** And this will be more like international orders because of, I mean do you see traction in domestic market?
- Manish Mohnot:** So, we see traction in domestic market also including some neighboring countries including few orders in SAARC. So, we seen traction in domestic also primarily at SEBs a few private sector large players, Power Grid also and also the neighboring countries. So, the growth obviously in international would be much better than domestic but we expect reasonable size of orders to be received for the domestic business also.
- Moderator:** Thank you. The next question is from the line of Yash Agarwal from Crest Capital. Please go ahead.
- Yash Agarwal:** So, my question is on KPTL standalone, so the other expenses has declined year-on-year and quarter-on-quarter. Is there any FOREX element out here?
- Manish Mohnot:** Yes Yash, we have a FOREX element of approximately Rs. 10 crores which have come in other expenses and because of that the other expenses have come down to certain extent. Besides that, everything is routine in nature, it is only that some expense is get incurred sometimes in quarter 1 sometimes in quarter 2. So, there is a FOREX element of approximately 10 crores beyond the normal course of business.
- Yash Agarwal:** And sir, question from the KPTL standalone, so what all investments are going to be made in Shubham and real estate of both assets, what quantum of investments are going to make?
- Manish Mohnot:** So, we had already guided that we are looking at further infusion of equity of around Rs. 75 crores to 80 crores in Shubham and this guidance was given by us last year. We still not done that, we expect that we will be doing that sometimes during the year. As far as transmission BOOT assets are concerned we have a balance equity commitment of around Rs. 230 crores which needs to be put in over the next 2 years. So, we expect around Rs. 70 crores to 80 crores to go in the current year and the balance in the next year.
- Yash Agarwal:** So, that guidance of Rs. 1,000 crores includes only these elements, right about 150 crores investment?
- Manish Mohnot:** Yes, it includes all this at a standalone level.
- Yash Agarwal:** And sir, one last clarification. So, you said 40% of our new orders is from T&D or 60%?
- Manish Mohnot:** No, 40% would come from the infrastructure segment that is our guidance for the current year's order book. So, for the 9,000 crores-10,000 crores we believe 40% plus should come from the infrastructure segment which is Railways and pipeline and 60% from T&D including substations.

- Moderator:** Thank you. The next question is from the line of Nirav Vasa from B&K Securities. Please go ahead.
- Nirav Vasa:** My question pertains to JMC. Sir, you have just revised the order inflow guidance of JMC, so just wanted to check if you can share a few important reasons based on which you have revised this guidance?
- Manoj Tulsian:** So, of today we have already received orders from Rs 3500 crores, right and we have L1 position of slightly over 1,000 crores. That is the reason that we have revised the guidance slightly on the upper side.
- Nirav Vasa:** Sir, this massive increase in order inflow was it like there was some lag in pace of order finalization in last few quarters and all these got bunched up in one quarter? Or is it like we have seen some impact in terms of competitive intensity because of tightening financial credit by banks and everything?
- Manoj Tulsian:** No, so we continued on L1 position, I think for the last 3-4 quarters in the range of around Rs. 1,500 crores to 1,600 crores. Some of them have got materialized and then we got a few orders on infrastructure where we have been trying for last almost 1.5 year in terms of bidding. And we were consistent in our bidding as that we are very conservative on the margin side now a day. So, we consistently we are working on it and then we were able to strike 1 or 2 good deals in Q1.
- Nirav Vasa:** But sir, are you seeing an overall change in trend from your customers especially in the private sector preferring to go for players who have decent balance sheet and strong execution track record even if it cost a bit higher? Because I believe, these smaller players are now severely constrained for their working capital because banks are reluctant to lend them in the scenario?
- Manoj Tulsian:** Yes, this scenario is visible. But still the market is also quite subdued at this point of time. But the scenario, I mean you have rightly said that, that is visible, and people are willing to pay some amount of premium to the A category contractors now. Because of RERA which we are mentioned around almost 1.5-2 years back that RERA implementation is a good thing for contractors like us.
- Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Sir, now we have a very sizeable infrastructure order book of almost Rs. 3,600 crores and I do not know whether in L1 of 1,000 how much will be infra? But what kind of debt level do you see building up in this segment by the end of the year?
- Manoj Tulsian:** See, we are already at around Rs. 800 crores right now which is on a higher side. I can definitely see this coming down in Q2 for sure and then we need to see that how we are able to grow in Q3

and Q4. If you are able to grow much more than the guidance which you have given, then maybe the debt level may remain at these levels otherwise it will be lower only compared to these numbers by the year end.

Parkishit Kandpal: So, despite this big order book moving into execution, I mean in second half?

Manoj Tulsian: Yes, for this year, yes. We have factored that at the beginning of the year. So, I think we will be very much able to control the numbers.

Parkishit Kandpal: And what kind of CAPEX do you need to incur to execute this infra order book now?

Manoj Tulsian: So, it should be anything between Rs. 75 crores to 90 crores.

Parkishit Kandpal: And what would be the full year CAPEX including the buildings and ...

Manoj Tulsian: No, full year CAPEX only I am telling you will be between Rs. 75 crores to 90 crores.

Parkishit Kandpal: This factors in the infrastructure orders?

Management: Yes.

Moderator: Thank you. The next question is from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.

Kunal Sheth: Sir, where would be the working capital in KPTL standalone at the end of Q1? And where do we expect it to be at the end of the year?

Manish Mohnot: Our net working capital at the end of quarter 1 is around 91 odd days. We are targeting this to be in the range of 80 to 85 days at the end of the year. From an absolute number perspective, our net working capital is around Rs. 1,300 odd crores at the end of quarter 1.

Kunal Sheth: And sir, my second question would be if you can give more color in terms of how is your domestic T&D pipeline shaping up in terms of what are the kinds of tenders that are coming up in the market and where are they coming from? If you can give more granular color on it, it would be great sir, thank you.

Manish Mohnot: So, we are seeing a lot of tenders coming from SEBs. There are 4 or 5 SEBs where we see a lot of tenders coming and we have seen some coming even in the last week while we were all busy with our results. So, primarily SEBs like Bihar, West Bengal, Karnataka, Tamil Nadu we are seeing a lot of tenders come from there. So, that is on the SEB side. We also seeing some TBCB or BoT projects which have got tenders. So, depending upon who wins it those kinds of orders should come either from PGCIL or from private sector companies. So, we are seeing a mix traction of both of this and we are seeing also lot of tenders from neighboring countries which

is Bangladesh and Sri Lanka and that is also an area where we are focused that we can increase our presence in those countries.

Kunal Sheth: But sir, would you say that traction in the domestic T&D market is better than what it was same time last year or it has been slightly subdued?

Manish Mohnot: I would say it was similar to what it was last year. Last year, we were in a similar situation where SEBs was a lot more focus and that continues even today.

Moderator: Thank you. The next question is from the line of Jatin Naik from ICICI Prudential Mutual Fund. Please go ahead.

Jatin Naik: My question was on JMC. Sir, has there been any update on the Wainganga Express way project in terms of where are we from on that timelines of NHAI taking over that project?

Manoj Tulsian: So, the only thing we can see is the extension of the timelines for the bidding. So, every month it is getting extended. So, difficult to say anything beyond that last 6 month we have only been seeing it is getting extended month-after-month.

Jatin Naik: And sir my next question was how do you see opportunities from NBCCs order book? And what are your thoughts on how lucrative our projects which are awarded by NBCC?

Manoj Tulsian: We have actually stayed away from NBCC almost for last 3 years. We did not have a very good experience with them in the past. Their contract conditions are very stringent. Though they understood this because they were not able to sign up with any of the A class contractors because most of the A class contractors took similar position. So, they have relieved some of those conditions and now we are bidding on a very selective basis. But we are not very gung-ho to pick up too much of order from NBCC.

Moderator: Thank you. The next question is from the line of Girish Raj from Quest Investments. Please go ahead.

Girish Raj: This question is on KPTL on the employee expenses. There was a sharp increase in the fourth quarter to Rs. 100 crores and it has continued to Rs. 102 crores. Can you just give some color on this and outlook on the same?

Manish Mohnot: Girish, the employee expenses also includes lot of expenses incurred on overseas projects where we send people from our country. So, approximately 30% in quarter 4 as well as in quarter 1 approximately Rs. 30 crores to 32 crores are expenses related to site where, we send teams from India. So, that is completely depended on what kind of revenue you see, so you will see a reduction in subcontracting expenses have gone up significantly. And that is because our reduction focus on quarter 1 as well as quarter 4 of last year has been a lot more. So, on an overall basis we still believe that this number should stay in the range of 6.5% to 7% on annualize basis.

- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Manoj, just one question. When we look at the tenders this time from DDA it has been a very huge in number. Just wanted that have we participated in that? The Delhi Development Authority tenders in the last 3 months have been more than 4,000 crores-4,500 crores. Are we participating in that just that is the only?
- Manoj Tulsian:** No, we are not.
- Nitin Arora:** Any particular reason for that?
- Manoj Tulsian:** No, it is just that we did not find it so meaningful for that at this point of time.
- Moderator:** Thank you. The next question is from the line of Amber Singhanian from Asian Market Securities. Please go ahead.
- Amber Singhanian:** Just couple of things. On the KPTL side as you mentioned that you are adding new capacities for railway and all. Just wanted to understand how much is our total tower capacities and how much do we book in terms of sales in tonnage basis roughly if you can share?
- Manish Mohnot:** Our tower capacity in total is around 180,000 tonnes of annual capacity. So, typically it is equally divided throughout the year. In quarter 1, our dispatches were approximately around 40,000 tonnes although I will have to recheck this numbers. We expect quarter 2 to be much higher than quarter 1. There were a few dispatches which got delayed and because of that quarter 1 slightly if you see manufacturing or material component is less. So, otherwise the 180,000 tonnes is equally divided throughout the year.
- Amber Singhanian:** And sir we also do outsourcing for balance in terms of overall sales booking roughly what kind of tonnage we book apart from our own capacities? Do we also need to source from outside in that case?
- Manish Mohnot:** So, we do source from outside at times. But there is not fixed strategy on it. It depends on the demand supply at a given point of time. So, last few years we have been sourcing around 30,000 tonnes-40,000 tonnes from outside. But there is not as I said a planned strategy. In the current year we do not see a lot of outsourcing happening on this side.
- Amber Singhanian:** Sir, in that case you are anticipating lower tonnage in terms of sales booking because 180 plus 30-40, so 220 you used to book as a sales. This time you are seeing no or less outsourcing?
- Manish Mohnot:** So, some of the sales would come in from the railway manufacturing which also as I had earlier mentioned we have started doing that. So, you will see good tonnage coming out of railway structure is manufacturing plus we would be outsourcing 10,000 to 15,000 tonnes in the overseas

markets where the clients, we have a few projects where the clients specifically want us to outsource it domestically. But in India we might not be outsourcing significant this year.

Amber Singhania: My last question from the JMC side sir, if you can share is there any slow-moving orders in the overall order book and what is the total exposure towards the private residential side?

Manoj Tulsian: Slow moving orders are close to around Rs. 250 odd crores. And the next question is, the total exposure towards?

Amber Singhania: Private residential?

Manoj Tulsian: Private residential is somewhere around close to around Rs. 3,900-odd crores.

Amber Singhania: And do we see any kind of slow down or any risk coming in on the private residential future order inflow side? What is our outlook on that segment are we reducing our exposure towards that or how exactly you are seeing the market scenario panning out in that area?

Manoj Tulsian: So, we have already reduced our exposure if you really see on that side in the last 3-4 years. We have been very careful, so how we have reduced our exposure by reducing the exposure to the number of developers, right. And wherever we are working now are those quality developers where we are not worried about the cash flows. But with the RERA being in place especially in Maharashtra and lot of PE funds also now a days getting into the development mode, there are opportunities for us to add few more names into that list, right. But yes, the market also remains very subdued the demand side is subdued. So, there will be a slow growth I think in the next 1 or 2 years.

Amber Singhania: And just lastly sir, if I can ask what is your CAPEX target for the KPTL?

Manish Mohnot: CAPEX target for the year is in the range of Rs. 150 odd crores should be in the range of 150 crores to 170 odd crores for the year and quarter I we were already committed CAPEX of around Rs. 40 crores. Some has been paid, some has still getting paid, but we believe it should be in the range of Rs. 150 crores to 175 crores.

Moderator: Thank you. The next question is from the line of Alok Deora from IIFL Wealth. Please go ahead.

Alok Deora: So, my question is for JMC. So, we have been significant order flow in Q1 primarily driven by the infrastructure segment. So, just wanted to understand how is the building and factory segment currently doing? Are we seeing order flows coming there or the overall industry itself is slow?

Manoj Tulsian: If you see in the first 4 month there is hardly anything which we have declared on the buildings and factories except I think one order of Rs. 400 crores which is on the government side, of course that is a building project, right. So, there are few more in the pipeline on the government side and we expect some amount of order book also on the private side. Because that is how we

have been discussing mainly with all the Bangalore developers. And that is one of the reasons that there is some amount of visibility because of which we have revised our guidance slightly on the upwards side. So, most of the order flow which we think now would be coming will be on the building side except whatever is there in the L1 when they materialize, there are infrastructure orders also into that. But otherwise most of it we look at it is from the building and factory side.

- Alok Deora:** So, the mix currently, I think around 37% is from the infra space.
- Manoj Tulsian:** Yes.
- Alok Deora:** So, are we looking to increase that exposure this year or it should be somewhere in this range only?
- Manoj Tulsian:** I think by the year end it should be somewhere in this range only.
- Moderator:** Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** My question is regarding transmission opportunity from the solar side or rather the renewables. So, what portion of your order from transmission projects or renewables and how is it likely to pan out sir, if you can give a broad outlook that would be great?
- Manish Mohnot:** So, Ravi as of today we do not have significant orders of transmission for the renewable side because typically renewables do not need a large-scale transmission lines, we get connected to the local grid more often than not. We have been given to believe that there is some big opportunity on that being floated by the government in terms of lines to connect this. But as of today, our order book has very small component of this particular opportunity.
- Ravi Swaminathan:** That green energy corridor, etc., which the government had discussed about ...
- Manish Mohnot:** Yes, that is exactly what I had mentioned, the green energy corridor is something which the government has indicated. We have still not seen tenders coming on that, but we believe in the next 2-3 months. We should have tenders coming and post that we might have a reasonable share in that.
- Ravi Swaminathan:** And if intensity of CAPEX for transmission in renewables lower than that of coal-based power plants? How to read that?
- Manish Mohnot:** No, I do not think there is any difference in the intensity because as far as transmission projects are concerned whether it is for coal-based or renewable-based, if I am doing a transmission we have a project that is exactly the same in terms of CAPEX intensity.

Ravi Swaminathan: But if many more solar power projects come in, will that be come from the same grid or is it like more number of significant amount of transmission CAPEX is required? How is that opportunity pan out?

Manish Mohnot: So, it completely depends on where these projects come up. So, if there is existing capacity in the grid obviously we will not find more lines coming up but if it comes in areas where the grid is not fully does not have the full capacity or it is not fully built, and you might see that opportunity. There would not be direct proportion to it. It exactly depends on where these new renewable projects come up.

Ravi Swaminathan: And micro grid, etc. is there an opportunity for us in that? I mean people are talking about micro grids, is it something associated with solar or renewables only or how to read that?

Manish Mohnot: So, we are seeing some small opportunities on smart cities in micro grids nothing very significant. We have been looking at his opportunities but as of today if you ask me we are not seeing significant uptick in this for at least KPTL for the current year.

Moderator: Thank you. The next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.

Jaikant Kasturi: Sir, I just had one question if you can give me in terms of revenue for T&D of domestic and international the spilt?

Manish Mohnot: So, our total revenue for T&D is around Rs. 1,030 crores out of which around Rs. 550 odd crores was TLD plus substation and TLI would be the balance.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: My questions are on JMCs. One was, I mean given the fact that or we have been able to do Rs. 3,500 crores order accretion and we stand L1 on almost around Rs. 1,000 odd crores, which essentially means we are home in terms of the original guidance there was there Rs. 4,000 crores-Rs. 4,500 odd crores. So, how would that change the way we bid for the new projects? So, does it mean, I mean you would raise your margin expectation now because you already done almost Rs. 4,500 odd crores if I were to consider that you would be able to convert these L1s into firm orders.

Manoj Tulsian: Well, some amount of mix strategy will play because we have got around Rs. 3,500 crores of order. In the L1 position there is one order which is just hanging around for almost 8 to 9 months which is a significant number. So, if that does not happen then in any case we still need to have another order of Rs. 1,500 crores to 1,800 crores right, going forward. Yes, I agree that we are working on that in few cases that we will be bidding with some improved margins if we are able to strike a few deals at higher margin also.

Prem Khurana: And sir, we significant jump in our infra exposure now. So, how would that change of working capital cycle because I am essentially the thought process seems to be infra and tends to have a little longer working capital cycle when compared to the other segment? So, how do you see our working capital cycle changing for us now given the fact that I am almost 37% of our order backlog coming from infra now?

Manoj Tulsian: So, this is one of the reasons that we would be able to give you a better picture maybe at the end of Q3 because in Q3 some of these infra orders will start to play. And because they are with different operating agencies, we will get to feel that how they are actually operating. And I would be in a much better position to give you a feel at the end of Q3.

Prem Khurana: Just on last on BoT toll side, so this been almost 13% growth on portfolio wide basis but when I look at Rohtak-Bawal it still seems to be little weak it is only 3 odd percent kind of number there were seen there. So, is there any something wrong with the project, in between this was one of the best performing assets for us because of the fact that base was pretty weak for this project because suddenly there is a 3% kind of number Bawal seen in this quarter. So, any change there?

Manoj Tulsian: This question very difficult to answer because for good 3-4 years there where hardly any growth, right. Last 6 quarters we have seen at least growth on all the projects. Now, if you talk about Rohtak-Bawal, last year we grew in excess of 15% in one single year, right. This year there is another project on which we are growing in excess of 15% in the first quarter. So, these types of spikes are very good for us and if they can those type of numbers can remain for 2 or 3 years then we are home. The valuations of these projects can be very different. So, we hope for this numbers to grow accordingly but then you will always see these types of blips and spikes.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Sir, can you give from 2-3 years' perspective our outlook for infra business, railway and pipeline and how do we see that overall business and working capital cycle of this infra side?

Manish Mohnot: So, Bharat bhai on from a 3-year perspective I see both these businesses being big growth driver for us. So, if you see our revenue till last year used to 10% to 15% out of these businesses which is already reached 20 plus. And I expect that these businesses would constitute one third of our revenues by the year end. Even on order book if you look at our order book of Rs. 13,000 odd crores, today approximately Rs. 5,000 crores come from these 2 businesses. And, also we have not explored a lot many international opportunities on this businesses which are visible but we are slightly cautious because we need to build up a team which can take care of the international opportunities. So, on an overall basis, I think we are very bullish on both this business at least for the next 3 years both on revenue and profitability. As far as working capital days are concerned I think they are very similar to T&D business. Project specific it might be different

but otherwise net working capital days continued to be in the range of 90 to 100 days, so for these businesses also.

Bharat Sheth: At the moment our rail and pipeline our profitability is same in T&D line or over a period it will keep on improving?

Manish Mohnot: So, as far as our pipeline division is concerned, the profitability is similar to T&D if not slightly better for the quarter. Railways business still catching up, it is still not reached that double-digit level, but I expect that by the end of the year it should be at a double-digit levels.

Bharat Sheth: So, that can help us in improving the margin going ahead in next year onwards?

Manish Mohnot: It will be early for me to comment on that. But hopefully we should see some improvements coming in.

Moderator: Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: My question pertains to JMC. Sir, the order inflow guidance what you have of this quarter by 1,000 odd crores? Is it largely because of the African road order getting converted into the order from L1? Or is it from any other orders which we are looking at right now?

Manoj Tulsian: No, so as I mentioned that we have L1 of around Rs. 1,000 crores right and in which there is a large infrastructure project on international side. But that has been hanging around for almost last if I remember correctly for 8-9 months, right for sure. So, we are not very sure the way that is going on. But other than that, we have visibility from lot many developers especially from South, if you really see nothing in this year we have yet declared from our South developers. So, there is visibility from them projects, new projects which they are going to launch and that adds up to certain number. It is only a question of whether they launch it in Q3 or Q4. So, based on all those projections plus something which is in hand and a few other things which we are bidding we have put this numbers.

Subramaniam Yadav: And sir, the international project, is it likely to be get cancelled or what is the status? What is the problem actually there?

Manoj Tulsian: No, will not be able to share actually anything beyond that at this point of time. But whenever it materializes or something then we would be in a position to share more information, will not be right to share any information at this point of time on that.

Subramaniam Yadav: Sir, what was the CAPEX in this quarter?

Manoj Tulsian: This quarter we have placed of around Rs. 35 odd crores.

- Moderator:** Thank you. The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agarwal:** My question pertains to JMC. Sir, again if you can give me the guidance there because I miss the initial part of the call.
- Manoj Tulsian:** No, the guidance on JMC remains the same. We said at the beginning of the year that our growth will be somewhere between 15% and 20%. We continued to maintain the same and on order book initially which we are talking around Rs. 4,500 crores we have slightly increase that to between Rs. 5,000 crores to 5,500 crores. Margin profile guidance also remains similar. We had said that we would be looking forward to improving, the margins by around 50 basis points and on Q1 number basis we are very confident that looks to be happening.
- Varun Agarwal:** Sir, just to understand the incremental orders which are coming at the significantly higher margins versus the legacy order books which we have?
- Manoj Tulsian:** So, look we have put certain amount of discipline in terms of how we are being doing bidding in the last 3-4 years, right. And we have also been improving on our processes continuously and the third factor of course is on growth we are getting some leverage also, right. And because of which you will see consistently we have been able to improve our margins. But to say that the new orders are at a higher margin will not be right. But yes, incrementally since we have a good order book during this first 4 months the new orders, few of the new ones which we would be bidding might be at a different strategy. There we might try to even bid at a higher number and see something comes up.
- Moderator:** Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Sir, my question pertains to JMC, this NVDA order which we received of 1,600 crores. Sir, what is the execution timeline?
- Manoj Tulsian:** Execution timeline is, there are 2 orders actually. In one it is 36 months and the other it is 42 months and most of the sales against these orders will only come in next year Q1.
- Ankit Babel:** So, sir this been a state government order, how confident are you on the cash flows and working capital in this order? Because historically there had been issues with this irrigation projects especially from the state government sides.
- Manoj Tulsian:** Well, so we have done lot of due diligence before we have walked into even at the bidding level for these orders, right. And right now, the confidence is very good as we have also done our diligence in terms of talking to the existing contractors, some of the contractors who have already working there with NVDA for last 1 year or so. We had detailed discussion with the department also and the feedback right now, one from the contractor they have been very happy. They said

money has not been a challenge and same is the feedback which has come from the department that we have already funded for these projects. So, we have done this much of due diligence still if there are some suffering then we have to only walked the path and see it.

Ankit Babel: So, from the profitability point of view and working capital point of view it is in line with what you people have been targeting?

Manoj Tulsian: Yes, absolutely.

Ankit Babel: And my second question is sir, the order inflow in this year would be like 50%-60% higher than last year. So, at some of point it should transfer into higher revenue growth. Now, this year you are expecting 15% to 20% but can next year it will be like 20%-25% growth?

Manoj Tulsian: For sure whatever number we grow at this year, the next year growth will be much higher compared to that because of the visibility of these orders which is already there with us.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: In the T&D space just wanted to understand is there any new state electricity board that we are looking at or of the order intake guidance, how much are we expecting from the states because PGCIL definitely there is a slowdown. So, in the domestic market, how active are we with some of the states? Just wanted to get some color on that.

Manish Mohnot: So, I had indicated this earlier in the call we are seeing a lot of traction from 4 or 5 states including Bihar, West Bengal, Tamil Nadu, Karnataka and a few more states in central and Southern India. There are tenders of around Rs. 3,000 odd crores to be bid in the next few months which are already floated at the state electricity levels. We will continue to focus on that and that would be a critical component of our T&D order book for the year. While we say so, the competition at state level is also very high as compared to some of the orders which come from Power Grid or in the private sector. So, will need to be realistic in terms of what orders we get, so that we do not comprise on our margins.

Renjith Sivaram: And what is our status of TBCB, is there any TBCB that we will be participating, or we are looking at anything in that side?

Manish Mohnot: So, we would be participating in a few TBCB projects. I would not be able to exactly declare which one or how much quantity. But yes, we would be participating in a few small size TBCB projects not very big given the commitment we already have on our existing projects.

Moderator: Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

- Swarnim:** This is Swarnim. Sir, just 2 questions, first one we have a balance equity commitment of almost around Rs. 230 odd crores. So, what is the broad breakup between Kohima and Alipurduar?
- Manish Mohnot :** I think, North East one should be 80% of this around Rs. 175 odd crores and the balance should be for the West Bengal, Bihar because the West Bengal, Bihar projects is likely to get over before the end of this year. I do not have the exact numbers, but I am guessing that around Rs. 50 odd crores I don't know. Kamal, do you exact what is the balance commitment?
- Kamal Jain:** Within that line only.
- Swarnim:** Sir, second is book keeping question on out of this Rs. 13,000 crores of order back log what would be the proportion of fixed price contracts over there?
- Manish Mohnot:** So, we would have fixed price contracts in the range of 60%-odd now. Given that a lot of contracts are now fixed in nature, international as well as domestic a lot of contracts are coming which are fixed in nature. So our order book, I think (+60%) should be fixed contracts as far as the prices are concerned.
- Swarnim:** So, sir in that backdrop basically do you see because of this volatility in commodity there can be some pressure on margins?
- Manish Mohnot:** So, if you see volatility in commodity it has been there always even when we had a fixed price order of 40%-50%. So, aluminum zinc and FOREX we are nearly hedged at any given point of time because we do not like to take exposure on that. Steel is something which we always have that volatility we do not have ways and means of booking that except for keeping some higher stock of billets at some point of time. Typically, we build in this volatility when we bid for margins and in the last 4-5 years we have seen more often and not the impact of this volatility has been not been more than 20 to 30 bps at a given point of time either way.
- Moderator:** Thank you. The next question is from the line of Devang Patel from Crest Wealth. Please go ahead.
- Devang Patel:** This question is reading JMC on the Rs. 1,600 crores micro lift irrigation project. It seems this must be the largest project we have ever bid for or won for JMC. I wanted to know is this a strategic thinking to increase focus on infra segments or was it tactically an opportunistic bid that came up and we took up?
- Manoj Tulsian:** No, there is lot of opportunity on the infrastructure segment, right which we all know. And we are there in 3 or 4 segments like water and metros and flyovers and roads. So, we have been bidding and some of our bids has been even larger than this maybe we have not won those bids. So, there is not something that in terms of the bid value this is the highest ever we have done. But in terms of single contract which we have won this is the highest value.
- Devang Patel:** Would the profitability, margins etc. be similar to our existing business on this?

- Manoj Tulsian:** Yes, for sure. That discipline very much is there in our business.
- Devang Patel:** Would be a consortium partner be and what do they bring on the table?
- Manoj Tulsian:** So, there is another player Lakshmi who is only on water projects. They have been doing this it is a family run business. And they are being running this business for last more than 25 years only on water projects and they have done lot of projects in Madhya Pradesh also. So, they bring in lot of expertise and understanding on the sector. So, it is a good joint venture for us.
- Moderator:** Thank you. The next question is from the line of Abhijit Vora from Sundaram Mutual Fund. Please go ahead.
- Abhijit Vora:** Sir, I wanted to check if you also have any buyers' credit issue, couple of companies in the listed domain have mentioned this issue that because they could not roll forward the buyers' credit. The debt levels have gone up. Just wanted to check if the issue is same with you?
- Manish Mohnot:** No, at KPTL we do not have any issue on buyers' credit. So, whatever small amounts we had, we had very small amounts have been rolled over. There is no significant issue on buyer's credit on KPTL.
- Abhijit Vora:** So, the debt increase is only because of receivables which were collected in July and August?
- Manish Mohnot:** Yes, significant portion of debt increase is because of that and some portion is because of revenue growth where some working capital had to be deployed.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Sir, you have plan CAPEX of Rs. 170 crore to 175 crores in this year and we already started steel structure for railway. So this, are we looking, I mean and growing more of a manufacturing in-house going ahead?
- Manish Mohnot:** We will, Bharat bhai and we will continue to look at opportunities on that space. As of now we have started on the steel structures only. But we will continue to look at opportunities, we do not have any immediate plans as of now. But as I said if there is something which I can get in the market which is attractively priced, we would not be keen to get into it. But if there is scarcity or something and if you can add further value we can look at manufacturing. Our focus would continue to be EPC contracting and that would drive majority of the growth and not necessarily manufacturing.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities for closing comments.

Bhoomika Nair: Yes, sir I would like to thank all the participants for being on the call and also the management for taking timeout and giving us an opportunity to host the call. Thank you very much, sir.

Manish Mohnot: Thank you Bhoomika. Thank you everyone.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.