



“Kalpataru Power Transmission Limited
Q3 FY12 Earnings Conference Call”

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Moderators: Ms Bhoomika Nair – IDFC Securities Limited

Company Management

Mr. Pankaj Sachdeva – Managing Director, Kalpataru Power

Mr. Manish Mohnot – Executive Director, Kalpataru Power

Mr. Kamal Jain – President & CFO, Kalpataru Power

Moderator: Ladies and gentlemen good day and welcome to the Kalpataru Power Transmission's Q3FY12 Results Conference Call hosted by IDFC Securities Limited. As a reminder for the duration of this conference all participants' line are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you madam.

Bhoomika Nair Thanks Inba. Good morning everyone, welcome to Q3 FY 12 results call of Kalpataru Power and JMC Projects. The management is being represented today by Mr. Pankaj Sachdeva – Managing Director, Mr. Manish Mohnot – Executive Director and Mr. Kamal Jain – President and CFO. I would now like to handover the call to Mr. Pankaj Sachdeva for his initial remarks, post which he will open of the floor for Q&A, over to you sir.

Pankaj Sachdeva Good morning everybody. We have declared Quarter 3 financial Year '11-12 results of both KPTL and JMC and I'm sure all of you would have received the copies of result and press release as well. Now before proceeding for the question and answer session I would like to take you through the key highlights of results and present development.

On consolidated basis we have achieved a top-line growth of 17% which is aided by JMC's growth of 56%. However in KPTL we could not achieve the desired execution due to several reasons beyond our control such as right of way, clearance issues in domestic projects and critical destabilization in some of the few international projects locations in Africa. Going forward issues at international locations are temporary in nature and we would certainly cop up in the next few quarters. For the full year we would certainly achieve about 15% plus growth on the consolidated basis. In JMC we are on accelerated path and expect a very good growth in the next two years at least considering current order book and tenders in pipeline. On the margin fronts we have achieved our target of 11% plus EBITDA level and 5% plus at PAT level at KPTL. It's being more than satisfactory performance of our team given the sluggish execution and steep increase in the interest cost. However in JMC there is a reduction in margin due to steep increase in price of cement, steel and labour cost, mainly of fixed-priced contract.

We have maintained our order book of Rs. 11,000 crores at consolidated level which splits equally between KPTL and JMC. During the quarter we have received Rs. 1050 crores of orders in JMC and Rs. 260 crores of orders in KPTL. For JMC the quarter went through a great (What??) due to sizeable orders, and across the segment that is in infra, factories building, power and much more is in pipeline. For KPTL, although we had emerged L1 in a good amount of international orders in the past 3 to 4 months. The contract awarding has been extended due to last mile documentation in process. We expect to get letter of award of these projects in this month or next by which our order book would go by leaps and bounds. As per our commitments we have completed our

first transmission BOOT project in this month in Haryana of which revenue would start by next month onwards. As expected we would generate full year revenue of 54 crores for financial year 13 on annuity basis for next 25 years. The project is completed in a record time of 15 months time despite several execution challenges.

On the road BOOT projects we are also on schedule. The first project that is Rohtak-Bawal has achieved over 20% of completion and expected to achieve COD by Quarter 1 financial year 14. For the second and third project which is Agra-Aligarh and Nagpur-Wainganga we have completed financial closures, EPC contracts have been awarded and resource mobilization has been started and for the recently won Reva to MP-UP border project, the LOI has being received in the last quarter and concession agreement has been signed in the last month. With this update I would like to open the floor for question-and-answer session.

Moderator

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “*” and “2”. Participants are requested to use handsets only while asking a question. Anyone who has a question at this time may press “*” and “1”. A first question is from the line of Renu Baid from Batliwala & Karani Securities, please go-ahead.

Renu Baid

Good morning sir. Sir good set of numbers, at least strong execution relatively than last couple of quarters. My first question on Kalpataru front, current quarter we have seen interest-rate much higher than expected so if you could just elaborate what could be the content of ForEx loss and MTM loss in this and status of debt on books at KPTL?

Manish Mohnot

Renu there is a extent of Rs. 12 crores which is the notional losses on account of MTM which are in built in the interest cost. This is primarily for all the PCFC loans which we have taken in the last two quarters which were revalued at Rs. 53 because that was the requirement of 31st December, 53.12. its notional to great extent because now with dollar-rupee again at 49 you would see this reversals coming in this quarter that is around 12 crores and without that our interest cost actually for the quarter is closer to 22 crores.

Renu Baid

How is the debt composition between domestic and overseas?

Manish Mohnot

Debt is closer to Rs. 700 crores at Kalpataru level, typically debt is always higher than the Quarter 3 if you would see numbers for Kalpataru as well as other companies. But what happens is a lot of inflow happened in Quarter 4 and Quarter 3 execution really picks up after the monsoon season so debt is at the level of around Rs. 700 crores at Kalpataru.

Renu Baid

And of this how much would be the ForEx loan component related to projects that we are executing?

Manish Mohnot

If you include the PCFC and all of that put together it is closer to Rs. 130 crores.

- Renu Baid** Do we expect, there were some ECBs which were taken and the interest cost in the subsequent quarters should start easing off?
- Manish Mohnot** Yes it should because we actually had taken ECB for our Raipur plant but we have still followed conservative policies of having a MTM hit on that. So as per the accounting norms we could have looked at capitalizing it but we have followed the conservative norm of having a MTM so we should see some MTM upside coming up on that interest cost.
- Renu Baid** What would be the value of that ECB towards Raipur plant?
- Manish Mohnot** ECB value for that was closer to USD 15 million.
- Renu Baid** And also within the domestic Kalpataru front margins have been slightly lower sequentially coming back to 10.5% so is this because of higher share of turnkey projects or structurally in terms of lower hit on the margins in domestic business that you have taken?
- Manish Mohnot** Effectively we still maintain that our EBITDA margins will be in the range of 11% and Q-o-Q what happens is that certain projects we pick up at certain projects where bought out items and it happened all of that but we still believe that our order book today has EBITDA margins which are in the range of 11% plus. It is just a quarterly impact of some projects taking a lead versus some projects getting delayed.
- Renu Baid** My second question coming on the JMC front very good set of numbers as well as strong order book and inflows there. So we have seen after Reva MP also coming through if you can just throw some light in terms of the equity contribution for that project when are we expecting the financial closure to be done and what would be our game-plan in terms of ramping up the road segment portfolio for JMC over the next two years?
- Manish Mohnot** Let me answer one by one, you asked me 3-4 questions. Let me start with the first one Reva MP, we expect the Reva MP project cost we're still finalizing it but in the range of 650 to 700 crores. We just got the LOA for which we have 6 months to do the financial closure so we expect financial closures to happen sometimes in June-July. But the concession agreement has been signed and we're working on the EPC contract right now.
- Renu Baid** How are you planning to further buildup the portfolio of road assets in the road sector given that the opportunities looks reasonably good in terms of pipeline of orders?
- Manish Mohnot** We right now have four projects, we're working on them, the Rohtak-Bawal, the Agra-Aligarh, the Wainganga-Nagpur and the Reva-MP, all these four projects require equity of closer to all put together more in the range of Rs. 300 to Rs. 350 crores, out of which we have already deployed we means when I say we at JMC has already deployed in excess of Rs. 125 crores, the balance would happen majority through internal accruals

over the next couple of years. Now are we looking at more projects, the answer is if we get at attractive price yes but we will always keep in mind our overall debt equity as well as our leveraged ratios. Keeping that in mind we will continue to look at attractive projects wherever get that.

Renu Baid Final in terms of JMC order book breakup if you would share, how does it look segment wise?

Manish Mohnot The Rs. 5500 crores if we divide it into factories and buildings, then infrastructure which primarily includes roads and water pipelines and power so if you look at factories and buildings it is closer to Rs. 2,600 crores and the infrastructure would be closer to Rs. 2,200 crores and power more in the range of Rs. 700 crores.

Renu Baid If you would just like to share KPTL order book breakup as well I think that is a last question from my side?

Manish Mohnot KPTL Rs. 5500, domestic TL is around Rs. 2700, TL international around Rs. 2000, infra which includes pipeline and railway put together around Rs. 750 crores and DMS Rs. 50 to Rs. 55 crores. DMS is reduced for exposure and which was our strategy for the last five six quarters.

Renu Baid That's it, all the best for the years to come. If I have some more queries I will definitely get back. Thank you sir.

Manish Mohnot Sure thank you.

Moderator: Thank you very much. Our next question is from the line of Sandeep Tulsiani from JM Financials, please go ahead.

Sandeep Tulsiani Good morning sir. My question is on the Kalpataru front, if I look at the raw material cost, we have been more or less constant but if we look at two components of it we have been seen a steady rise in the RM cost while E&C costs have been declining to a similar extent which has kept at constant. So basically I just wanted to know is it because we're liquidating a higher cost inventory that we had with us or is it just purely a function of the execution there and one shouldn't read much into it?

Manish Mohnot It has got nothing to do with higher inventory cost because remember for us inventory has a cost and it requires a lot of space, large inventory _____ 12.33 ??? so it's got nothing to do with liquidation of the inventory at a lower or higher price. It is got to do with the mix of projects. Now let me articulate this, if you look at the infrastructure segment which is primarily pipeline and railways, they typically only have construction expenses because they don't have a raw material and if you see their growth have been much lower than the growth of the other segments. So that is one reason if you look at construction expenses, other expenses they look slightly stagnant, raw material has gone up primarily because the

prices have gone up. if you see steel prices as compared to Q-o-Q I don't know whether you're looking Q-o-Q or previous year Q-o-Q the prices have gone up and that when the percentage wise it looks higher.

Sandeep Tulsiani And going forward you think this is the mix that you are likely to maintain?

Manish Mohnot It completely depends on what kind of projects for example if it is big international project which also has bought out; the mix would be very different than the Indian project which does not have bought out. it depends on the mix of projects, it depends on which projects we are executing at what point of time. That is got nothing to do with inventory because you need to realize the fact that for us inventory means space and cost and unlike any other sector or any other the company where inventory would mean not much space for us, steel is a big inventory to keep.

Sandeep Tulsiani And regarding the second question, we have been seen a very significant jump in the other income component of JMC projects both sequentially and even on Y-o-Y basis, is it something worth highlighting over there?

Manish Mohnot Nothing significant except that some portion of the other income includes some creditors written-off which was the requirement of the law which has been outstanding for more than four years now and that has been shown there. So because what happens is you can't carry creditors beyond a period of time in your books so that mean some impact of closer to a few crores which have come in there which we already had in our books and they have been written off, around Rs. 1.7 crores something like that.

Sandeep Tulsiani One more question regarding Kalpataru's operating structure, we have seen a very significant jump in the other expenditure. So since you are booking the MTM losses any interest expense, is there something one time over there?

Manish Mohnot No there is nothing in time over other expenditure. Normal routine expenditure it is gone up to that extent as compared to Q-o-Q in the previous year.

Sandeep Tulsiani Can I get operating numbers for Shubham logistics both for 3rd Quarter and for the nine month period?

Manish Mohnot Sure, if you look at Shubham numbers for nine months, the top-line is closer to Rs. 125 crores with the EBITDA 15% at Rs. 19 crores and PBT closer to the range of Rs. 2.8 or 3 crores.

Sandeep Tulsiani For the 3rd Quarter?

Manish Mohnot 3rd Quarter Rs. 52 crores is a top-line, EBITDA at around 11-12% which would be around Rs. 6 crores and PBT in the range of 0.4-0.5 % or Rs. 50 to 60 lakhs.

- Sandeep Tulsiani** Can I get a comparative number for 3rd Quarter last year since year-on-year...
- Manish Mohnot** 3rd quarter last year I can give you compared to numbers but they are not comparable because a lot of our assets and all of them came into play after that but the total income 3rd Quarter last year was 29 crores with EBITDA at same level of around 15% and PBT at 0.55.
- Sandeep Tulsiani** Just one last question from my side, other than the road BOOT projects that we are having what is the CapEx that we have done in the parent company in the first 9 months and what would be your guidance for balance of the year and a year going ahead?
- Manish Mohnot** We have done closer to 80 crores of CapEx on the parent company and for the last quarter we shouldn't be exceeding 20 to 25 crores.
- Sandeep Tulsiani** And any guidance for FY13?
- Manish Mohnot** In terms of CapEx?
- Sandeep Tulsiani** Yes.
- Manish Mohnot** FY13 CapEx should be in similar range, Kalpataru more and the level of 100 crores maximum and JMC more in the range of again 100 crores.
- Sandeep Tulsiani** Sir thank you very much, that it from my side.
- Manish Mohnot** Thanks.
- Moderator** Thank you very much. Our next question is from the line of Anubhav Gupta from Kim Eng Securities, please go ahead.
- Anubhav Gupta** Good morning everybody. My question is related to the power transmission business; if we look at 9M numbers the execution has been flat Y-o-Y with new orders drying down how do you see the execution in Q4, will it pick up or will you see numbers flat in Q4?
- Manish Mohnot** You asked me two specific questions, one why Quarter 3 has been sluggish and one Quarter 4 would pick up or not. So let me answer both of them. Quarter 3 was sluggish primarily because of couple of projects, one of the projects in African belt where because of elections couple of months we were not allowed to work on that project plus on the project in the pipeline we got slightly delayed because of client approval, now all of that is in place so all that revenue should come in Quarter 4. On a Quarter 4 basis we definitely expect to do much better except that earlier what we used to say that we will have, Kalpataru will grow at 10 to 12% now we are saying in the range of 10%. So Quarter 4 we are expecting 1100 crores plus as a revenue for Kalpataru and we are reasonably confident of that.

- Anubhav Gupta** What is the size of the Africa order?
- Manish Mohnot** That order is closer to \$75 million plus.
- Anubhav Gupta** And the pipeline contract?
- Manish Mohnot** Pipeline contract that contract is worth 350 crores but the impact of revenue is closer to 250 crores in the previous quarter. In fact the both these projects were closer to 100 crores in the previous quarter which we have got clarity now we are at 99% surety that that would happen in this quarter, actually a lot of it is already been done.
- Anubhav Gupta** Alright thanks.
- Moderator** Thank you very much. Before we could take the next question we would also like to remind participants in order to ensure that the management is able to address questions from all participants in the conference, please limit your question to two per participant. We will take a next question is from the line of Sanjeev Panda from ShareKhan, please go ahead.
- Sanjeev Panda** Good morning sir. Just now you explain that international projects where it is completely bought out and compared to the domestic projects where it is not could you please elaborate and help us to understand how does it differentiate in terms of margin prospective?
- Manish Mohnot** It is not completely bought out, just to correct that. It is a mix of bought out also so typically international projects would have a rule of thumb of 1/3rd erection, 1/3rd towers, 1/3rd bought out whereas domestic building could have 60% tower and 40% erection, a rule of thumb depends on project to project. On the margin front typically international projects are high risk projects because it is new country and all of that and some of them are fixed price so typically international projects margins are higher than the domestic projects at the time of bidding but eventually depending upon the price movements you could have a slightly higher variation on margins on international projects as compared to domestic projects.
- Sanjeev Panda** Another thing on the JMC projects, we have been seeing over the last 2-3 years period of time this we have been maintaining a EBITDA margin of below 10% kind of 7-8% which is compared to across the industry if you look at most of the players which we can call it our peers are around 10 players margin so is there any play where we can improve or we are putting some efforts to bring it to inline of a industry or there are some significant problems that we see because of which we are not able to improve that?
- Manish Mohnot** Let me answer your last question first, is there a significant problem the answer is no. are we aiming to improve it, yes but given the current situation in terms of volatility in prices, the labor the rates have gone up, the delay on clearances and all of that we do not expect it

to improving the next couple of quarters definitely. But in next couple of quarters we still believe will be lucky if we are able to do 7.5 to 8. Obviously there is an attempt to look at it, to take it to a different league in terms of trying to reach 9 over the next 4 to 6 quarters and then aim for 10. But it is not going to happen in the next 2-3 quarter is definitely.

Sanjeev Panda

And last question from my side, please give us light because the entire order book scenario has turned very slow in this last couple of quarters and how does it look considering the fact that we are approaching the last year of the five-year planning year and then at the same time agencies like Power Grid and all how they are shaping up well, you see opportunities coming up and the size and the quantum that opportunity that you can look at in the next 2-3 years?

Manish Mohnot

Let me start with the order book yes we have not received many orders in Quarter 3 but we are favorably placed in 4 or 5 orders as indicated by our MD in the initial speech, I expect all of these orders to be done in the next 4 weeks, at least 2 of them should happen in the next one week and the balance 2-3 more in the next 2-3 weeks. Our internal target is to have order book at Kalpataru closer to the range of 6500 crores by the year-end if not higher than that. As per as Power Grid is concerned we have seen a lot of traction, lot of tenders are out. We have bid for tenders exceeding 4000 crores which are still open as Power Grid and a few tenders at SEBs and private sectors players also. We should get from them over the next whatever couple of weeks if not a couple of months definitely. The third question you asked was the margins and competition, competition continues to be there on on transmission projects. Although what we are seeing is its more realistic competition rather than idiotic competition which we saw in the past. So there is competition it is continued to be there but there are enough orders with probably plans to award in the next 3-4 quarters so we should be well placed in terms of quarter book inflows.

Sanjeev Panda

So the kind of margins that we are seeing currently would be sustainable one?

Manish Mohnot

On by current order book which I have today I believe will be able to sustain this margin and going forward is a question which we need to discuss at the end of every quarter.

Sanjeev Panda

I understand, thank you sir.

Moderator

Thank you very much. Our next question is from the line of Kirti Dalvi from Enam Asset Management, please go-ahead.

Kirti Dalvi

Good morning sir. Three questions from my side, first if you could give us color on working capital at our consolidated entity?

Manish Mohnot

If I give it separately for Kalpataru and..

Kirti Dalvi

Will do sir.

- Manish Mohnot** It's that a level of number of days you need or it is more at the level of how do you want to look at that number?
- Kirti Dalvi** In terms of your Q-on-Q improvement if you can give us what is the current state in terms of number of days it will do.
- Manish Mohnot** If you look at net working capital cycle which is there for Kalpataru we are at the level of net working capital in the level of 135 to 140 days.
- Kirti Dalvi** And how is has fared over your Q2 or Y-o-Y basis?
- Manish Mohnot** On a Y-o-Y basis we are at 120 last year, it is gone up slightly, as compared to Q2 it is similar basis.
- Kirti Dalvi** On JMC?
- Manish Mohnot** JMC if you look at the net it was around 187 days it reduced from a Y-o-Y basis and reduced by closer to 25 days, on a Q-o-Q similar number.
- Kirti Dalvi** If you have some consolidated debt number?
- Manish Mohnot** Debt number at Kalpataru is closer to 700 crores and JMC is closer to 300 crores.
- Kirti Dalvi** And second question if you could give little bit outlook on your bidding pipeline in JMC as well as KPTL, segment wise would be better.
- Manish Mohnot** Sorry I could not get what you want billing pipeline in what sense?
- Kirti Dalvi** In terms of your new bids where you have gone for..
- Manish Mohnot** Bidding pipeline, I heard billing pipeline sorry for that. if I divide it, if I look at Kalpataru we today have bid for projects in excess of 6000 crores it was domestic and international, out of which domestic is closer to 4000, international is closer to 2000 crores, the tender which we have bid and we are yet to be awarded or yet to be opened by the client. If I look at JMC we have tender closer to 2000 crores for which we have submitted tenders which are yet to be opened. On the infrastructure which is pipeline and railways we have submitted tenders closer to 800 crores which are yet to be opened and we should see some movement there over the next 2 to 3 weeks.
- Kirti Dalvi** So we are very much aiming for that 6500 crores for the KPTL side and probably for JMC side what kind of closing order book we expect?
- Manish Mohnot** More in the range of 5500.

- Kirti Dalvi** Even after showing the execution what we're showing it in Q3?
- Manish Mohnot** Yes.
- Kirti Dalvi** And the last question, your outlook on the next year in terms of your margin profile, individual segments and the growth where we see it?
- Manish Mohnot** In terms of margin profile Kalpataru Power overall we still believe we should be able to maintain margin in the range of 11% at the EBITDA level and JMC more in the range of 7.5 to 8%. In terms of growth we definitely see JMC again having a growth more than 30% over the next one-year given the visibility of order book and Kalpataru we definitely see growth exceeding 15% next year given that we expect some big orders to come in over the next 2 to 3 weeks. So 15% for Kalpataru, around 30% for JMC, consol we should be doing 22 to 25% growth next year onwards.
- Kirti Dalvi** But our infra division especially if I see the margins they are not yet picking up which were earlier the case of 8 to 9%. Do we see that situation coming in the next year?
- Manish Mohnot** Would it pick up, the answer might be not significantly because it also includes the railways division which is a new project which we have taken over the last 6 to 9 months and we are aware that the we set up this new division a year go. So new division always has its own sets of challenges in terms of margins, capital employed, additional cost out of that so I believe it should continue more in the range of 8 to 9, from 9 to 10 and nothing beyond that.
- Kirti Dalvi** But for the first nine-month our margins in this particular division is around 5% odd if I see it. So do we see that 4.5% if I have to be specific.
- Manish Mohnot** We should be at the range of 8 to 9% over the longer run and on a Q-o-Q basis maybe it is just fallen because of some projects which did not pick up which I indicated earlier but we should be in the range of 8 to 9%.
- Kirti Dalvi** So by this yearend we see the margins around 6-7%?
- Manish Mohnot** Yeah we should.
- Kirti Dalvi** And probably for the next year as well we will see the similar range?
- Manish Mohnot** We should aim for 8 to 9 next year so if gestation period should be over for some of the departments which are set up new so we should say margin improvement coming in.
- Kirti Dalvi** How much is the fixed-price contracts in your current order book?
- Manish Mohnot** Closer to 22 to 24% around 22%.

- Kirti Dalvi** Both in KPTL as well as consol put together you're telling?
- Manish Mohnot** Consol around 25, KPTL around 20.
- Manish Mohnot** Also 75% is the price variation and 25% is fixed.
- Kirti Dalvi** Thank you very much and wish you good luck.
- Moderator** Thank you very much. Our next question is from the line of Krishnakant Thakur from Espirito Santo, please go-ahead.
- Krishnakant Thakur** Good afternoon sir. I know you have answered the question on execution and not to hold on to your guidance but if I look at in the consolidated revenue if you are guiding for 15% growth and if you look at JMC Q4 if it is able to clock anywhere between around 25-30% growth in so in KPTL on the execution front we're looking at closer to practically a kind of flattish kind of a number in Q4 as well, 9000 crores of revenue is odd. So are we missing something in terms of there seems to be some disconnect on the execution side?
- Manish Mohnot** No we are not missing anything because I remember what our MD said; he said 15% plus growth minimum at a consol basis that is what he said. You are right JMC should clock a growth again of around 30 to 40% in Quarter 4 lot higher than that as compared to Y-o-Y and Kalpataru should also do a growth which will take us on an annualized growth of closer to 10% so we are expecting revenues closer to 1100 plus crores for the last quarter. So overall yes we might not be stopping at 15 but we might be going to 18-20 levels and that's why it was indicated by our MD it will be a minimum amount that.
- Krishnakant Thakur** What will be the closing or unexecuted order book we are looking at KPTL at the end of this year?
- Manish Mohnot** Our target is to be at the range of closer to 6500 crores, opening order book as a percentage.
- Krishnakant Thakur** This is?
- Manish Mohnot** Kalpataru, KPTL 6500 crores.
- Krishnakant Thakur** Closing order book right, March '12?
- Manish Mohnot** Closing order book, I would be happy to call it an opening order book as of April.
- Krishnakant Thakur** And if you look at some of the competitors who are like a newer entrant in this business on the execution front they have done like sub-5% kind of margin in this quarter so in terms of competition going forward are we looking at easing off number of bidders

specifically for projects going ahead for the last 6-9 months or a one year, are the number of bidders reduced significantly or are they at the same level if you can just highlight that?

Manish Mohnot Number of bidders have definitely reduced as compared to what it used to be nine months or 12 months or 18 months ago but does it imply profitability, the answer might not be yes directly because as I said earlier while unrealistic bids have reduced but given the cost increase, given the competitive nature of also the serious players who were there in the market just might not improve significantly.

Krishnakant Thakur Not exactly in terms of margin even if they don't improve at least they should translate into better order inflows.

Manish Mohnot I think better order inflows should happen but realistically carrying a 18 to 24 month order book was a decent order book as per as Kalpataru's strategy is concerned because it is not only about order book it also your ability to deliver on that order book and given the constraints on labor, constraints on ROW, constraints on all of that it is not only about getting in order book, it is about ensuring that you make money out of that order book.

Krishnakant Thakur And my final question on the existing order book of 5500 crores, the execution challenges what we are facing are the normal challenges or some of them are slow moving orders or kind of gone into a backburner so is that kind of a situation or its normal execution challenges?

Manish Mohnot It is normal execution challenges but what happens in every quarter we see a couple of surprises, this quarter we are hopeful and actually hopeful with a lot of confidence that we will not see any of those challenges but every quarter we keep on seeing some challenges coming from some orders but otherwise all orders are moving as far as Kalpataru Power is concerned.

Krishnakant Thakur That is about it from my side thank you.

Manish Mohnot Thank you.

Moderator Thank you very much. Our next question is from the line of Sachin Trivedi from UTI Mutual Fund, please go-ahead.

Sachin Trivedi One question on the BOT project that we have completed, you said that expected revenue is 54 crores on that. can you share some more detail is in terms of what was the total project cost finally and what is the expected PBT or PAT on this project?

Manish Mohnot Just to refresh everyone although it is discussed in all calls, which we have had in the last 4 quarters. The SPV at Kalpataru has 51 and Techno has 49% stake, this was a BOT at Haryana which was to be done in the record time which we have completed. Plant should get commissioned as early as few days from now not even beyond that and the annuity on

this is 4.5 crores per month which translates to 54 crores, increased for WPI index whatever happens on an annualized basis. The total project cost including IDC was more in the range of 450 odd crores, equity was closer to 400 crores. There is also a grant on this project of closer to 80 crores so effectively if you look at the project we have a debt of closer to 280 crores. We have a grant which is already come into our books and we have equity of closer to 90 crores between both the partners put together. Our partner is Techno on this project with a 49% stake. So on 54 crores we are expecting equity return in the range of 16 to 18% definitely on this project.

Sachin Trivedi

This will reflect in our other income or when will they get in the dividend mode?

Manish Mohnot

A good question which I do not have a direct answer but logically it should be in a dividend mode as early as in the next quarter itself or at the end of the year. But significant portion you will see in the only next year. This year you will see only for two months.

Sachin Trivedi

My next question is on the real estate when can we expect revenue from that?

Manish Mohnot

We call it a developmental project because we did qualify for all the BOT and that's how we call it and not a real estate but anyway at the Thana IT Park the project is nearly done, we expect the project to be done in Quarter 2 or closer to June of the current year and we should see revenue coming in from Quarter 2 financial Year '13. It is nearly done, I have seen the project just a few weeks ago, all the structures have completed and the finishing work is undergoing. That project should give us closer to 3 lakhs square feet of sellable or not sellable I would say leasable area and we should have revenues closer to 15 to 16 crores starting from next year per annum. Indore one which we are doing we still are on the drawing board because there are some norms which have changed so that is something which still going to take time and it is not definitely happening in '12-13, it looks like more 13-14. That will be 4-4.5 lakhs square feet of development.

Sachin Trivedi

And this developmental project in Thane, this is in the form of subsidiary for us, Energy Link?

Manish Mohnot

Yes perfect.

Sachin Trivedi

Will the dividends take time to come or how do you think?

Manish Mohnot

Should not. At the end of the year the dividend should start come in.

Sachin Trivedi

One follow-up question, what will be the debt level on Energy Link in that case?

Manish Mohnot

Energy link the debt level we expect once the commencement happens should be closer to 80 crores level.

- Sachin Trivedi** Thank you.
- Moderator** Thank you very much. Our next question is from the line of Madan Gopal from Sundaram Mutual Fund, please go-ahead.
- Madan Gopal** Good morning sir. If you can explain the remaining BOT projects when probably they will get commissioned and you explain the total CapEx and if you can split between what will be next year and year after that in terms of investment?
- Manish Mohnot** Sure two questions let me answer the first one. If you look at the four projects which we have Rohtak-Bawal, Agra-Aligarh, Wainganga-Nagpur and Reva-MP, Rohtak-Bawal we expect the commissioning to be in Quarter 1 of financial Year '14, so not 2012-13 but 2013-14. Agra- Aligarh Quarter 2 financial Year '14, Nagpur-Wainganga Quarter 1 financial Year '15 and Reva-MP should be Quarter 3 of financial Year '14. Effectively all the three majorities of the large projects should get into the revenue mode in 2013-14. That was the first question. Second question in terms of timing out of the 350 crores worth of equity we have already put in closer to 125, when I say we it is JMC, just to clarify. The balance Equity should go at around 125 crores next year and around 100 crores year after that, approximately. It depends completely on the speed of the work and at what speed. If we can finish earlier our equity will go earlier but revenue will also start earlier.
- Madan Gopal** And when you were talking about the revenue expectation from the first project that is likely to be commissioned in few days Haryana, you said 16% PBT if I'm right?
- Manish Mohnot** 16 to 18% ROE that's what I said and that's what the numbers would show you. That's the annuity project. It is very easy for you to just put down the numbers on a spreadsheet and arrive at it.
- Madan Gopal** Can you help us with what will be the total annuity on a full year basis for the remaining four projects when they get commissioned?
- Manish Mohnot** We expect revenue of closer to 200 crores in 2013-14 coming out of these projects.
- Madan Gopal** ROEs of similar nature?
- Manish Mohnot** No roads would not be similar nature, ROE is ranging from 14 to 16% levels.
- Madan Gopal** Thank you sir.
- Moderator** Thank you very much. Our next question is from the line of Harshad Shukla from Emkay Global, please go-ahead.

- Harshad Shukla** Good morning sir. My first question is pertaining to your order book, is it possible to share with us your total exposure to SEBs out of your total order book?
- Manish Mohnot** Our SEB exposure out of the total order book is closer 40% and some majority of them are funded from PFC REC.
- Harshad Shukla** Any top one or two SEBs which are having a maximum share?
- Manish Mohnot** Maharashtra is the biggest and Tamil Nadu is the second one, actually we are working only on three SEBs, Maharashtra, Chhattisgarh, and Tamil Nadu.
- Harshad Shukla** Coming to your BOT projects, we looking at any other BOT project in the transmission segment?
- Manish Mohnot** We are bidding for some as an EPC contractors as well as on some projects as small Equity partners and in some of them smaller projects as larger partners also. We are bidding for a lot of them so let's see what happens.
- Harshad Shukla** But what could be the size given our bandwidth and the balance sheet?
- Manish Mohnot** More in the range of 500 crores projects from a PPP perspective where we would like to focus on. If you go for larger projects our equity stake would be much lower.
- Harshad Shukla** Lastly, on the railways and pipeline segment what kind of traction that you're seeing in this segment in over next 2 to 3 years and the margins that you are expecting over there?
- Manish Mohnot** Margins I think we have discussed also earlier, we would be happy if the margins continue to be in the range of 8 to 9% and which might slightly increase the realistically 8 to 9%. Because of traction we are seeing a lot of tenders coming on railways and pipelines both, now in the next two quarters we should see some railways; we already have a very decent order book, Q3 pipeline also including their order book size. But there is enough competition in both the sectors and because of that margins would continue to be under stress as far as the entire division is concerned.
- Harshad Shukla** In our order book or maybe on the industry wise basis what kind of orders that we are now receiving, is it a product based order that you are receiving now or is it the complete EPC kind of orders?
- Manish Mohnot** It's a mix of both, to give you an answer in the last six months we have won orders of closer to 300 crores which is only product based, actually closer to 350 to 400 crores where we only be supplying towers and the balance continues, so out of our order book 8 to 10% is only for supply of towers and the balance continues to be EPC.
- Harshad Shukla** What could be the margin differential between both the type of orders?

- Manish Mohnot** Typically towers would be slightly higher on margin because its only product based but eventually it all gets mixed on to the overall margins of 11% plus at an EBITDA level.
- Harshad Shukla** Thank you sir that's all from my side.
- Moderator** Thank you very much. Our next question is from the line of Ravindra Nair from SBI Caps Security, please go-ahead.
- Ravindra Nair** Thank you sir, good morning. You just explained that your working capital days in Kalpataru has actually expanded and JMCs contracted, can you please give some explanation for why this sort of things happened?
- Manish Mohnot** Explanation I can give you at the level of why this has happened but it effectively depends on the kind of orders which you book. If you look at Kalpataru given the current change which in payment terms which has happened with a lot of clients and I'm not sure whether all of you are aware but Power Grid has also recently changed payment terms mean that this would further grow because they made it slightly stringent where even for your supplies you will get paid ones the erection happens. Given the kind of projects which are coming in transmission they are going to be very difficult reduced this may be plus minus 5-10 bps. As far as JMC is concerned given that the mix of order book and contents of orders which are our own BOOT orders as well as external client orders, the mix of it has helped us to reduce the working capital cycle.
- Ravindra Nair** So would that mean it will continue. JMC will see some sort of lowest, it will continue that you will get net working capital on JMC and from this level you don't see Kalpataru's working capital should expand further?
- Manish Mohnot** No we don't said expanding but we don't see it reducing also, plus minus 5-10 days what it should be.
- Ravindra Nair** One thing I want to know that you are working with Rajasthan and also Subham Logistics also started its operation and also have a significant presence in Rajasthan, how comfortably you are working with this particularly in Rajasthan utility or in particularly Rajasthan SEB?
- Manish Mohnot** Very comfortable working.
- Ravindra Nair** You are comfortable in this terms of financials and you are comfortable with
- Manish Mohnot** Definitely.
- Ravindra Nair** Thank you.

- Moderator** Thank you very much. Our next question is from the line of Sanjiv Panda from ShareKhan, please go-ahead.
- Sanjeev Panda** This is a follow-up question sir. We saw that effective interest cost that has gone up in this quarter and obviously the interest-rates would have played the role, is it only interest rate or is there any other projects which were back-ended or any other issues because of which we have been seeing and currently what is the interest-rate that we are paying effectively?
- Manish Mohnot** The answer to your first question is only interest rates because if you look at the interest I and if you know the 12 crores hit which we have because of MTM, the provisioning, our interest continues to be at very similar level of previous years and previous year and I don't know how many of you have the data but previous year we also had a profit in this MTM of around 2 crores. So in terms of interest costs have gone up only because of interest-rate hike and our average interest-rates with more in the nature 9.5 to 10.5%.
- Sanjeev Panda** Thanks sir.
- Moderator** Thank you very much. Our next question is from the line of Kirti Dalvi from Enam Asset Management, please go ahead.
- Kirti Dalvi** Sir couple of follow-up questions, you mentioned that 700 crores would be the debt on KPTL and 300 on JMC side but we must be having some debt on our real estate as well as Shubham Logistics so on a consol basis what could be our debt currently?
- Manish Mohnot** Closer to 1250 to 1300, gross.
- Kirti Dalvi** And we don't see any increment happening to this by year-end?
- Manish Mohnot** Year-end normally the Quarter 4 it always improves.
- Kirti Dalvi** Debt will go up marginally?
- Manish Mohnot** Will come down.
- Kirti Dalvi** And in terms of your BOT projects in JMC we must have received all the EPC orders in the JMC itself for our own BOTs?
- Manish Mohnot** Yeah.
- Kirti Dalvi** What could be that quantum?
- Manish Mohnot** The total value would be around 1800 crores.

Kirti Dalvi For the balance free?

Manish Mohnot Unexecuted value is around 1800 crores.

Kirti Dalvi From Agra, Nagpur and Reva MP?

Manish Mohnot Rohtak-Bawal, Agra-Aligarh, Nagpur-Wainganga and Reva-MP.

Kirti Dalvi These are all 100% owned Agra, Nagpur?

Manish Mohnot No Rohtak-Bawal is 51-49, Agra, Nagpur and Reva is 100%.

Kirti Dalvi What do you see in Shubham Logistics next year outlook?

Manish Mohnot In terms of top-line or in terms of...

Kirti Dalvi Yeah top-line as well as the margins.

Manish Mohnot I think we expect Shubham Logistics to be closer to 225 plus crores next year and they say we should end that the range of 175 to 180 and next year 225 plus. EBITDA should continue at 15% plus levels and PBT more in the range of 3 to 3.5% and if we can save on interest cost which we are hoping for because of some government policies where this gets classified into a different nature of lending, the EBITDA could go up further based on those selling.

Kirti Dalvi And you did mention this real estate venture we will start getting in Q4 of FY13?

Manish Mohnot The Thane one the development project at Thane should happen Q2 of 2013 and Indore should go to 2013-14.

Kirti Dalvi That will go to FY14?

Manish Mohnot Yeah.

Kirti Dalvi What could be your average tax rate?

Manish Mohnot More in the range of 28 to 29%.

Kirti Dalvi For the KPTL?

Manish Mohnot Yeah.

Kirti Dalvi And JMC will be the same 33%?

Manish Mohnot JMC is also at 26-27%.

Kirti Dalvi So on the consol level will be around 28% odd?

Manish Mohnot 28 odd.

Kirti Dalvi Thanks a lot.

Moderator Thank you very much.

Bhoomika Nair Sir I had one question. You said that 40% of our domestic transmission line orders from SEBs which includes Maharashtra, Tamil Nadu, etc., are we having any issues in terms of payments or delayed payments from any of these SEBs?

Manish Mohnot No we still are under cycle of plus minus 5-10 days from the due date.

Bhoomika Nair Inba are there any further questions?

Moderator No there are no more further questions.

Bhoomika Nair Okay sir, thank you very much for taking time out. I think you have answered most of the queries on the call. Thank you very much for taking time sir. Thank you very much.

Manish Mohnot Thank you very much.

Moderator Thank you. On behalf of IDFC Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect.