



# “Kalpataru Power and JMC Projects Q4 Financial Year 2014 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Kalpataru Power and JMC Projects post results conference call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair. Thank you and over to you Madam!

**Bhoomika Nair:** Good morning everyone. Welcome to Q4 Earnings Call of Kalpataru Power and JMC Projects. The management is being represented by Mr. Ranjit Singh, Managing Director, Mr. Kamal Jain, CFO, Mr. Manoj Tulsian, CFO, JMC Project. I would like now to hand over the call to the management for their initial remarks post which we will open up the floor for Q&A. Over to you Sir!

**Ranjit Singh:** Good morning friends. We have declared Q4 and FY 2014 results of both KPTL and JMC. The copy of the results, press release and presentation has already been sent to you. Before proceeding for the Q&A session, I would like to take you through some of the key highlights of the results and recent developments, which have taken place in our business. In financial year 2014 KPTL achieved a topline growth of 22% mainly due to improvements in execution in domestic business as well as increased contribution from international business.

Today international revenues contribute 40% of our total revenue on KPTL standalone basis compared to 30% of the previous year. So that is part of the globalization strategy which is adopted two or three years back, that has already started showing significant results. During the year core EBITDA has grown by 20% with margins of 9.5%, which is slightly below 9.7% achieved in financial year 2013 mainly due to forex losses and losses in infrastructure division. During the year PBT has grown by 12% and PAT has grown by 6%. We have secured orders of over Rs.3400 Crores in financial year 2014 versus Rs.3000 Crores in financial year 2013. The growth is mainly from international market especially Africa, CIS, SAARC and MENA region.

Domestic market was slowed during last year especially in the second half mainly due to postponement of some of the contracts and issues related to power sector. We expect better traction in domestic market especially from PGCIL and SEB's subsequent to change in the political scenario. Losses in infrastructure segment has impacted the overall performance in financial year 2014 mainly due to execution shortfall, cost escalations, equipment under utilization and low margin projects taken as an entry strategy. In the long run, we believe that infrastructure segment will have huge opportunity and as a proportion of new orders with better margins grow and economy of scale start impacting the overall contribution from this business segment would improve significantly.

Going forward the current order book in hand and favorably placed bids we estimate a topline growth in the range of 15% for financial year 2015 while maintaining the core margin in the range of 10%. Our second transmission line group projects in MP is progressing very well. Construction is at full

swing. Project is around 50% completed. We are targeting to complete the construction as per the schedule that is by the end of this financial year.

As far as JMC is concerned in financial year 2014 JMC achieved sales growth of 5% with improvement in margins by 60-basis points. Core EBITDA has grown by 18% and PAT has grown by 25%. Order inflow remains strong during the year with total inflow of over Rs 2500 Crores mainly contributed by factories and building segment, which constitute over 75% of the current order book. All our BOOT projects are progressing well.

Rohtak-Bawal project has received provisional COD from NHAI post that partial toll collection has already started and has been on for the last eight to nine months. Agra-Aligarh project has also received provisional COD and accordingly partial tolling has started recently.

The third project that is Nagpur-Wainganga has also been completed now and we have recently applied for provisional COD. Last project is also progressing well and over 40% is completed, and it is expected to be completed fully by Q1 financial year 2016.

As far as Shree Shubham Logistics is concerned it has also shown encouraging performance in the last year. The revenue has grown by 59%, core EBITDA has grown by 101%, and PAT has grown by 52%. Operational capacity has been increased to 1.7 million metric tonnes recently in this year.

With this update, I would like to open the floor for Q&A session. Thank you very much.

**Moderator:** Thank you very much Sir. Participants we will now begin the question and answer session. First question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

**Madan Gopal:** Good morning Sir. Congrats on a very good set of numbers. First on Shubham Logistics, so the kind of revenue that we have clocked Rs 138 Crores, this is for how much of utilization it would be on 1.8 million tonne of capacity that we have created?

**Kamal Jain:** Capacity utilization you are talking?

**Madan Gopal:** Yes.

**Kamal Jain:** As of today, total operational capacity is 1.7 million tonnes and more or less 85% to 90% has been utilization on the warehouses which were operational during the year, but 200,000 metric tonnes has been added in the recent past, in fact this year, in the beginning of this financial year. So to that extent capacity utilization on that will be lower.

**Madan Gopal:** So, total as of now is 2 million tonnes.

- Kamal Jain:** As on today it is 1.7 million.
- Madan Gopal:** But we have added some recently, right?
- Kamal Jain:** During the last year it was 1.5 million.
- Madan Gopal:** What is the kind of revenue including the new capacity added, what will be the kind of revenue that we can look at on an optimal utilization level next year?
- Kamal Jain:** We are expecting on the new warehouses around 65% to 70% and old warehouses 85% to 90% plus utilization on an average basis.
- Madan Gopal:** What is our medium term target Sir? Is it like we want to take it to 3 million tonne by what time period? What is the incremental capex required and how we will be funding it? If you can take me through that will be really helpful?
- Kamal Jain:** As on today, we are expecting 1.7 million at least during this current year and 2 million by 2016, and capex what we are expecting in the next year is around Rs 50 Crores.
- Madan Gopal:** Sir, on BOTs you have got provisional COD now, toll operation has started. What is the sort of toll collection you are seeing in Rohtak-Bawal and Agra-Aligarh now?
- Manoj Tulsian:** Good morning. This is Manoj. Rohtak-Bawal, yes, we have started tolling around seven to eight months back, but we have still not received the full COD and based on the partial COD, which we have received and some level of stabilization, we are looking at around 70% to 75% of our initial projections. Last time we said that only when minimum six to nine months of operations goes through it is better to look at the numbers..
- Madan Gopal:** What is the per day collection now on Rohtak-Bawal?
- Manoj Tulsian:** We are touching close to around Rs 20 lakhs per day on existing basis.
- Madan Gopal:** Our full potential is close to 25 or something like that?
- Manoj Tulsian:** It should be improving by around Rs.2.0 to 2.5 lakh.
- Madan Gopal:** In case of Agra-Aligarh Sir?
- Manoj Tulsian:** Agra-Aligarh again you know we have just started. Only last month, we have started the tolling and we would again request that let it stabilize for some time , at least give it two quarters, because there also we have received provisional COD, almost a stretch of 14 km is still to be approved by NHAI ,

as because of some land acquisition issues it got delayed. So better if we discuss about the numbers after two quarters on this?

**Madan Gopal:** But what is the kind of expectation there per day?

**Manoj Tulsian:** Initial signs are good on that stretch.

**Madan Gopal:** We were targeting something like Rs 170 Crores kind of toll estimation from all the four projects put together for full year of operation in FY 2016. So you hold on to it. You do not see any threat for that number to come down?

**Manoj Tulsian:** In FY 2016 ? We still hold on to that number.

**Madan Gopal:** Thanks for taking my question. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Pooja Swamy from Span Capital. Please go ahead.

**Pooja Swamy:** Good morning Sir. Thank you for the opportunity. First on the transmission business how do you see the market panning out in the transmission segment like do you see good order intake opportunities going forward?

**Ranjit Singh:** As far as the outlay is concerned, we have got two parts very distinctly. One is the transmission line international business and the other is the domestic business. As we have spoken about it earlier, couple of years back we decided, we took a conscious decision change in strategy in terms of greater emphasis on the international business of wanting to grow the international business which has yielded results. As far as the international business is concerned, we have got huge opportunities going forward because of new countries. There are older countries where we are still not representative, so we have put up projects about 37 to 40 countries up till now, but still there are many countries we are unrepresented so we are focusing on those countries like last year itself, if you look at it we have got two new countries, Egypt, and Rwanda where we have never done any projects. Similarly this year we are hoping to add another two or three countries to it. So, basically in international our strategy would be to increase our market share in the African region, in CIS and also get into newer countries, on international we see a lot of traction. As far as domestic is concerned, last year the domestic market was not doing all that well primarily because of problems in the power sector, but we expect that things are going to change now. *“Achey din aaney wale hain, aaye nahin hain abhi, but, achey din aaney wale hain.”* *“Good days are going to come, it has not come yet, but good days are going to come.”* That is our basic way of looking at the whole thing. Couple of changes which have taken place; number one. The new govt. under , Mr. Modi yesterday itself has announced a 10 point program in terms of what the priorities are, forward features in that along with road sector incidentally where JMC is present in a big way. So that is a positive indication that we have. The

second major change that we have seen is clustering of coal, and power ministry under a young business savvy minister, which effectively means that there are a lot of projects, which are stuck up, because of coal linkage issues and because of the PPA issues and things like that. Those should get resolved very, very quickly. The third part really is that already the minister, power minister has already announced that he is going to follow the Gujarat model, which has been success story as per power sector is concerned. Now as far as Gujarat model is concerned, there are two or three key features, which are there. One is significant amount of focus on power generation especially ultra mega power projects.. Second was increasing share of renewables. Both these factors are going to have significant positive impact as far as transmission lines business is concerned, because as we have talked it earlier one is evacuation from new power plant, especially ultra mega power project that is going to drive our demand. Number two, renewables will have to have a green corridor of which financing is already in place from agencies such as KSW, Germany and people like that. So that should impetus. So that should create new demand as per transmission line is concerned. So overall basis if you look at it, we are quite positive. How long will it take for the policy decisions to go through and back to they speculate it down that is a question that we cannot answer right now, it is early days but as far as future is concerned, we are very, very hopeful that yes, domestic market also transmission market also should improve significantly.

**Pooja Swamy:** As you have seen in this year, transmission business has seen a good growth of 25% plus so similar pace of growth is expected in the next year also?

**Ranjit Singh:** The guidance for next year as far as the overall revenue is concerned is 15%, Like I said as far as domestic market is concerned, it is definitely a point of inflection, but it will take some time for the policy initiatives to start impacting on the ground level. So we are waiting for that. So depending on what kind of policy decisions get taken, what kind of program gets put out by the government of reviving the power sector, putting the coal linkages in place, etc., then only we will be able to say with confidence that yes instead of 15% we could look at higher growth rate, but as of now our growth rate guidance for current year is 15% on overall revenue basis.

**Pooja Swamy:** Second is on your infra business as you mentioned in your comments that the slow moving and the low margins are effecting the infra business so do you see this effect also coming in the next few quarters or the low margin and the slow moving orders are almost done with execution?

**Ranjit Singh:** we have old projects which were taken as an entry strategy where our margins were low will account for about 30% of our total order book as far as infra business is concerned, which means about Rs 100 to 150 Crores. So that is the kind of impact of the total of Rs 600 Crores of order book that we have in infra.

**Pooja Swamy:** So the execution time for this would be for the next two quarters or you would see it throughout the year and next year?

- Ranjit Singh:** Most of it will be in the next two quarters. One or two of the projects spill over till end of next year, but most of it will be you are right, in the next two to three quarters, most of the impact, but as far as long-term is concerned, we are very, very hopeful on infra, because in infra we had two businesses, primarily one is railways and the other is pipeline. Now railways again is something, which has been put as priority as per new ministry is concerned, starting. The second thing that we are doing is by correcting our strategy as per railway is concerned. Earlier we were significantly only in civil oriented projects. Now we are also emphasizing on railway systems oriented projects, which means overhead electrification, which means metro and things like that. So within railway itself we are changing our emphasis as far as and the margins of these segments should be better apart from participating in things like DFCC etc., which are representing the opportunities, but railways again in the long-term we are very, very upbeat because Mr. Modi himself has made a commitment and made statements about large investment railways yesterday itself they talked about bullet train running, connecting all the cities to bullet trains, a pilot project on bullet train is starting. These are high speed trains, which will mean that new tracks have to get created for this. So there will be a huge business that will be coming up as far as railways is concerned. Now how, when, etc., only when firm plans come up from the government then only we will be able to say.
- Pooja Swamy:** Last, slightly on a long-term basis, where do you see Kalpataru in the next five years in terms of size, revenue on returns? If you could just give a slight outlook what is your expectation from the comments for the next five years?
- Ranjit Singh:** Earlier we were talking about 15% growth, but like I said, the new change of government it possibly could be a point of inflection as well as far as the country is concerned, the economy is concerned and obviously for infrastructure. Since we operate in this space, if things, expectations actually turnout to be right, then the growth rates could be much, much higher. So today, we cannot really warrant, possibly six months down the line we can sit down and talk about it in greater detail, but we are still waiting for government plans etc., to unfold in terms of how effective this government will be in terms of translating the promises are made into reality.
- Pooja Swamy:** Lastly Sir, on your Thane property any updates on monetization of the property?
- Kamal Jain:** So far, no development and the property, we have both the options available for the sale as well as the lease.
- Pooja Swamy:** There is no update on that from last quarter?
- Kamal Jain:** No further update on that, but now it is expected that due to the new political change there may be some possibility.
- Pooja Swamy:** Do you expect the monetization to be done in this year?

- Kamal Jain:** We are hopeful that it might happen in this year end.
- Pooja Swamy:** That is it from my side Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Fatima Pacha from ICICI Prudential Life Insurance. Please go ahead.
- Fatima Pacha:** Just wanted to ask you two three things, you were practically guiding for a 15% revenue growth in FY 2015 as well. So the order inflow in that sense is lesser than the sales of this year. So I was just trying to understand that is it that you expect lot of tenders order inflows in 1Q or you believe that execution will be much faster?
- Ranjit Singh:** Order inflow if you really look at it couple of reasons. Number one certain business segments like pipelines, railways, where we went through a consolidation process in the sense we consciously decided not to bid aggressively, finish the existing projects, and only take up profitable projects. So that has had some impact on our order book position. Second is what we talked about earlier. As far as domestic power sector is concerned, because of elections and postponements., took place, and also the slowdown in the power sector is concerned, because no new capacities are coming up and obviously if no new capacity comes up the need for transmission lines comes down. The third part really was that instead of PGCIL the BOOT projects were supposed to come up in a big way, but now though Rs 14000 Crores worth of BOOT projects have been announced they have not been tendered as yet. So we expect that tendering to come through during this year.
- Fatima Pacha:** Do you expect execution FY 2015 to be actually much slower as in like more 8% to 10% revenue growth is what you are looking at?
- Kamal Jain:** 15%.
- Fatima Pacha:** That you are comfortable despite your order backlog degrowing?
- Ranjit Singh:** Yes, 15% revenue growth we are confident on that.
- Fatima Pacha:** Secondly Sir, this year we have had an extremely good year whereby we are 20% sales growth and 20% EBITDA growth but it did not translate into PAT growth. Just was trying to understand where do you see, and as highlighted earlier as well that we would want a consistent slow through from revenue to PAT, which is not happening because of interest cost increases, forex loss whatever it is. I am just trying to understand when do you think that will actually happen. Or you think this credit terms are so bad that it may never happen?
- Ranjit Singh:** Forex losses is a onetime phenomenon, because volatility which were there in the past...



- Fatima Pacha:** But that benefit you would have got in the revenue as well, right? Because you are an exporter...
- Ranjit Singh:** But on average basis if you look at it, it is not significant. The impact would have been only about 0.3% or 0.4% points as far as impact in the topline is concerned. Forex losses is a onetime thing.
- Fatima Pacha:** How much is it for the full year?
- Kamal Jain:** Rs 26 Crores.
- Fatima Pacha:** That entire thing would have hit interest cost or somewhere else?
- Kamal Jain:** Interest cost is an addition to that. It is around Rs 22 Crores.
- Fatima Pacha:** Rs 22 Crores is at interest cost level and Rs 26 Crores at EBITDA level, is it?
- Kamal Jain:** In the interest cost this forex loss and also we are at 10.5% interest cost on average.
- Fatima Pacha:** I am asking the forex loss at the interest level is Rs 22 Crores and at the EBITDA level is another Rs 25 Crores, is it?
- Kamal Jain:** Yes. That is due to a reinstatement of Assets & Liabilities etc.
- Ranjit Singh:** Total 48 Crores what we are talking about.
- Fatima Pacha:** So you think FY 2015 will be more or like what I was asking a 15 kind of number ?
- Kamal Jain:** No, it should not be 15 kind of number I think next year there should not be any loss as far as the forex.
- Ranjit Singh:** That kind of volatility we do not expect. So I do not think we will have that kind. We are following a certain policies or the hedged policies to the extent our extent of impact would also get limited. So we do not see a too much of impact on that. So there should be improvement there, but general uptake as far as interest rates are concerned by about 100 basis points in the market itself. So that has impacted. Till this cycle comes down, I think interest rates will come down, percentage will come down.
- Fatima Pacha:** Fair enough. Thanks a lot and best of luck.
- Moderator:** Thank you. The next question is from the line of Sagar Parekh from Enam Holding. Please go ahead.
- Sagar Parekh:** Sir, firstly can I have the breakup of your order inflow in FY 2014 between transmission and infra business?

- Ranjit Singh:** Can I give you the figure later, I have got it here, but I have to look for it.
- Sagar Parekh:** Basically, what I wanted to know was in the infra now what kind of margins are you bidding at because we still have about Rs 150 Crores of order book in infra which is at low margins. So now going forward all these new orders are coming at what margins?
- Ranjit Singh:** They are at reasonable margins. We would not like to disclose the margins which are there, but they are much, much better compared to what was in the past, because earlier orders were all entry strategy kind of a thing.
- Sagar Parekh:** In your core transmission business can I have the order book breakup between international, PGCIL, SEBs?
- Ranjit Singh:** As far as order book is Rs 6500 Crores transmission line business, T&D business is about 90%, infra is 10%, within T&D or on overall basis if you look at international will be 65%, and domestic is 35%.
- Sagar Parekh:** Within the 35% PGCIL would be how much?
- Ranjit Singh:** About 15% or so on an overall basis 15% is the total that is the PGCIL order. PGCIL is only 15% of the total portfolio.
- Sagar Parekh:** In Shree Shubham logistics can I have the breakup of revenue between trading revenue and other receipts, etc.?
- Ranjit Singh:** Unfortunately again today Mr. Bafna could not join us for the full detailing part. What we will do is if you can get in touch with Mr. Gautam Jain and he will fix up a meeting for you.
- Sagar Parekh:** No issues. Last question from my side. On the BOT can I have the total equity and debt component in all your SPVs put together?
- Manoj Tulsian:** It is close to around Rs 350 Crores on the equity and debt of Rs 1100 Crores. So 1450 Crores for the road BOTs.
- Sagar Parekh:** For the road BOTs, so what is the incremental equity requirement from Kalpataru side or from JMC side rather?
- Manoj Tulsian:** From JMC side it is close to around 80 Crores, 80 to 85 Crores further and also there will be a further loan requirement of close to around 350-odd Crores.
- Sagar Parekh:** That would be in the last road project, which is about 40% completed, right?

- Manoj Tulsian:** That is right.
- Sagar Parekh:** Currently, three operational road projects, you mentioned that your initial toll collections are 75% of your initial projections. Am I correct?
- Manoj Tulsian :** Two corrections on that. Only two has become operational. The third we have applied and only the first one we have discussed that it is close to around 70% to 75% of our initial projections.
- Sagar Parekh:** In the second one?
- Manoj Tulsian:** Second one too early. I would say give us two quarters and then once the number stabilizes because initially when tolling starts there are lot of issues also which comes up in our country, like people do not want to pay tolls so we have to have arrangements with them, discussions, bring them on one line, at times political parties interfere and they also want to use their own clout on that. So, give us six months, and in six months normally it stabilizes and then we will let you know the revenue on the second one also.
- Sagar Parekh:** Sir, this funding issue of this Rs 80 Crores remaining is not an issue in JMC right?
- Manoj Tulsian:** If you see last year we have been able to contain our borrowings almost compared to the previous year on the same levels and this year also we will try our best, but we feel that there will be stretch on the borrowings. We will tie up some long-term loans, which we have already tied up. If required, we will make additional borrowings, otherwise it is from internal accruals.
- Sagar Parekh:** Lastly from the standalone books, how much is the loans and advances given to all the subsidiaries?
- Manoj Tulsian:** Same. That is 350 Crores only which is both the component of equity as well as loans together.
- Sagar Parekh:** My question is from Kalpataru standalone books how much is given to different subsidiaries as loans and advances?
- Kamal Jain:** We have given Rs 433 Crores loans and advances to the subsidiaries and investment in the BOT project is around Rs 64 Crores MP BOT project and around Rs 42 to 43 Crores for the Jhajjar transmission line.
- Ranjit Singh:** These are different from road BOOT. Just to clarify what Mr. Jain has said.
- Sagar Parekh:** So this Rs 100 Crores is for basically this transmission BOT Projects as investments and Rs 433 Crores is given as loans and advances to JMC?

- Kamal Jain:** In JMC we have invested Rs 219 Crores as equity and other loans and advances are for the two developmental projects. One is Thane project and one is the Indore project.
- Sagar Parekh:** The real estate ones?
- Kamal Jain:** Yes.
- Sagar Parekh:** You have not given any loans and advances to JMC?
- Kamal Jain:** No.
- Sagar Parekh:** That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Sir now on this Kalpataru is this infrastructure where we have incurred an EBIT level of around Rs 52 Crores loss in the last two to three quarter runrate is around Rs 14 Crores to 15 Crores. So how will this runrate continue at in the first two quarters when you say that we will be till this leg or older entry level order will continue?
- Ranjit Singh:** No. This runrate will not continue obviously. Most of the pain has already over. Some pain definitely would be there in the next two quarters as far as the older projects are concerned, but as a proportion the newer projects, which are much, much better margins increases. We are going to see a positive impact.
- Bharat Sheth:** Full year how much will be still negative, like full year last year means FY 2014 is Rs 52 Crores at EBIT level?
- Kamal Jain:** It can be in the range of Rs 15 to 16 Crores for the whole year next year.
- Bharat Sheth:** Rs 15 to 16 Crores.
- Kamal Jain:** Yes.
- Bharat Sheth:** Sir, this Indore project what is the area that we have launched?
- Ranjit Singh:** We are going to launch and expected in the next second quarter.
- Bharat Sheth:** How much square feet will be the area?

- Kamal Jain:** Area is around 425,000 square feet approximately.
- Bharat Sheth:** On this JMC side for standalone we were expecting to improve PAT by around 1%. So this full year is around 0.9%. Can we expect somewhere around 1.9% to or 2% for PAT?
- Manoj Tulsian:** In our guidance also we said last year that the EBITDA margin will improve anything between 50-basis points to 100 basis points and I think we have been able to improve it by around 60-basis points. This year again we are targeting another improvement of anything between 50 and 100 basis points.
- Bharat Sheth:** How much it will translate to PAT level?
- Manoj Tulsian:** 0.6% to 0.7% again.
- Bharat Sheth:** Second thing, while consolidating our topline of course, is a little lower than the standalone so what is the impact of that? We remove the construction work that we have carried for our subsidiary for road BOT?
- Manoj Tulsian:** That is right.
- Bharat Sheth:** So around 1100 Crores order book how much is still left out for this subsidiary?
- Manoj Tulsian:** Close to around 350 Crores.
- Bharat Sheth:** So that will be executed during the year and it will move out in consolidated number, correct?
- Manoj Tulsian:** That is right.
- Bharat Sheth:** Sir, even profit also goes out I believe?
- Manoj Tulsian:** Yes.
- Bharat Sheth:** Also on Shubham Logistics last quarter we have seen substantial improvement in EBITDA level as well as PBT level. So what kind of runrate that we can see with 1.7 million tonnes already in place?
- Kamal Jain:** We can see the EBITDA level around 14% to 15%.
- Bharat Sheth:** Same? No improvement that we expect, which was around 15% for 12 months?
- Kamal Jain:** EBITDA level will be around 15%.
- Bharat Sheth:** Topline growth what kind we can expect?

- Kamal Jain:** Around 20% we can say.
- Bharat Sheth:** PBT because the depreciation, which is also one off I believe is the major cost which is around 8% of the topline so how this depreciation will move?
- Kamal Jain:** Depreciation will move around 20% because certain warehouses will become operational in the first quarter of this year. It will have a 20% increase.
- Bharat Sheth:** Can you give us some medium term perspective of this logistics business three years where do we see the size of the business and capacity?
- Ranjit Singh:** That we will arrange a separate meeting with Mr. Bafna. You can contact Mr. Gautam Jain and we will arrange a meeting with you.
- Bharat Sheth:** Sir, any plan to reduce borrowing in KPTL standalone?
- Kamal Jain:** KPTL borrowing has increased by around Rs 200 Crores mainly because we were expecting certain payments from PowerGrid Corporation, which has got delayed and we have got it in the first week of April. So I think we will be able to maintain Rs 600 to 650 Crores by this year end.
- Ranjit Singh:** Just to add to what Mr. Jain has said, if you look at financial year 2014 if you do not look at year end numbers, but average numbers 2014 versus 2013 the overall borrowings have remained same as far as we are concerned whereas our revenues went up by 22%. So to that extent it is a result of a very, very significant focus that we had in terms of reducing our working capital and capital employed so that has yielded this kind of result.
- Bharat Sheth:** Full year our EBITDA was around 9.5% so where do you see with infra losses coming down over next year?
- Ranjit Singh:** The guidance is around 10%.
- Bharat Sheth:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankita Bora from Baltivala & Karani Securities. Please go ahead.
- Ankita Bora:** Congratulations on good set of numbers. A couple of questions in JMC Projects; firstly what were the key factors that led to healthy margins during the quarter, 6.2%?

- Manoj Tulsian:** Ankita, normally if you see Q4 always we will have slightly better margin because that is the time when we are able to push few of our clients in settling some of the pending claims, and that helps up in keeping up the margins in that particular quarter. Other than that it is normal business margin.
- Ankita Bora:** In terms of working capital situation, I think it seems quite elevated. How much would be the working capital days vis-à-vis the previous quarter?
- Manoj Tulsian:** Between last year and this year we are almost at similar level. Actually we have improved by around seven to eight days, and that very well reflects in terms of the borrowings, which has not gone up to that extent to the extent of our investment in the BOT projects. So working capital has been under control during the year. It has improved and last time we mentioned that there was couple of cases where we were seeing pressure on the receivables. Fortunately we have been able to resolve most of them so this year it will help us further possibly to strengthen the working capital.
- Ankita Bora:** How much would be the number in terms of days currently?
- Manoj Tulsian:** Around 82 to 83 days.
- Ankita Bora:** In terms of new orders that we bagged what kind of margins would these be since we have mentioned before that the new orders that we are bagging are relatively better margins, so just wanted to check what kind of margins are we making on these projects?
- Manoj Tulsian:** Near two digit numbers, but the catch remains in execution and the other challenges because when we bag a project like now we are bagging with decent margins but then approvals , design issues at times, stoppage of work and all those things, so it remains to be seen that how it translates into our final executed margins, but for sure yes, we have become more careful and conscious. At JMC we are not driving the topline but we are driving the bottomline consolidating the topline. So hope these measures will help us in improving themargin which we mentioned for FY 2015.
- Ankita Bora:** Sorry I missed?
- Manoj Tulsian:** This year again we have stated that we should try and improve with anything between 50 and 100 basis points.
- Ankita Bora:** In terms of outlook for revenue growth and order inflows for FY 2015?
- Manoj Tulsian:** Our revenue growth maybe anything between 5% and 10%.
- Ankita Bora:** And order inflows?

- Manoj Tulsian:** We had a healthy order inflow in FY 2014 also, and this year with the new government and lot of hopes being created if some of the sectors open let us say infra and other sectors opens up in the second half of the year possibly we will be able to have enough orders, which will give us two year period visibility. We already have around Rs 5100 Crores of order book. Since we are not looking at a significant growth in revenue turnover we are still having 18 to 20 months visibility .
- Ankita Bora:** We are comfortable with that kind of a visibility?
- Manoj Tulsian:** Yes at this point of time, we are comfortable.
- Ankita Bora:** Just wanted to check, loan to subsidiaries for this year is Rs 350 Crores?
- Manoj Tulsian:** That includes investments plus loan put together. So equity investment plus the loan both together.
- Ankita Bora:** Equity investment numbers?
- Manoj Tulsian:** In the subsidiaries for the BOT projects.
- Ankita Bora:** That is around 350 Crores, right? Equity investments you just mentioned, was that for Kalpataru or JMC?
- Manoj Tulsian:** 350 Crores is for JMC.
- Ankita Bora:** Equity, total equity invested?
- Manoj Tulsian:** Total equity invested into the BOT projects either as equity or as loan.
- Ankita Bora:** Can you give me a breakup for loan to subsidiaries?
- Manoj Tulsian:** Honestly speaking that does not make a difference because this entire amount is considered as equity as far as the BOT projects are considered.
- Ankita Bora:** Thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Sanjeev Panda from Sharekhan. Please go ahead.
- Sanjeev Panda:** Good morning Sir. Sir, I am sorry to digging on the same question but the BOT projects that we have under JMC road BOTs if you can give us a sense like if at all the projects will start rolling and properly, what kind of topline that we can look at from those or what collections that we can look from those projects?



- Manoj Tulsian:** We just now mentioned some time back that it should be close to around 160 to 170 odd Crores, on an annualized basis all projects running for 12 months.
- Sanjeev Panda:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Mithun Soni from GeeCee Investment. Please go ahead.
- Mithun Soni:** Good morning everyone. Sir, my question is with respect to our infra business we have the pipe laying business where we have invested a significant amount towards the equipments also. Do you feel that there is a change in the strategy required wherein we can make use of those equipments in a more better way or what is your outlook on that business for the next two to three years?
- Ranjit Singh:** As far as infra is concerned, couple of things we have had overall strategic review of the business. Like I said, two things, which is as per industry structure is concerned, last two or three years industry structure itself was not, very good. There were cyclical issues as well as the business is concerned where large number of players who were quoting very, very aggressively and that is why we have decided not to be as aggressive and that is what led to under utilization of some of the assets that we had, as you rightly pointed out, but last six months to a year, what we are saying is there is a significant change. The basic attitude of most of the players, number of players, a lot of players have gone down under have gone to CDR have financially stressed, facing liquidity issues, so we are not quoting so some kind of a broad shake out has taken place in the industry so lesser number of players more rational bidding which is taking place. So overall the industry structure has improved and that is where we see that now we are getting orders, which are a better margin compared to what it was more than a year back.
- Mithun Soni:** Sir, if we have to breakeven in this business compared to the loss what we are doing what sort of revenue you think we need to do and what is your visibility of that revenue. Do you have anything or any sort of visibility to achieve that?
- Ranjit Singh:** The revenue required would be about Rs 400 Crores to 500 Crores depending on what is the kind of margins that we are talking about. We should be able to achieve that this year and next year also.
- Mithun Soni:** Sir if I have to take that forward one more question towards that, if we see the industry as a whole for this particular business what sort of capacity utilization will be even for the other players in the same business?
- Ranjit Singh:** You mean pipeline business?
- Mithun Soni:** Yes, in the pipeline business?

- Ranjit Singh:** Difficult to say because the market is so fragmented with about 15 to 16 players, it is very, very difficult to say. People follow different kind of strategies, some people hire equipment, some people have own captive equipment, there are some specialized equipments, which are captive. So we are seeing very generalized people. It is very, very difficult to say it actually.
- Mithun Soni:** Last question on this who will be your biggest customers in this business? Will it be like IOC and Oil & Gas companies?
- Ranjit Singh:** Yes
- Mithun Soni:** What can be the key trigger points which can really enhance the demand environment for this?
- Ranjit Singh:** A whole lot of gas projects which is coming up again we go back to some kind of policy paralysis that was there in terms of decision making on gas sector, but hopefully with the new government in there, it will get resolved. So a lot of pipelines which we have planned earlier based on your KG-Basin and things like that they should come on stream now after the resolution of gas, pricing issues, and things like that. There would be better planning in terms of gas as a mix at national level in terms of energy mix and things like that so apart from renewable I think gas will also get used as one of the key elements of the overall plant where you need pretty short-term power, which can be switched on and switched off. Apart from this we have another business which is the piping business, factory piping business. That is also a business which is more technology oriented. That is one of the business which we are focusing on. So that is a change in strategy we have apart from the laying cross country pipeline we are also focusing on factory related pipelines. So that is another premium strategy which we have adopted. That is more stable business, margins are better there, competition is less, it is more technology oriented.
- Mithun Soni:** So that can be a good business when the industrialization picks up?
- Ranjit Singh:** Yes.
- Mithun Soni:** Just to get a flavour compared to 2008-2009 when everything was booming to now, the industry size by what percentage it would have shrunk broadly because that is when we were planning and that is when we had taken this initiative, post which lot of things have gone wrong, so what was the industry size then and what is the industry size now broadly?
- Ranjit Singh:** Off hand I would not be able to tell you, but what we can do is if you have specific interest we can have again organized a meeting, where we will specifically take you through our strategy on the gas, Oil & Gas sector.
- Mithun Soni:** Thank you.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

**Amber Singhania:** Thank you for taking my question. Sir, I just wanted to understand as we all know that going forward we have a very positive outlook towards the entire infrastructure growth in the country as such. So in that case would we be interested in taking further BOT projects be it on road or transmission and what is your outlook on that sector?

**Manoj Tulsian:** On the road BOOT at this point of time, we are not looking at any further projects because our balance sheet does not allow to feed any more BOT projects.

**Ranjit Singh:** On the transmission side, one thing is BOOT is here to stay because NTPC the new concept which has come up. PGCIL as monopoly is out. There are two strategies we are adopting, one is getting ourselves by participating as a developer as a BOOT project. So there we are going to keep it limited like we have done in past, we already have one project, which is medium size project about Rs 400 to 500 Crores that is the kind of project size that we will be looking at. We already have one, which is operational Jhajjar KT and the second one in MP, which will become operational by end of the year, So we will be looking at medium size that is our sweet spot basically, medium size projects and we will be focusing on them. We also are looking at a strategy in terms of roping in with some partners so that we can jointly develop those kind of projects but that is very early stages of discussion and thinking as far as we are concerned. So that is a basic strategy as per BOOT participation as a developer is concerned. On our own it will be limited participation focusing on medium size projects but at the same time, we could tie up with another financial partner. This comes from this whole thing. Second part is really as an EPC contractor to BOOT projects. So that is another opportunity which is going to come up. That anyway is our core business so we are going to focus on that.

**Amber Singhania:** Sir, medium size projects means roughly around 500 odd Crores?

**Ranjit Singh:** 400 Crores to 500 Crores, yes.

**Amber Singhania:** Sir, what are the strategy to monetize the other investments and what is the progress on those parts?

**Ranjit Singh:** Again, I will point is that initially these projects are undertaken really to qualify ourselves as developer. So that was a basic idea initially. As far as Thane Projects are concerned, the project is completed. We believe that today we are at the bottom of the real estate cycle. Though we are getting people who are willing to take lease as well as buying so we have been constantly talking to customers both for leasing as well as for selling it, but we do not want to compromise on the rates, because we feel that things have bottomed out and in future there should be improvement as far as real estate pricing is concerned. As far as Indore is concerned, Indore is going to be launched. It is very early stages.

- Amber Singhania:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** For JMC two years back, we have got a foray into international market and we got one order also. Now going ahead I mean how do we really do go ahead in this international market for JMC?
- Manoj Tulsian:** Though our parent company has lot of experience now in the international market JMC this is the first project, they took a project and the competition is still severe. We tried in some other countries, but the competition is severe and we have a wait and watch on that side and at the same time we also want to see how we really execute this project and what type of margins do we make because this is our first experience so we are not marching very fast on the international arena at this point of time. Yes, if we get something, in a country where Kalpataru already carries good experience and if we are able to get something on a decent margins we will look at it.
- Bharat Sheth:** How is the margin vis-à-vis domestically?
- Manoj Tulsian:** Margin initially looks good, but again, you know, as it is our first project we have to ensure that we are able to execute mitigating all the challenges and deliver those margins.
- Bharat Sheth:** Can you just give some idea, it has been executed because I believe, we have already received this order about one and a half year back?
- Manoj Tulsian:** Yes, but we only got the notice to proceed in the month of January end and we can only start the work after that. So all the mobilization and everything has started and most of the turnover will come in this year and the subsequent year.
- Bharat Sheth:** How is your working capital wise vis-à-vis these domestic based projects?
- Manoj Tulsian:** Normally we get our mobilization advance. So we try and manage within that without putting too much of extra pressure on the working capital.
- Bharat Sheth:** Thank you.
- Moderator:** As there are no further questions, I would now like to hand the floor over to Ms. Bhoomika Nair for closing comments. Thank you.
- Bhoomika Nair:** I would like to thank you everyone for being on the call and especially the management for taking time out and addressing all our queries. Thank you very much Sir.

**Ranjit Singh:** Thank you. That was really a pleasure.

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