



# “Kalpataru Power Transmission 4Q FY2017 Post Results Conference Call”

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**MANAGEMENT: KALPATARU POWER TRANSMISSION LIMITED**

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**Moderator:** Good morning ladies and gentlemen, welcome to the Kalpataru Power Transmission Q4 FY2017 Earnings 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you Madam!

**Bhoomika Nair:** Thanks. Welcome everyone to the Q4 FY2017 earnings call of Kalpataru Power and JMC Projects. The management today being represented by Mr. Manish Mohnot – Managing Director & CEO, Mr. Kamal Jain – Director Finance and CFO, while JMC project is being represented by Mr. Manoj Tulsian – Director Finance and CFO. I will now handover the call to Mr. Manish Mohnot for his initial comments post which we will open up the call for Q&A. Over to you Sir.

**Manish Mohnot:** Thank you Bhoomika. Good morning to you all and I am thankful to you for attending this call on KPTL and JMC. I really appreciate the fact that some of you have holiday and still have made it a point to attend this call. I am happy to inform you that we have delivered a strong result with the profitable revenue growth, reduction in finance cost as a result of concentrated debt reduction & working capital improvement. EBITDA margin expansion as a result of cost reduction initiatives and improved performance of our developmental assets.

Our order intake too has been very encouraging with the good visibility for future growth. During the year, we expanded a current project execution landscape to new markets with orders in Sierra Leone, Senegal and Cameroon. With these orders the current project execution is expanded to 22 countries with footprints in 45 countries. We have also been very successful in building significant pre-qualification for our substation and railway business by which we will qualify for a majority of EPC projects both domestic and international.

Our current order book in our substation business which we just started a few years ago is in excess of Rs.700 Crores. I am also happy to inform you that the boards of KPTL and JMC have recommended an increase in the dividend payout. For KPTL we have declared a per share dividend of Rs.2 and for JMC Rs.1.5.

Going into a little bit details on the performance side, our revenue for the standalone business has crossed Rs 5000 Crores mark for the first time with the Y-o-Y growth of 14%. We have delivered an encouraging growth in a transmission and railway business while our pipeline business revenue declined. Our plants continue to run at a full capacity given a strong order book backlog. On the margin front, our EBITDA for the quarter was Rs.157 Crores an increase of 19% Y-o-Y and for the full year it is at Rs.529 Crores an increase of 17% Y-o-Y.

Our interest cost as a percentage of revenue is less than 2% for 2016-2017 and target for the next year is at 1.75%. Our profit after tax for the quarter stands at Rs 90 Crores as against Rs 66 Crores in the corresponding quarter of last year an increase of 37% Y-o-Y. For the full year PAT stands at Rs 269 Crores an increase of 40% Y-o-Y. Our ROCE for standalone business has improved from 15.2% in financial year 2016 to around 18.2% in financial year 2017 and we further planned to take it to beyond 20% levels in the next year.

On consolidated basis our PBT has increased by 72% to Rs.295 Crores and our ROCE on a consolidated basis increased to about 13% from 10.7% in financial year 2016. On the order front, our order intake for the financial year 2017 was at Rs.6200 Crores and year end order book was at Rs.9000 Crores for KPTL. We have also declared new orders of Rs.1450 Crores in the current year and have a L1 position in excess of Rs.2000 Crores.

On the international market, Africa region continue to remain our focus where we successfully secured orders in excess of Rs.3000 Crores in the previous year. Railways continues to be a strong growth driver for us. Our order intake in railways business for the current financial year has increased to Rs 575 Crore, which supports our belief that Railways will drive the engine of growth for the next two to three years for EPC contracting. We expect that our revenue for railways will double from Rs 325 Crores in the current year to Rs.650 Crores next year.

On the finance cost and working capital, we continue to deliver a healthier balance sheet over the last few quarters with the sustained focus on working capital improvement and in the borrowing positions including focus on reduction interest rates. This has resulted into reduction of 23% in our finance cost.

Our net debt level on standalone basis is at around Rs 500 Crores, which is very similar to previous year even after the growth in revenue. Our debtor days have increased from 192 days in previous year to around 207 days as of now and our aim would be to reach 190 days again by the year end.

On JMC, we have achieved significant progress on EBITDA margins to reach 9.1% and also significantly improvement in working capital, although we have not been able to achieve targeted revenue growth. We faced some execution challenges due to micro and macroeconomic factors and we believe that's a history and the future looks much better. Our order book at Rs 7000 Crores gives us a good visibility for profitable growth in the next few years at JMC.

On our road BOT projects portfolio, we have achieved full year revenue run rate of almost Rs.48 lakh per day of our share as compared to almost Rs.41 lakhs per day in the previous year a growth of approximately 16%. Considering an improvement in macro economic factor resulting into an uptick in demand and reversal of interest rate cycle we expect this growth trend to continue for the next few years.

In Shubham Logistics, demonetization and other industry issues continued to impact the business operations, utilization of warehouses improved but it was still not upto mark of what we had targeted. It has impacted negatively on the profitability, we are hopeful that we will see some improvement in the next year.

To summarize, our focus for the next year would be on four key areas, the first one focus on profitable revenue growth of atleast 15% to 20% for both KPTL and JMC with improvement in margins from the current level. Second, improving return on capital employed for both standalone and consolidated business, third significant improvement in revenue and profitability of railways and pipeline business with international footprints for both the divisions and fourth, ensuring much better performance on Subham logistics from where we are today.

Thank you and I am happy to take your questions now.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Good morning Sir. Sir first I just wanting to understand that overall when you look at the sales growth how was the domestic sales I mean the growth T&D growth that we saw in the last financial year driven both from international and domestic if you can put some light on how both these geographies are done for us and what is the growth outlook in both these divisional subsegment for us?

**Manish Mohnot:** Renu for the previous year our overall transmission business grew by around 12% and our other businesses, which is infrastructure railway and pipeline grew in excess of 25%. That is why that average of 14% came in flow. We saw good growth in the domestic transmission business where the revenues increased in excess of 20% whereas our international business grew at a very small rate of 5% to 10%.

**Renu Baid:** Okay and in terms of order backlog if we see we have seen a reasonable strong order coming in from international so in your view the growth will be driven by the international business or domestic market is also looking to improve on the same line?

**Manish Mohnot:** 55% of order book is from the international business so at least to the next few years I would believe that it will drive majority of the growth. On the domestic front our order book visibility today is at around 18 months and we need to improve that significantly, so I believe domestic business might not grow as fast as international business.

**Renu Baid:** Okay and second with respect to the overall working capital improvements do we see retention from some of the customers who accelerates and they getting released and overall can we expect that working capital improvement should accelerate in FY2018 as well?

**Manish Mohnot:** Yes, I think that is our core focus as far as balance sheet is concerned. Our net working capital days today are around 70 days and we are targeting that we should bring it down to the levels of 60 to 63 days getting into the next year. Even in our sundry debtors if you look at the number while the numbers have gone up a lot of it is because of retention because a lot of projects got completed last year. So we will focus on commercially closing all those physically completed projects in the previous year while our debtor level should be much better getting into the next year.

**Renu Baid:** Sir my last question is on the other businesses, logistic as well as real estate, so in logistic if we see losses have increased to Rs 73 Crores so how should we look at Shubham over the next two years 2018-2019 in terms of both sales as well as net profit on the bottom line and real estate what is the progress on the asset monetization? Thank you, that is all from my side.

**Manish Mohnot:** On Subham, the previous year was a disaster driven by a lot of factors including some of the government initiatives, which were taken including the crops and all of that where our warehouse utilization levels were at record lowest levels and tariffs also reduced significantly. We have seen good traction starting in March and April. As far as the revenue is concerned I expect Subham revenue is to grow by atleast 30% to 40% next year and on a numbers basis we are very confident of being EBITDA positive next year so these losses should significantly come down as far as 2017-2018 is concerned. I do not expect we will be positive as far as PBT is concerned on Subham next year. It might still take us a few more years to reach positive at a PBT level for Subham Logistics. On the real estate business, I think Thane continues to be as it is where we have leased out more than 50% and 50% is sold out and our construction is fully in progress and we expect that sales would pick up once the project is nearing completion which might be some where in Q4 or first quarter of next year.

**Renu Baid:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Prabhat Anand from B&K Securities. Please go ahead.

**Prabhat Anand:** Thanks for the opportunity. Just wanted to know you had provided the order backlog can I get the order book bifurcation also on JMC Projects?

**Manish Mohnot:** Sure our order book of JMC is around 7000 Crores out of which 65% is on factories and buildings, 13% is industrial, 13% is infra and around 10% is international.

**Prabhat Anand:** So you did mention that in FY2017 was kind of a flattish growth year for you and your guidance of around 10%-15% revenue guidance in FY2018 and so my question is from the order inflow front so these kind of number same run rate we get for FY2016 so it is been about 3200-3300 kind of order inflows. For FY2018 if we have targeted say a revenue growth of 16% you obviously you're the order intake should also increase in line with the revenue guidance with the higher order book visibility to

execute at such a fast level, so in terms of order accretion in FY2018 and FY2019 so if you were to increase the order inflows guidance to about 35-40 billion annually what kind of sectors are you looking at? are we going to go more into infra or will it continue to remain at the factories and building segment will dominate our order inflow and order book?

**Manish Mohnot:** Our guidance for the next year in JMC is 15% to 20% and not 10% to 15% and we are very confident we should be achieving that. On the order book front, I think we will continue to focus on factories and buildings which is core to us whether it is domestic and international. We will also continue to focus a lot more in international projects whether in infrastructure which is roads, highways, water or any of the opportunities where we already very strong.

**Prabhat Anand:** Okay so the order book mix is safe to say but remain in the same areas and the same proportion like 75%-80% in the factories and building in the residential?

**Manish Mohnot:** Around 60% in factories and buildings.

**Prabhat Anand:** Okay and Sir this is about a recent news article that has been making the rounds where by JMC shown keen interest in bidding for the line 2B and line 4 of the mumbai metro. If you could throw some light on that as in have we actually submitted bids, if we have then what is the scope of what that we are doing and if you could also throw some light of how big this order would be if you were to get it?

**Manish Mohnot:** We have submitted bids for these projects, unfortunately since it is just a bid submitted which is not been open I will not be able to share lights on any of the other parameter which you have discussed.

**Prabhat Anand:** Okay so atleast do you have the liberty to atleast tell us know what scope of work are we doing?

**Manish Mohnot:** See we would be focused on the entire project where the entire project means some portions of the project where we are committed so this is the scope it includes the entire project as a whole. We cannot divide the scope.

**Prabhat Anand:** The wire transmission, stations, and all okay. And Sir for FY2018 and 2019 this is on our BOT portfolio, so as you mentioned you have done Rs 48 lakhs in FY2017 so in the quarter what was the per day toll revenue?

**Manish Mohnot:** I will ask to Manoj to give you that detail or maybe I can ask Manoj to just give you this details at a later date I do not have for the quarter.

**Prabhat Anand:** No problem Sir. I just wanted to know like we are still below the cash breakeven level and if you can give a guidance of how much it would be further investing in FY2018 and FY2019 into the BOT

projects to support the revenue mismatch?

**Manoj Tulsian:** So as far as cash breakeven is concerned we are still away by around 15% at around 55 lakhs we have a cash breakeven on a BOT projects and our share of the projects. I do not think we will be infusing significant equity as far as the BOT projects is concerned it should be anywhere in the range of 30 Crore to 40 Crores as far as financial year 2017-2018 are concerned.

**Prabhat Anand:** That is, it for now. If I have any questions, I will come back. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijith Vara:** Thanks for taking my question. Sir first question is I wanted a clarity, on the order flow you said Rs 1450 Crores in Q1 of FY2018 is it?

**Manish Mohnot:** Yes, we just declared Rs 1450 Crores yesterday Q1 of FY2018.

**Abhijith Vara:** Plus Rs 2000 Crores of L1 orders.

**Manish Mohnot:** Yes.

**Abhijith Vara:** Which geographies will this be Sir?

**Manish Mohnot:** Rs 2000 Crores, I think the significant portion is international closer to 70% of it is international and 30% is domestic.

**Abhijith Vara:** Okay. Sir also could you help us understand the working capital requirements of international this new order which you are bagging an international market?

**Manish Mohnot:** I think these orders are similar in terms of working capital requirements, the international orders are typically lower on working capital so net working capital basis it would be anywhere in the range of 50 to 60 days as far as the international orders are concerned.

**Abhijith Vara:** Also Sir is there any raw material pressure on your topline?

**Manish Mohnot:** Raw material prices have gone up in the last quarter itself, so January to March we have seen a significant increase in raw material prices primarily steel as well as zinc. As of now I think we have stabilized to great extent and given that our order book has significant push in where the price variability clauses are there. I do not see any significant pressure coming out of raw material prices except if at all there is something which comes because of the GST new rules for which I think we all have to wait and watch and how see how the exact impact comes.

- Abhijit Vara:** That might be a pass through right, if any cost pressure because of GST?
- Manish Mohnot:** Technically and logically yes, but I would again say that we should wait for the final details to be very sure that you know because today I was reading a news article which said that works contract taxes at 12% cement is at 28% steel at a different level. I am saying, it is still too early to comment but it would just be a temporary disruption more than anything in the long run.
- Abhijit Vara:** Sure Sir. Just one last question Sir, the margin guidance for next year, the EBITDA margin?
- Manish Mohnot:** As far as the EBITDA is concerned we will continue to focus in the range of 10.5% to 11%. JMC we have already achieved 9% plus and that is a similar level we will be targeting for the next few years.
- Abhijit Vara:** Sure Sir, all the best Sir.
- Moderator:** Thank you. The next question is from the line of Sandeep Dutt from Quest Investments. Please go ahead.
- Sandeep Dutt:** Sir our interest expense or the finance cost for Subham has gone up significantly in Q4 so what was the reason for that?
- Manish Mohnot:** I think it is a combination of two or three things. I think one was the higher losses which came in for which there was a cash flow and there was a borrowing which was more short-term borrowings and second our interest rates that have not come down in similar terms what has come down at KPTL and JMC given the performance on the ratings of Subham so because of that I have not seen reduction and a slight increase in the interest cost in Q4.
- Sandeep Dutt:** It is about Rs 33 Crores for the quarter so unless it includes some other expenses or some other financial charges?
- Manish Mohnot:** I do not think this number of Rs 33 Crore right there might be something which would have gone wrong, it would have included something else. On an average it is around Rs 10 Crores to Rs 12 Crores per quarter.
- Sandeep Dutt:** Okay because may be some typo in the presentation. If you can just tell us about the progress on the third T&D project that is under execution today?
- Manish Mohnot:** Actually the third and the fourth, the third is which we got the last year and the fourth we got few months ago. The third one the financial closure is done. The execution is in progress and we believe we are on target to finish the project schedule completion date being March 2019 and we believe that we are very close to achieving that all the financial closures have been done all the orders have been placed and everything is on track. The fourth one we have just won it a few months ago so the



financial closure is still happening. It would take us atleast three four months to achieve it and we have three years to execute post the financial closure, on that our annual tariff is closure to Rs 200 Crores and the total project cost should be in the range of Rs 1300 Crores plus.

**Sandeep Dutt:** So on an average across the four projects that we have on the T&D side we are looking at a 15% to 16% kind of ROEs?

**Manish Mohnot:** Yes, on an average basis it is yes, post completion we should be achieving ROE in those regions.

**Sandeep Dutt:** And are we also exploring the InVIT structure for deleveraging our BOT projects across both T&D and the road assets?

**Manish Mohnot:** Not as of now.

**Sandeep Dutt:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Ashutosh Adsare from Sharkhan. Please go ahead.

**Ashutosh Adsare:** Sir can you guide on the international T&D orders overseas markets so which are the geographies we are seeing traction apart from Africa?

**Manish Mohnot:** So we continue to see a traction in Africa, CIS and South East Asia we are seeing some improvements in middle east but we are not to the levels what it was two years ago so as far as we are concerned it would continue to be CIS, Africa and South East Asia.

**Ashutosh Adsare:** Okay and Sir the order inflow numbers I am unable to tally because the full year number you are telling for KPTL is 6200 Crores but the quarter numbers are not adding upto that?

**Manish Mohnot:** There were some one order which were cancelled in the previous year and we had already presented that in our Q3 results because of that there is some difference in the declared number versus the actual number but the order book as of April 1, clearly Rs 9000 Crores plus we have declared around Rs 1450 Crores of orders yesterday which would add on to that.

**Ashutosh Adsare:** Sir any further data points who will be contacted to Mr. Manish?

**Manish Mohnot:** You can get in touch with Mr. Gautam Jain.

**Ashutosh Adsare:** Okay. And Sir on the revenue guidance KPTL I think you have given 15% revenue guidance?

**Manish Mohnot:** I think we are looking at a 15% to 20% growth both for KPTL and JMC.

- Ashutosh Adsare:** That is all from me. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.
- Nitin Arora:** Manish, good afternoon. Just the first question, the 15% guidance is it after taking into account the disruption we might see in the first half due to this GST some inventory stock-in stock-out or something on the logistic part?
- Manish Mohnot:** Yes, so on an annualized basis even if we see disruption in the first half I think it will catch up in the second half, so we have looked at the GST disruption events if at all they happen. So we still confident on annualized basis we will be at a 15% to 20% growth given at a commitments to clients of delivering project in that time schedule.
- Nitin Arora:** In respect to your equity requirement how much we are still left to do in the BOT and plus how much you are looking to put in Subham and BOT projects in this year, are we also looking for another rights issue if you can tell us that?
- Manish Mohnot:** So on an equity front if I divide this into three components right, transmission, BOT as far as which will be invested from KPTL, we might be investing further anywhere in the range of 100 to 150 Crores in the current year. JMC BOT where JMC would be investing would be anywhere in the range of 30 Crores to 40 Crores as I have told earlier. Shubham we might require one more round of investments into the company, which could be anywhere in the range of 50 to 70 Crores.
- Nitin Arora:** Sir as you mentioned about the GST so we assume a works contract you know about a 12% what they talking about and then they taking an other tax rate on cement which is our input let us say at about 18% and they are allowing a credit this time, do you think logically it can work because your tax rate eventually will start coming down because if you going to take the input credit on the cement or on the steel?
- Manish Mohnot:** See it is too early for me to comment. Okay in the last 36 hours our team has come out with eight or ten analysis of different provisions of what has come out, so we are still trying to get clarity on different aspects and I think it might take us some more time to exactly tell you whether we would benefit not benefit what would be the impact, how would revenue shape up it would take some more time.
- Nitin Arora:** Lastly Sir, in your domestic order book and in your international order book can you share us the number which you always do, how much is the escalable part, in a percentage wise both in the domestic and international? That is it from my side.

- Manish Mohnot:** Today in terms of our order book around 60% of our order book has price variation clauses and 40% fixed price on KPTL and on JMC our price variability is in an excess of 80%.
- Nitin Arora:** Thank you Manish and all the best. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Markets Securities. Please go ahead.
- Amber Singhania:** Thanks for taking my question. A couple of things can you throw some light on the margins in T&D and railways separately, how the margins have shaped up in these two segments, have we reached to the normal levels in railways in terms of margins?
- Manish Mohnot:** So as far as margins are concerned in T&D and railways I think we been at similar levels in the current year, the significant improvement in railways so railways from margin level of 5%-6% have reached levels of 9%-10% and T&D continues to be in the range of 10.5% to 11%.
- Amber Singhania:** We see that the numbers can be maintained in future also?
- Manish Mohnot:** I think railway should further improve given the kind of opportunities and given the kind of focus on growth I think railway should further improve and I think railway should also touch the T&D levels of 10%-11% in the current year going forward.
- Amber Singhania:** Okay. Secondly Sir how much is the real estate exposure in JMC in terms of order book what is your outlook on that?
- Manoj Tulsian:** So around 65% of order book in JMC factories and buildings which also include some government buildings so the real estate exposure including the commercial and residential should be around 50%. Significant portion of this comes out of the Southern India which is more Bengaluru, Chennai and all of them and we believe that that will continue to grow as far as the order book is concerned.
- Amber Singhania:** So we are not seeing any impact of the so-called slow-down in the real estate which has been highlighted?
- Manoj Tulsian:** We have not seen much impact on it although I would not say that there is zero impact we have not seen much impact coming out of Southern India operations we have seen some impact coming out of Western India and Northern India operations.
- Amber Singhania:** So anything any green shoots which you are seeing there that we can see that some portion of order book which can go into legacy or some project which might get stuck or delay?
- Manoj Tulsian:** So we are continuously monitoring this particular aspect. As of today we do not see any significant

pressure because of that, but this is something which we continuously monitoring and we have reduced our billing cycles also we have made a twice a month and we have done a lot of things to make sure that in case we believe there is any area that we do not see working cash flow coming in then we can immediately stop the work or look at the initiatives by which we can reduce our capital employed on the project.

**Amber Singhania:** Secondly Sir you just mentioned your capital infusion for FY2018 in T&D BOT road, BOOT and logistics what would be the total capex or total infusion you might see next three years to turn these projects profitable both road asset as well as logistics and how much you are looking to infuse in both the T&D, BOT next three year as such?

**Manish Mohnot:** So as far as logistics and JMC road BOT is concerned our belief is that this would be the last year of equity infusion. We are very confident that with this round of infusion they should be getting into cash breakeven and profitability going into the future. So the total infusion on both of them together would be max of 100 Crores. As far as transmission line BOT is concerned our total equity infusion in the next three years would be in the range of 300-odd Crores out of which 100 to 150 Crores should be going into the current year.

**Amber Singhania:** So put together both the assets?

**Manish Mohnot:** Both the assets.

**Amber Singhania:** One more last thing Sir, we have planned logistic and road asset to turn on profitable much earlier which is not panning out and it is still a couple of years away where we will see those both the business turning profitable on the PAT level or PBT level so is there any change in the stand or steps which we are taking to may be monetize it earlier or any other thought which currently taking compared to what we were earlier thinking that it will turn for profitable early now it is taking more time so what is the take which as a board that you guys are taking in these two assets as such and second what are the steps we are taking for logistic business to turn profitable, how are the business is shaping, if you can throw some light on that?

**Manish Mohnot:** Sure. Let me first answer the second question. On a logistic business, we have built our entire team in the last six to twelve months, you know we have had a big shift on team as well as the focus which is not only limited to four states but we have gone to six seven states now with more focus on a lease model instead of ownership model. We have also seen a good revenue in traction coming in March as well as April and we believe we getting into quarter one we should be in a much better position. Given that we have a huge interest commitment at Shubham level we still believe that it will not become positive at a PBT level for the next few years but with one more round of equity infusion or funds infusion in any form we believe that it will definitely be positive at a EBITDA level. As per your first question is concerned we continue to look to explore options wherever we have options in

terms of getting strategic partners or divesting and all of that, but our focus right now is to make sure that we will improve the operations and we improve the returns on this assets. If you look at the previous year also we have given a much better returns as compared to 2015-2016 and I think that would be a thrust going into the future also.

**Amber Singhania:** Are we getting bids for the road projects are there any takers if you can throw some light on that? You guys might be continuously receiving the queries and all so how the enquiries and what kind of valuations generally are offered, if you can share some light on that?

**Manish Mohnot:** We are not getting much traction on it. Yes, we have appointed some consultants who are working with us but as I said our focus is more to convert this into positive which looks like a just down the line, 15% more than we should be in the positive zone so focus is more on making sure that through operations that this gets into a positive zone so on the other side as far as investors and partners are concerned I think we have appointed a consultant he is working on it and we are not seeing much traction on it.

**Amber Singhania:** Thank you Sir. That is all from my side.

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

**Bharat Sheth:** Good morning Manishji. On this substation you said that you got PQ so in substation we are targeting now international as well as domestic market so can you more elaborate how much what kind of opportunity are we really looking and how this is in terms of profitability and working capital cycle wise vis-à-vis transmission business?

**Manish Mohnot:** Bharat bhai we were very late entrants as far as the substation business is concerned. As Kalpataru we focused on it only around four years ago where we had zero PQ. So in the last four year or odd we have done four or five projects which we have completed on 220 to 400 KV and even some GIS projects and also some international projects, so today we have an order book visibility of around Rs 750 Crores on substation with 50% domestic and 50% international. We are seeing a lot of projects which comes bundled with substation and lines both in India with lot of projects from SEBs as well as international and we believe that we are in a good position to tackle those projects along with some high value projects on substation which would be our focus area. On the margin front, I think substation business is still not reached the margin levels where T&Ds are at 11% we are still in the range of 9% to 10% in totality given that the higher cost of building the team and first few initial projects and project closure cost and all of that. But we believe that its just a matter of time and we should be taking this business also to 11% to 12% in the next two years.

**Bharat Sheth:** So when we expect to reach I mean this 765 kVA kind of I mean the PQ level?

- Manish Mohnot:** We are working hard to see at the earliest. I personally believe that in the next few years we should be there.
- Bharat Sheth:** So overall how much big is the opportunity we are seeing I mean from international as well as domestic?
- Manish Mohnot:** I think the opportunity today is a lot more bundled with lot more transmission and substation together so when we spoke about our growth plans of the company as a whole it gets bundled in there so given that we have a team in all of that we can easily assume that this business will also continue to grow at atleast 20% on a year-on-year basis for the next two to three years.
- Bharat Sheth:** Okay great. And on railway side you said that it will be a major growth driver so what kind of opportunity and are we also looking at international market for railway or not?
- Manish Mohnot:** Railways for us in the last couple of years has been a big growth driver and I think it is going to only improve from here. Our targets for railways should double revenue in the current year so from Rs 325 Crores in the previous year we would go up to Rs 650 crores plus even in order book today we have visibility, we have orders in hand of Rs 600 Crores plus we are L1 in a few large orders. So from a visibility perspective, I think the next two to three years railways business can grow at 50% to 70% year-on-year basis. We have already got one project internationally on railways which we are nearing completion now and I think we are well focused on getting some projects in Africa and CIS regions as far as railways business is also concerned.
- Bharat Sheth:** Exactly what is the scope of work, if you can elaborate?
- Manish Mohnot:** We are looking at everything. I think the civil part of it including track laying, the electrification part of it, the signalling part of it, the stations part of it, so it is a combination of everything as far as railways is concerned.
- Bharat Sheth:** We have been seeing a lot of announcement on pipeline side for particularly trunk pipeline, for LNG and all, so what kind of opportunity are we seeing there?
- Manish Mohnot:** We are seeing a lot of traction. As you rightly said on trunk pipelines for LNG and we have recently won a few orders which you would have seen from GAIL also. I believe there is a good opportunity on that both on LNG as well as refinery upgradation, so I believe in the next few years that business can while it would not grow at the same pace of railways or business but it will start at least reaching those 10% to 15% growth levels.

- Bharat Sheth:** On JMC side on infra side what exactly is our focus I mean if you can elaborate and how do we see which is currently say a very low I mean domestic is around 16% and international is around 9%-10% so where do we see from two - three year viewpoint?
- Manoj Tulsian:** On the infra side there are lot of business traction opportunities right now and we are looking at all the possible sectors, metro, roads, flyovers and water projects. And even for the next two years we are seeing a lot of traction possibly from the sector to build up the order book going forward.
- Bharat Sheth:** So how what is your target next year I mean order book order intake for I mean for FY2018-2019?
- Manoj Tulsian:** What we expect is next year if we are able to build up an order book of around another Rs 4000 to Rs 4500 Crores more than 50% of this should flow from infra. Yes, there are opportunities in and around and we are very optimistic on that.
- Bharat Sheth:** On FY2019 level?
- Manoj Tulsian:** I would say similar.
- Bharat Sheth:** Okay and on JMC I mean our borrowing despite I mean infusion to BOT has come down so what it will really lead and where do we see going ahead I mean debt level of JMC?
- Manoj Tulsian:** This year as we had said in the beginning also we were taking some extra initiative in terms of getting some of our refunds from government departments including VAT and service tax and income tax and we were quite successful, which helped us in bringing down the overall borrowings and of course if you see profitability is also better so that is also helping plus control on the working capital. So it is a mix of all these factors. For this year we feel that looking at the growth of 15% plus the borrowings at standalone level may increase by around 50-odd Crores but possibly at the consolidated level we should be similar numbers.
- Bharat Sheth:** So this may be more related to equity infuse and to the BOT?
- Manoj Tulsian:** Right.
- Bharat Sheth:** Manishji on our order intake what is the target we are looking for FY2018 and FY2019 for KPTL standalone?
- Manish Mohnot:** So we are targeting an order inflow of Rs 7500 to 8000 Crores for FY2018 for KPTL and I think we would be targeting Rs 8000 to 9000 Crores for FY2019 but it is too early for me to give you a target for FY2019as of now.
- Bharat Sheth:** Okay. All the best. Thank you.

- Moderator:** The next question is from the line of Abhijeet Anand from SBI Cap Securities Limited. Please go ahead.
- Abhijeet Anand:** Yes, I just wanted to know which are the SEBs that you are seeing traction coming up?
- Manish Mohnot:** See we are seeing a lot of traction coming from a lot of SEBs on southern side whether it is Tamil Nadu, whether it is Karnataka, whether it is West Bengal, some tenders coming up even in UP. We also see some opportunities coming up in Odisha so we are seeing a lot of traction in Southern India SEBs but I also personally believe that we will have a lot many opportunities coming up in UP and Bihar over the next few years.
- Abhijeet Anand:** So and what is our break up in terms of say domestic within PowerGrid and the SEBs?
- Manish Mohnot:** So today on a overall basis my T&D - domestic order book is around 30% out of which 40% which is around 12% to 13% is PGCIL and around 8% to 9% is SEBs and 8% to 9% is private.
- Abhijeet Anand:** Do you see that changing significantly over next two years because PowerGrid for the next three years?
- Manish Mohnot:** We are seeing some opportunities coming from PowerGrid and we just seen the plan last week where they have planned to do a capital outlay in excess of Rs 25000 Crores for the current year also so I believe PowerGrid will also continue to grow but yes SEBs traction can be slightly higher than what we are seeing at PowerGrid.
- Abhijeet Anand:** So we all look into opportunities from Adani, Sterlite and all those right?
- Manish Mohnot:** Yes, we continue to focus on private sector opportunities also.
- Abhijeet Anand:** Just on international business we entered a few geographies and we had good wins and all so going forward what is the strategy to penetrate deeper in these geographies or look into more geographies where we can find and if that is the case what are the new geographies we are looking for?
- Manish Mohnot:** I think it will be a combination of both it will be penetration in where we already exists and continue to focus in geographies where we are not there but focus in geographies where we see a lot of long term opportunities instead of just one off projects, so that would be focus and as I mentioned earlier our focus would continue to be a Africa, CIS and south east Asia, on the Middle East front will get the opportunity depending upon what kind of orders we believe those countries would order.
- Abhijeet Anand:** And as there any change in the competitive landscape or is it same?



- Manish Mohnot:** I think competition continues to be as healthy as it was in the past so I would not complain about it but it is not something, which has come down.
- Abhijeet Anand:** Okay just one last piece just on JMC I think road projects 48 lakhs per day this is our share right?
- Manoj Tulsian:** Right.
- Abhijeet Anand:** And I think you guided to give a similar number which I think was in excess of 50 lakhs so that was for overall BOT or because that number looks to be a bit confusing there?
- Manoj Tulsian:** That was for overall BOT earlier.
- Abhijeet Anand:** So can we have a similar like to like comparison?
- Manoj Tulsian:** It is around 59 lakhs.
- Abhijeet Anand:** So this year was 59 lakhs.
- Manoj Tulsian:** Yes.
- Abhijeet Anand:** Versus last year?
- Manoj Tulsian:** Last year was around 53 lakhs.
- Abhijeet Anand:** And corresponding to those where is the breakeven run rate?
- Manoj Tulsian:** The cash breakeven would be around, so again we are coming back to now our share, which is 55 lakhs.
- Abhijeet Anand:** Okay so overall do you see somewhere around 65 or something total right or something of that sort, you said we are 15% lower that we are presently?
- Manoj Tulsian:** Yes, and one more factor is that there are some deferred premium also so when we are saying cash breakeven we are saying that considering the deferred premium also but PBT level it should be 70 plus.
- Abhijeet Anand:** Thanks a lot. Those were my questions.
- Moderator:** Thank you. The next question is from the line of Ashutosh Mehta from HDFC Securities. Please go ahead.

- Ashutosh Mehta:** Good morning Sir, and thank you for the opportunity. Sir if you could just help us with the standalone revenue breakup between T&D and infrastructure?
- Manish Mohnot:** As far as the standalone revenue breakup is concerned our infrastructure business which would, if you look at T&D it is closer to Rs 4200 Crores and the other businesses would be around 750 to 800 Crores, the transmission would be around Rs 4300 Crores.
- Ashutosh Mehta:** The other one would be?
- Manish Mohnot:** Around Rs 700 to 800 Crores.
- Ashutosh Mehta:** Sir is there any specific capex plan going ahead for FY2018 and FY2019?
- Manish Mohnot:** Next year we have planned capex of around Rs 150 Crores driven by a lot of capex coming on international projects, so I believe next year the capex should be anywhere in the range of Rs 125 to 150 Crore as far as KPTL is concerned and anywhere in the range of Rs 75 to 100 Crores as far as JMC is concerned.
- Ashutosh Mehta:** And which geographies is this catering to?
- Manish Mohnot:** This is all for the new projects which we have won in the last few years the majority them would be Africa.
- Ashutosh Mehta:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Prabhat Anand from B&K Securities. Please go ahead.
- Prabhat Anand:** Sir just to touch upon the metro order if we do get the order will it be on a standalone basis or we forming a JV let say Kalpataru or any other player?
- Manish Mohnot:** I will not be able to share those details at this stage given that we have submitted the bid and some data, which is confidential. It is not a JV with KPTL for sure it is JMC along with the partners.
- Prabhat Anand:** There is a JV but you cannot share the name of the company.
- Manish Mohnot:** KPTL is not involved. It is JMC only.
- Prabhat Anand:** One more thing Sir the international order that you mentioned 10% of the order this is the road project we have in Ethiopia right?

- Manoj Tulsian:** Yes.
- Prabhat Anand:** Sir if you could just throw some light on how they are faring?
- Manoj Tulsian:** We have a couple of countries where we have international projects and this is also a project in the neighbouring country to India which is a water project so it is a combination of a road project in Africa and water project to a neighboring country to India.
- Prabhat Anand:** You did mention that you know the future pipeline for the order inflow that will be good on infra side metros, roads and flyovers, a majority of it Sir in roads can you throw some light on would we be looking only for bridges and flyovers or would we be even doing the NHAI, MoRTH orders in the EPC or the HAM space, if we can find a strategic investor to invest in project with where we would be doing the EPC work?
- Manoj Tulsian:** We are more targeting EPC side of the road projects only and be it NHAI or state government projects not much on HAM at this point of time unless we really get some strategic investor.
- Prabhat Anand:** Sir just few questions on the balance sheet if you can just provide us with the year-end debt number including the current maturity?
- Manoj Tulsian:** This is for JMC?
- Prabhat Anand:** Yes.
- Manoj Tulsian:** So JMC overall consolidated debt is around 1600 Crores and the current maturities is somewhere around 55 to 60 Crores out of that and on the standalone another 45 Crore on the consolidated so 100 Crores.
- Prabhat Anand:** You said the standalone current maturity was 55 to 60 Crores?
- Manoj Tulsian:** Yes, and on SPV another 45 Crores so together 100 Crores.
- Prabhat Anand:** And the standalone outstanding debt Sir as on 2017 end?
- Manoj Tulsian:** Rs.600 Crores.
- Prabhat Anand:** There has been a significant reduction in debt over the years and we are looking to add say 50 Crores next year because of the cash we will be doing in 75 Crores of capex and then 30-40 Crores so that is 100 Crore of cash outflow for which you will need to. Thanks a lot. If there is anything else I will get back in queue. Best of luck.

- Moderator:** Thank you. We will take the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Just a clarification, you mentioned in T&D BOOT you would be infusing roughly around 300 Crores over a couple of years am I right?
- Manish Mohnot:** Yes, in the range of 300 to 350 Crores.
- Amber Singhania:** So basically just wanted to understand because four projects itself you mentioned around 1300-odd Crore we own 74% in that and 30% equity infusion of that itself will be around 300 Crores?
- Manish Mohnot:** No it need not be necessarily a 30% levels I think the debt levels have come down significantly as far as T&D BOT is concerned, it will be much lower than 30%.
- Amber Singhania:** Okay and how would be the third BOT Sir, which we are currently executing?
- Manish Mohnot:** Our total equity requirement is in the range of 240-odd Crores out of which we have already invested around 100 plus Crores.
- Amber Singhania:** Okay 240 is the total equity?
- Manish Mohnot:** Total equity requirement out of which we have already invested 100-odd Crores.
- Amber Singhania:** Fine thank you Sir.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** One bookkeeping question, how much our investment into real estate project from KPTL?
- Manish Mohnot:** Our total investment including debt and equity is in the range of Rs 370-odd Crores, between 370 and 400 Crores.
- Bharat Sheth:** Okay this is Indore and Thane?
- Manish Mohnot:** Yes.
- Bharat Sheth:** And Thane are we looking for getting any traction for selling the balance?
- Manish Mohnot:** Yes, we might be looking at exiting some portion of it at anytime during the current year.

- Bharat Sheth:** And Indore will be once the construction is completed?
- Manish Mohnot:** Yes, next year itself.
- Bharat Sheth:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that is the last question. I would now like to hand the conference over to Ms. Bhoomika Nair for the closing comments.
- Bhoomika Nair:** Thank you everyone for taking the time out and being on the call particularly the management for giving us the opportunity to host the call. Thank you very much Sir.
- Manish Mohnot:** Thank you everyone.
- Moderator:** Thank you. Ladies and gentlemen on behalf of IDFC Securities that concludes today's conference, thank you for joining us. You may now disconnect your lines.