"KPTL Acquisition of Linjemontage i Grastorp AB Sweden Conference Call"

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MANAGEMENT: **MR. MANISH MOHNOT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER– KALPATARU POWER TRANSMISSION LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to KPTL acquisition of Linjemontage i Grastorp AB Sweden Conference call. 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 Mr. Manish Mohnot. Thank you and over to you Sir!

Manish Mohnot: Thank you Stanford and good morning everyone. We appreciate you joining on this conference call at a very short notice. We take great pride in announcing the acquisition of 85% stake in Linjemontage Grastorp, a Swedish Company through our wholly owned international subsidiary Kalpataru Power Transmission Sweden AB for an enterprise value of $24 million in an all cash transaction. The enterprise value of $24 million is for a 100% deal and we are acquiring only 85% in this Company at this moment.

Founded in 1993 and based in Sweden Linjemontage specializes in EPC and O&M and power supply solutions and services for electricity networks within the voltage range of 0.4 to 400 KV. The Company does EPC for T&D network, substation and O&M of electricity network services. The Company has well spread presence in Sweden and is establishing presence in Norway.

Linjemontage total revenue for 12 months ended December 2018 was US$75 million and EBITDA was US$3 million. Order book of Linjemontage as on date is around US$77 million. The Company has delivered consistent topline growth for the last three years and has positive EBITDA in net profit.

The average ROC of the company is over 25% for the last two years. The acquisition will be funded through KPTL's internal cash accruals and this would have no impact on the debt levels of the company at a standalone level. This acquisition will enhance KPTL position in the global T&D market while underscoring our vision of being a local player in the global environment. This transaction also provides a compelling value proposition and brings together two winning teams having strong values and successful track record. The acquisition provides us with an opportunity to capture local Swedish and Norway markets and to help us in expanding our presence in Nordic countries and Europe where we have no presence.

This strategic acquisition will also help KPTL with greater access to technical expertise PQ and EPC capability to take turnkey projects in Nordic countries and Europe. KPTL will use its low cost manufacturing base in India and EPC expertise to drive efficiencies and scale up Linjemontage's business in Nordic and European markets and improves its margins.

KPTL will continue to focus on consistent and profitable growth with strong emphasis on improvement in our return ratios. I am very excited about the deal and confident of our ability to capture synergies and we believe that the outcome is going to be extremely positive. We can now take questions regarding this acquisition.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

Bhalchandra Shinde: Sir regarding this LGM, right now from where they are sourcing the power and the other electrical components?

Manish Mohnot: A lot of this tower sourcing right now happens from Turkey and Poland and as far as the electrical components are concerned, which are conductor insulator we buy a lot of it through local dealers, but which are eventually manufactured in India.

Bhalchandra Shinde: As you mentioned in PPT also means will the sourcing from us will improve their profitability because it is right now at around 3.7% as per the CY2018 EBITDA margins?

Manish Mohnot: I think definitely it will improve profitability to a great extent, one the current year margin we are expecting it to go up to 4.5%, 5% and you can see that they hardly have any debt, so EBITDA effectively gets converted to PBT and PAT is also in the range of 3%, 3.5%, so we definitely expect margins to improve because a lot of sourcing capabilities of KPTL will be utilized to make sure that one they are effective in bidding and second on existing projects they procure as much possible from sources, which are well defined with us.

Bhalchandra Shinde: So they do not have any manufacturing facility, it is just purely EPC player?

Manish Mohnot: Yes, they do not have any manufacturing capabilities, they have design capabilities, they have EPC capabilities, construction, but no manufacturing.

Bhalchandra Shinde: Payment terms wise if you see Latin America is relatively poor on the payment terms, how is their payment terms or working capital deals as compared to any other players?

Manish Mohnot: If you look at the Company today the Company is nearly debt free, they have debt, which is very, very small components really debt free. If you look at overall working capital also they are more in the range of 30 to 45 days because the payment terms are very different as compared to different parts of the world, European payment terms are a lot more as and when you do work you get paid and the advance takes care of the entire working capital. So their working capital if you look at, it is more in the range of 30 to 45 days.

Bhalchandra Shinde: And the near-term recessionary factors, will it affect their order book, whatever the order book they have mentioned $77 million, is there any downside risk to that?

Manish Mohnot: While we speak they have good visibility on tenders, which they have submitted and they plan to submit in the next six months and that is the visibility based on which we have also presented in our presentation along with the press release, a number of what the market size is for the next one year. so we do not see any recessionary trend in that part of the world primarily Sweden and Norway on this opportunity, which is primarily T&D and related services and I think from an order book perspective this is the bare minimum and you should just see improvements coming in from now.

Bhalchandra Shinde: Thank you Sir. I will come back for further questions.

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

Ranjit Shivram: If you can give some clarity like why we are looking at Europe and North market like Brazil or Middle East or some of these markets at this point in time because Europe what was the thought process to look into this market?

Manish Mohnot: One we are already very strong in Middle East and we continue to grow our presence there. As far as Brazil is concerned we have been looking at opportunities there, but the market obviously has its own sets of challenges both on EPC as well as on ownership and we were looking at opportunities there. As far as Europe is concerned we have been studying the opportunity for the last three, four years in terms of what is the opportunity in the Nordic countries. So lot of Nordic countries have network which are very, very old in nature and there are lot of tenders coming up on new opportunities, new network building. Also there is a lot of focus there on shifting from nuclear to completely renewable. So given that requirement there is also a lot of requirement for new transmission networks because renewal happen in particular part of those countries and the electricity needs to be transferred to the entire country. So we have been studying this opportunity for the last couple of years, we have been looking at a lot of companies and then we found someone who is similar to us in terms of culture, in terms of growth, in terms of high profit and low debt. So next four to five years we believe that the Nordic opportunity is a huge opportunity, Sweden, Norway, Finland, Denmark and if you go into the detail this clarity available on the trade network also in terms of what all they have planned for the next three to five years. Also in some of these countries you have to be local to be successful, you cannot actually succeed sitting out of India or any other part of the world, so from a long-term perspective we decided that it is good to buy someone small in size who has the capability and the competency and work along to make sure that there is growth and eventually they also read the same margin levels at which we are.

Ranjit Shivram: Because when we look at this Company it has been there for 25 years and currently it is $75 million in terms of revenue, so is that something like because they were not able to grow because the market was not there?

Manish Mohnot: I think the challenge in growth was not driven by market but it was run by a particular promoter and when it is individual running a company its abilities to get limits to get finance all of that is very limited. So it was an owner driven company, which is required by us and he will continue owning 15% and also running the Company for the future.

Ranjit Shivram: And is there any prearrangement where he will be shedding his 15% or he will continue to own it?

Manish Mohnot: So he can continue to own it till the time he wants to, but whenever he decides to move on we have a roofer to buy it.

Ranjit Shivram: And lastly how are we going to fund this, is it from our internal accruals or will we be planning to do some debt or something like that and what will be the amount that we will be putting in 85% of $25 million?

Manish Mohnot: Yes, our investment would be in the range of Rs.140 odd Crores for the 85% stake a lot of it would happen through our internal accruals and we could look at raising some short-term debt given our standalone debt levels I do not think we will have challenge in paying this through internal accruals or through some short-term debt.

Ranjit Shivram: And is there any change in our debt targets, which we had shared because of this acquisition or you are confident that because of our liquidation of the transmission assets we can still fund this?

Manish Mohnot: Yes I am pretty confident that our debt levels would have no change because of this acquisition.

Ranjit Shivram: Okay Sir. Thank you.

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

Kunal S: Sir two questions, one was that can you give us some size of the market both Sweden and Norway they are operating in to get a sense of what could be the opportunity in terms of growth?

Manish Mohnot: If we look at a detailed study of the Sweden and Norway market and we believe that over the next year or so they have opportunities of around $800 to $900 million and we see that continuing over the next four to five years. So from a market opportunity perspective minimum $800 to $900 million is only Sweden market, which we have looked at and Norway could be much bigger and then you have Finland and Denmark where also we can access because they have the PQ to work in those countries also. Ideally the first year would be a lot more focus in Sweden and Norway, we would not like to get into a few other countries, but from a three to five year perspective that is also something, which would be our goal.

Kunal S: Sir this Sweden market $800 to $900 million per annum is what you are talking about right?

Manish Mohnot: Yes.

Kunal S: And Sir my second question is pertaining to, we have been present in lot of international geographies so how is this market different in terms of why do we need a local presence vis-à-vis our other geographies where we already have an international presence. While I understand we are not present in the Nordic market, but I just want to understand how the operating is different in this market versus other market?

Manish Mohnot: There are three or four key differentiators. One is the technology requirements itself in terms of your design, in terms of how you execute projects in terms of machinery in terms of all the technology, which is required. Second is the prequalification, in a lot of this market typically the local players only qualify primarily because of the way it has been designed to focus on the European contracting companies. Third and which is also very important is there are different visa requirements and labour requirements in a lot of these countries. So you cannot get people from India to go and work there in a big way because you will need local regulations, you will need local people to make sure that they understand the local technology and the way of working and only they can work in those countries. So given all of that setting here of being an Indian company and if you look at the history not many sitting outside are succeeded in the Nordic countries. So if you look at some of the large ones today like KVB it has a largest presence in that part of the country with more than 10000 people. So a lot of people would be local to succeed in those countries and that is what our philosophy from a long-term perspective is.

Kunal S: Sure Sir, great. Thank you so much and best of luck Sir.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: My first question was considering size of market you see in Sweden and other places considering the Nordic region, would you be investing more in this Company in terms of capital employed is there any numbers you can share on that?

Manish Mohnot: Sorry I just missed the question sorry can you please repeat it again.

Aditya Mongia: Essentially I am just trying to get a sense of how much would be the capex requirement to be fully participating in an $800 to $900 million Sweden market?

Manish Mohnot: From a capex perspective I do not think we will need significant capex at that Company level because they already have a lot of equipments from a construction perspective which is there and as far as manufacturing is concerned we plan to support it from India or from any other part of the world. So I do not think capex wise maybe a few million dollars here and there over the next two to three years, but otherwise I do not see a lot of capex requirements for the Company.

Aditya Mongia: Second question was that, is there an auction value from this transaction in the sense that those are PQs as you move beyond the Nordic region into Europe and would that been attractive market for you?

Manish Mohnot: So from a PQ perspective yes definitely it helps us to get into the European market, but we have actually not studied in detail the European market beyond the Nordic markets and our focus primarily for the next three to five years is more Nordic out of this company, if there are opportunities in the Europe, which can be done together with Kalpataru and Linjemontage and we will definitely look at that.

Aditya Mongia: Sir those are my questions, I will come back in the queue if I have more. Thank you.

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

Bharat Sheth: Sir I just want to get a sense you said that Sweden market itself is around $800 million market and in your presentation you have mentioned for the next five to seven years, so whole Nordic region can you give some colour and how do we plan to increase market share because in 800 we have order book of around 77 million so around 10% who are the other player with again whom we are competing so if you can give some more colour on that?

Manish Mohnot: If you look at the Swedish market itself there are seven or eight players who dominate the market on the T&D side and majority of the order book of this existing order book is more into the 130, 150, 220 KV levels they have never gone, they have done a few projects on 400 KV, but not taken large projects given the limitation of providing bank guaranties because it was an individual running the Company it was not the ability to deliver, it was the ability to have the required guarantees in place so that they can bid for those. So our first aim would be to focus on a lot of 400 KV projects a lot of them are coming up in the country and make sure that Linjemontage succeeds in that. Beyond that Norway they already have office and there are opportunities to bid over the next year or so which could be equivalent to Sweden although our focus would be a lot more in Sweden in the first one year as compared to Norway. As far as Denmark and Finland is concerned, there are opportunities there, which we need to get into a lot more detail because Denmark and Finland has very different rules in terms of Visa's, in terms of labour requirements and all of that. Even Swedish sometimes need to quality get into some exams to make sure that they qualify there. So that is again is a very attractive market, could be a market of easily 500 to a billion dollar over the next few years, but that would be our next focus, so first is make sure Sweden we get up the value chain, focus into Norway where we already exist and then look at Denmark and Finland.

Bharat Sheth: Typically this order book, what time of execution timeframe is there?

Manish Mohnot: A typical order book, typical orders in that market are more in the range of 12 to 18 months.

Bharat Sheth: That is all and thanks Sir. All the best.

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

Ashutosh Mehta: I have couple of questions. Sir first is when you really look at the order book what is the exact breakup between TLT and substations?

Manish Mohnot: If you look at the order book around 70% of their order book is more into substations I would say 65% and the balance 35% would be in TLT and O&M services.

Ashutosh Mehta: And this has been the kind of mix for the last couple of years or has it changed, has it is good towards substation?

Manish Mohnot: For Linjemontage if you look at it last three years substation has been significant portion of their revenue on a year-on-year basis and they have been doing revenue, 60% to 65% is coming out of the substation business.

Ashutosh Mehta: And Sir so going forward what exactly is our thought process when we are talking about an opportunity size of about a billion dollars, so this is I would believe that this is substation heavy or like TLT heavy?

Manish Mohnot: It would be a combination of both, our immediate focus would be to make sure that within the available opportunity wherever they have not been bidding because of requirements of PQ or guarantees out of that to focus on that, but form a long-term perspective I think this would be a lot more substation than TLT.

Ashutosh Mehta: Sir second thing you did mention that there is some sort of cost arbitrage available for the margin improvement. Now 100 BPS is what you said probably it should happen within a year or so to start with and probably in CY2019 itself, but from next three to five years perspective how actually are you looking to improve the margins over there because I believe this is quite a mature market over there, so what are the kind of other nuances that can actually drive margins from a long-term perspective?

Manish Mohnot: If you look at it from a margin perspective. Today they are at PAT levels of around 3%, 3.5%. Today if you compare as compared to KPTL consol we are at levels of around 6%. So moving up from 3.5% to 6% because their interest cost is closer to 0, I am sure you know this market's interest cost is closer to 0 and it is not very intensive in terms of capital also. So moving on whatever improves in EBITDA directly comes to a nearly significant portion of it comes to PAT. So one synergies in terms of procurement would happen, second when you look at larger projects and you look at size which are slightly different in terms of 400 KV and all of that, definitely competition would be much lower. So given both of them our thought process in the next two to three years they should be at similar levels of PAT at which KPTL consol is today.

Ashutosh Mehta: More around 4.5%, 5%.

Manish Mohnot: At PAT level.

Ashutosh Mehta: Yes PAT level. Okay, fair enough Sir and thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Just a couple of questions. If you can just share a roadmap, with a $75 million topline you are already clocking or the company is already clocking a 10% market share. So do you see headroom for increasing market share within Sweden per se or it is from here to substantially grow revenue you will look at the Norway market to sort of go to the next level. How should one look at revenue growth effectively because right now you are sitting on a one-time book to bill. So we know CY2019 revenues are largely locked in, but like how should one sort of look at the growth for the next two to three years?

Manish Mohnot: From a market share perspective I had mentioned earlier their entire order book right now is in from 0.4 KV going up to 170 to 220 KV at least they have not been bidding for the high end 400 KV market and in that space, they are around 20%, 25% of the market share today. So getting into 400 KV which is also a significant space and bidding for that will help them further improve the order book and also the market share. So going from 10% to 15% or 17% should not be a challenge given that they are not bidding for a significant segment of opportunity in Sweden itself. So our first focus would be to make sure that we bid for all opportunities within Sweden along with the effort of both the teams to make sure that we have a very competitive bid.

Jonas Bhutta: So how much of this $800, $900 million would be 400 KV in terms of opportunity.

Manish Mohnot: Approximately 50%.

Jonas Bhutta: And sir my second question was on your roadmap that you shared that you want be PAT margins of this particular company to match that of KPTL in three to five years. Sir if you can just highlight on the EBITDA level. Today given that most of your focus is going to be on improving procurement, so should we monitor the gross margin. So more from a monitoring point of view, should one look at gross margin improvement over cost control because this is a relatively smaller company and I do not think would should have material overheads, fixed overheads beyond the employee cost. So if at all we were to sort of monitor how this is panning out for you, should we look at gross margins?

Manish Mohnot: Yes I think from a monitoring perspective gross margin would be very important and as you rightly said they do not have significant overheads being a company small in size, and if you look at the way they tender and all of that, the gross margins is what is the big focus for them and that would be important for us as I have articulated earlier also our synergies would come in from procurement, from manufacturing efficiencies, from design efficiencies and from getting into a bigger value chain within Sweden and Norway.

Jonas Bhutta: Those are my questions. Thank you. Bye.

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

Kirti Jain: Sir we will be taking a foreign loan or Indian currency loan Sir for this?

Manish Mohnot: See in all likelihood we might not require significant loan but whatever short-term we will require would be more in India-based loan.

Kirti Jain: So Sir since the company does not require much of the working capital to grow. So every year, we will plowback the cash flow and reduce our investment Sir that is the way we will do or how we will do Sir?

Manish Mohnot: So our intent is to make sure that they start paying dividend from the first year, but at the same time from a long-term perspective growth is also important. So looking at growth opportunities whether we plowback capital or we use it for growth is a call will take periodically. But our intent is to make sure that the company gives us dividend starting from year one itself.

Kirti Jain: These are my questions Sir. Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Could you just walk us through when you evaluated this transaction, the option of growing organically versus inorganic options. So why would not it to be feasible to grow organically in the European markets?

Manish Mohnot: Since you have raised this question about the market let me just take you slightly to history. We were looking at this market for the last two to three years, we have looked at, at least five or six companies different in size, even companies which are doing 8%, to 9% EBITDA which are much bigger in size but they were being available at 15, 16, 17 times EBITDA value. So we explored those also and we also look at companies which are very, very small which had 10, 15 people but did not have the real competency to do a lot of work. They were available at maybe slightly cheaper price. See the important thing to remember in those countries is that you need to be local to succeed. Local from a perspective of mechanization, local from a perspective of how you do projects six to seven months weather is different, local from a perspective how do you work in those geographies and weather, local from a perspective of being meeting clients, getting PQ's all of that. if you would have started from scratch we would have build a team and it would have taken us minimum five years with the same team which is Swedish based and with all the risk associated with whether the competency exist or not exist whether they would deliver or not deliver because you cannot have a lot many people going from here and working there. So keeping all of this in mind, we looked at all of this option and say let us look at someone who is best in terms of culture aspect five to six years growth, high ROC, profit focus always, does what they believe in deliver on everything. They have never had a issue with any client in the last five years based on the due diligence which we have done. So then we zeroed in on a company which we said is right in terms of value something which is affordable looking at our debt levels, looking at our growth aspirations and they have around 150 plus people so we can easily scale it up in terms of making sure that the employer has many local people and grow it to the next level. So we did look at all of that and said this is the better way of growing in that geography rather than starting from scratch.

Bhavin Vithlani: And could you also highlight in terms of liabilities the funded, unfunded part of it?

Manish Mohnot: It is completely funded. All the liabilities as of date is completely funded.

Bhavin Vithlani: So they form part of their financials?

Manish Mohnot: Yes, everything forms part of the financials. It is completely funded.

Bhavin Vithlani: And lastly, could you also give us an update because you had appointed investment bankers for your sale of BO transaction. So we were actually looking at the cash flow comes in before the acquisitions but any timeline that you could highlight so that the debt on the balance sheet reduces.

Manish Mohnot: So we expect that binding offers to be sighed in Q1 of next year, in all likelihood in April, May. We are way ahead in the process and we have a lot of mining offers are expected in this week next week and I personally believe that in April may we should be signing up binding offer with whoever is shortlisted. Cash flow significant portion should come into the moment the binding offer is signed and some of them would come in over a period of time.

Bhavin Vithlani: So there would be a maybe a month or so of mismatch in terms of inflow from the BO projects and outflow into Europe in acquisition would that be a correct assumption.

Manish Mohnot: Yes, there could be that but at the same time if you look at where we are today in terms of our debt levels, they are much lower than what we have targeted at the beginning of the year. So that also gives us a headway in terms of making sure that even if there is this one month gap here and there, it would have no impact on the overall numbers.

Bhavin Vithlani: And last part is on the any other geographies that you are looking at where you have identified gaps and you want to grow inorganically in those geographies?

Manish Mohnot: So we have been looking at a few markets, but as I said earlier more deals which are smaller in size which we can grow over a period of time and not very significant value deals. We have been looking at a few markets but it is all about getting the right team, right people and the right company at a right value so we continue to look at that and let us see if it is something clicks it would be good for all of us.

Bhavin Vithlani: But could you list out the geographies where you intend to grow and there are gaps currently?

Manish Mohnot: So today we have a very minimal presence in the entire Latin America and the US market, if you look at our presence we are strong in South East, Middle East, Africa and now in the European side. But the LATAM and the US market are something where our presence is very minimal. So from a long-term perspective and with the vision of being the largest transmission EPC player or among the largest globally I think those are markets which in the long term would be something which we will be looking at.

Bhavin Vithlani: Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from IDFC Securities. Please go ahead.

Bhoomika Nair: Most of my questions are answered. Just one thing I just wanted to understand. Currently it still appears that the working capital is not very high and which is why the company does not have debt on book but as we look to scale up the business has also go into newer geographies in the Nordic region, will that entail higher working capital for this business?

Manish Mohnot: We have looked at the payment terms of a lot of projects there Bhoomika on a lot of projects which they won and a lot of projects which they have bid. So if you look at the payment terms a lot of it has taken care by the cash flows and I do not see working capital going beyond the range of 30% to 60%. We definitely will need to support them in terms of nonfund-based limits so that they can bid for larger projects but that would not have a direct impact on working capital but otherwise working capital at least our own assessment is next few years for that growth which we have planned 15%, 20% year-on-year we do not see that as a challenge.

Bhoomika Nair: And if you can just share some as you said you look at some projects what are the typical working capital what are the kind of retention money, advances etc., if you can give some highlight on that, that would be really helpful?

Manish Mohnot: Yes so they have a 10% standard advance and then the for majority the materials whenever is delivered they get paid fully and the retention typically comes back if they give a bank guarantees retention is different depending up on the kind of project from 0 up to 10%. And the payment cycle of the client is normally 7 to 15 days once we have given the bill within 7 to 15 days they normally pay.

Bhoomika Nair: That is it Sir. Thank you very much and wish you all the best.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Two questions from my side, firstly on the specific acquisition, what will be the share of employee cost as a percentage of sales, at this point of time or the fixed overheads that we would define it?

Manish Mohnot: If I look at it, the typical gross margin is more in the range of 11% to 12% and then overheads and then employees direct and all of that would be in the range of 5% to 6%. So my view would be that gross margin the bid is normally in the range of 10% to 12% and balance would be consisting of overheads and whatever is the cost at a centralized level. Given the size of the operations a lot many things are control centralized they have seven offices but three of them are bigger offices where they are so there is a big office at Grastrop which were the senior management sits and they have one more office more Southern in Stockholm. So this is where 90% of the people sit. So employee cost as a percentage of the total revenue should be in the range of 9% to 10%. Let me just be sure about this employee cost is how much sorry it is around in the range of 14% to 15%.

Aditya Mongia: Employee cost is 14% to 15% worth of it right?

Manish Mohnot: Yes, because a lot of technical skill force including a lot of supervisors a lot of people who work at projects are also in their payroll. This market works very differently as compared to the markets in our side of the world.

Aditya Mongia: But that I am assuming that the continuity of employee with the company would have been totally taken care of now?

Manish Mohnot: Yes, we have that commitment and we also have some kind of arrangements with all of that.

Aditya Mongia: Sure. The last question from my side was more to do with let us say the T&D asset transaction in India would obviously set you a larger amount than what you intend to invest here. Now you have talked about T&D and the gaps which are there within T&D from a geographic perspective. How do you compare investing more money in this T&D space versus possibly entering a new EPC segments in the country let us say a smart city, metros, just thought that I will get you is as to how do you think through where money should be put in malls from a KPTL perspective and if you could…?

Manish Mohnot: So I think we have been very conscious on allocation of capital in the last five odd years and you would have not seen the allocating capital beyond anything what we understand the best. So our focus has been to make sure that what we understand the best if there are opportunities available at a global level, we should focus on that initially, make sure that we become a leader in some of these markets if if not all of these markets and we believe that within the segments where we are which is T&D, railways, oil & gas and also with the JMC a few large segments there are huge opportunities globally. So personally if you ask me do we have plans to diversify into near EPC areas, the answer might be not significantly we could try some small experiments within India but at a larger from a capital allocation portion a lot of capital would focus on to our core sectors which we understand well which is T&D, railways, oil & gas, roads, factories and buildings and water.

Aditya Mongia: And within the segments that you operate in the country let us say railways, oil & gas, are there any missing that side you want to fill in currently?

Manish Mohnot: So we are seeing a lot of opportunities in these two space also at a global level. So we are seeing EPC projects coming up in Africa, in Middle East and we are bidding for that. So from an EPC perspective yes we are taking these two segments also globally and we have started biding for a lot of projects, but from an acquisition perspective, I do not see any opportunities in this space at least for the next couple of years.

Aditya Mongia: Got that, thanks a lot of response for my questions.

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

Bharat Sheth: Sir just want to get and I am in a kind of a sense that you said that there are a few large player in this market where the EBITDA margin is a single high digit or double digit, so with the kind of scale and capability that we like to ahead or so how fast we will be able to ramp up our topline and EBITDA percentage?

Manish Mohnot: Bharat Bhai, our intent is to do it at the faster speed but at the same time we need to be cautious of the fact that we are entering a different culture we are entering a different country. So our first focus would be to make sure that there is a full matching of the culture of the two organizations, there is a vision which is common across the organizations. There is a need and requirement of both of us working together in a synergy. That would be our first focus and if we have achieved that then automatically we will achieve the balance to what you need. Classical example is JMC look at the last four year numbers our margins have doubled if not more than that just by making sure that we work on the core values, we work on making sure the culture is similar, the thought process is return ratios and margins. So our first intent would be that and automatically once that has happened trust me the numbers would fall in place at the earliest.

Bharat Sheth: And second thing is there any technology gap that we are having we can leverage their technology.

Manish Mohnot: So we have seen a lot of areas in construction at the site and equipments and design as well as in O&M where we believe that they are way ahead from what we do in India and we definitely would be utilizing those technologies to make sure that we improve productivity at the Indian level also, but as I said all of this over a period of time.

Bharat Sheth: Okay thank you. That is all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants. I would now like to hand the conference over to Mr. Manish Mohnot for closing comments.

Manish Mohnot: I thank you all for taking out the time to join this call and your continued interest in KPTL. Thank you very, very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Kalpataru Power Transmission, that concludes this conference. Thank you for joining us. You may now disconnect your lines.