

“Kalpataru Power and JMC Projects Q4 FY2019 Earnings Conference Call”

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Moderator: Good morning ladies and gentlemen, welcome to the Kalpataru Power and JMC Projects Q4 FY2019 Earnings Conference call hosted by IDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of the day's presentation. Should you need assistance during the conference call, please signal the 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: On behalf of IDFC Securities, I would like to welcome you all to the Kalpataru Power and JMC Projects Q4 FY2019 earnings call. The management is today being represented by Mr. Manish Mohnot – Managing Director and CEO, Mr. Ram Patodia – President Finance and CFO, Mr. Manoj Tulsian – Whole-Time Director and CFO JMC and Mr. Kamal Jain - Director. I would now like to handover the call to Mr. Manish Mohnot for his opening remarks post which we will open up the floor for Q&A. Over to you Sir!

Manish Mohnot: Thank you Bhoomika. Good morning everyone. I am thankful to you for your continued interest in attending this earnings call of KPTL and JMC.

Financial year 2018-2019 was a remarkable year for us. At consolidated level, we have crossed 10000 Crores in revenue with consolidated order book of nearly 24,000 Crores plus spread across various businesses and geographies. Over the past few years including the financial year 2018-2019 we have consistently delivered on our targets while efficiently managing debt and working capital levels despite continued investments in long-term assets and subsidiaries. Particularly, over the last three years, we have achieved significant scale up in terms of building capacity and capabilities expanding geographical footprints, improving profitability and operational performance. On the back of these relentless efforts and a strong value consciousness, our consolidated PAT has grown by over three times in the past three years from Rs.157 Crores in financial year 2017 to Rs.487 Crores in financial year 2019. Similarly, our return ratios have substantially improved in KPTL and JMC.

Three significant things I want to highlight that we initiated last year. One, our acquisition of Linjemontage gives us entry into European market with local presence. Second, our monetization plan of transmission assets would enable us to pursue future growth and further strengthen our balance sheet return ratios. Third, we invested in strategic review of site processes with focus on process, productivity and cost. As a result, we have identified key areas in automation and digitisation. The investments in this area would significantly enhance our productivity for the future.

Coming to the performance of financial year 2018-2019, KPTL. At Kalpataru Power our revenue for Q4 financial 2019 was Rs.2,491 Crores, a growth of 29% on Y-o-Y basis. Revenue for the year was 7115 Crores, a growth of 23% over the previous year. For financial year 2019, our railways business

grew over 70%, oil and gas business has achieved a strong growth in revenue of more than 100%, and T&D business has grown reasonably in the range of 9% to 10%.

In financial year 2019, our core EBITDA was Rs.778 Crores with margins of 10.9% in line with our guidance. We expect that the momentum will continue with 15% to 20% revenue growth expected in financial year 2020, with EBITDA margins in the range of 11%.

Our PBT for Q4 was Rs. 219 Crores, a growth of 29% on Y-o-Y basis and for financial year 2019, it was Rs.624 Crores, a growth of 25% over previous year. We further improved our finance cost as a percentage of revenue by 10 basis points in the financial year 2019 as compared to last year.

Our PAT for Q4 2019 was Rs.137 Crores and for financial year 2019, is Rs.401 Crores. As per our guidance given during last year to achieve ROCE 21% by financial year 2021, we have achieved a target on return on capital of 21% this year itself. Along with strong revenue growth, we also succeeded in containing our debt levels.

KPTL standalone net debt at the end of financial year 2019 was Rs.510 Crores compared to Rs.698 Crores at the end of financial year 2018. The major improvement in debt levels are better collections, advance payment on some international projects and focused approach on project closures.

Our order book as of financial year 2019 end was at Rs.14068 Crores, this is excluding the new orders of Rs.840 Crores received in financial year 2020 till date. Incrementally, we have a loan position of over Rs.1500 Crores as on that date.

In the domestic T&D business, we are expecting better traction from green energy corridor projects and STB orders. In international T&D market, Africa and SAARC remain our core focus areas.

For JMC, revenue for Q4 2019 was Rs.938 Crores, a growth of 30% on Y-o-Y basis and financial year 2019, it was Rs.3253 Crores, a growth of 18% over the previous year. Our core EBITDA for Q4 2019 was Rs. 97 Crores with margin of 10.4%.

For financial year 2019, core EBITDA was Rs.337 Crores with 10.4% margin. We are expecting a revenue growth of minimum 20% in financial year 2020, and EBITDA margins in the range of 10.5% to 10.7% for JMC.

The PBT for Q4 was Rs.64 Crores, a growth of 43% on Y-o-Y basis and Rs.189 Crores for financial year 2019, a growth of 30% over previous year. Our PAT for Q4 was Rs.49 Crores, a growth of 42% on Y-o-Y basis and financial year 2019 was Rs.142 Crores, a growth of 34% over the previous year. Our focused efforts on profitability has led to ROCE improvement at both standalone and consolidated level at 19% and 16.5% respectively in financial year 2019 for JMC.

At JMC, our order book is Rs.9962 Crores at the end of financial year 2019. Additionally, we have L1 position orders of over Rs.700 Crores. Our road BOOT assets continue to witness good growth in traffic. Revenue growth for all the four road BOOT assets excluding overloading was 12.9% for 2019 compared to previous year. Our average daily revenue was Rs.54 lakhs per day in 2019 as compared to Rs.49 lakhs per day achieved in financial year 2018.

Shubham Logistics, at Shubham Logistics the utilization of warehouse has shown further improvement. The revenue for Q4 2019 was Rs.26 Crores, a growth of 38% on Y-o-Y basis, revenue for financial year 2019 was Rs.124 Crores, a growth of 80% over previous year. Our EBITDA margin for financial year 2019 was 30%. The average warehouse utilization was at 86% during the year and we expect further improvement going forward. Our PBT at Shubham is still negative, but there is considerable improvement. We continue to work towards achieving breakeven PBT if not better numbers during the next year.

Consolidated results, on the back of such strong performance across the businesses, KPTL consolidated revenue for FY2019 was Rs.10,840 Crores, a growth of 24% over the previous year. Our core EBITDA was Rs.1,347 Crores in financial year 2019 with 12.4% EBITDA margin, an improvement of 70 basis points over the previous year. Our PAT for financial year 2019 was Rs.487 Crores, a growth of 75% compared to last year. On consolidated level, our ROCE has improved to 18.9% in FY2019 as compared to 15.5% in FY2018.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

Bhalchandra Shinde: Good morning Sir and congrats on good sets of results. Sir, regarding order inflows, as you said that green corridors and SEBs are seeing a good traction, but I would like to know on the execution front, how you see those orders to be executed because as such there are still, I think there is some hiccups in green corridor and even on the SEBs more on the financial health side. Do we see those order inflows actually flowing in this year or it will be slightly delay in those?

Manish Mohnot: Good morning Bhalachandra. On the green energy corridor, my only assessment is that we should see orders coming in the first quarter itself, it might not even go to the next quarter. As far as SEBs are concerned, you know, there are a few SEBs who continue to invest a lot in creating the network, a few of them have just started to process. Yes, we are aware that we had some financial issues in terms of availability of liquidity but they are also getting a lot of funding from PFC, REC and international institutions. So, from our perspective, as far as transmission in domestic is concerned, I see good traction in order book in Q1, which would effectively result in revenue starting from Q3 onwards.

- Bhalchandra Shinde:** Sir, do we expect similar kind of a performance to continue in FY2020 because now it will be a little bit difficult for us to sustain that kind of a performance, what we have witnessed in FY2019?
- Manish Mohnot:** On the transmission front, even in FY2019, you see we have grown only at 9% to 10% and our growth targets for this year as far as TL business is concerned is only in the range of 12% plus. So, our projections for TL is 12%, for the non-TL component is 30% plus and that is why we are targeting for a growth of 15% to 20% at KPTL.
- Bhalchandra Shinde:** Okay, on margins front Sir, we will be able to maintain that kind of a margin?
- Manish Mohnot:** We are confident that the current order book gives us visibility of margins in the range of 11%.
- Bhalchandra Shinde:** Do we see order inflows to grow in oil and gas further, because I think there is a good capex is lined up in oil and gas industry also?
- Manish Mohnot:** We are seeing a lot of traction in that segment, we see a lot of tenders being submitted on a weekly basis, so our own assessment is that business can continue to grow at 30% plus at least for the next two to three years and today we have visibility of order book at least for two years as far as that segment is concerned.
- Bhalchandra Shinde:** Thank you Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Good morning Sir. A few questions from my side. You did share the revenue growth for rail, oil and gas, can you help us with the absolute value numbers also, to help us to look at the numbers better, and by the time the railways has scaled up model, the kind of margins that it is drawing currently at the end of the year and now can we expect the margins should be 10%-11% similar to T&D for the railway as well?
- Manish Mohnot:** A quick breakup as far as the numbers are concerned, you know our revenue on T&D is more in the range of 5000 to 5100 Crores, our railway revenue is around 900 Crores for the previous year and our oil and gas revenue was around 1200 plus Crores. As far as margins are concerned, I think you know T&D continues to try margins at a range of 11% to 12% and oil and gas and railways margins are still in the range of 8% to 9%.
- Renu Baid:** Right and what would be the outlook, can we expect now margin improvement with the non-T&D businesses growing at 30%, so can one expect margins in that segment to improve further?
- Manish Mohnot:** As far as projections for next year is concerned, as I said earlier, by T&D growth business we are projecting only 12% plus growth and that margin should continue to be in the range of 11% to 12%.

The rail and oil and gas business will grow at 35% plus and they should be doing margins more in the range of 10% plus, more in the range of 10% to 11%.

Renu Baid: On a blended basis, ideally one should expect some margin attrition as volumes and operating levels also kicks in, do you think there could be certain pockets are mixed which might contain this kind of growth?

Manish Mohnot: On revenue growth, I do not see challenges in achieving what we have projected. On margins improving beyond 11% might not be very easy given the size and scale. In fact, in our realistic assumption, we should be in the range of 11%.

Renu Baid: Sure, you did mention in terms we expect some of the green corridor orders the execution would be just about six months by the time they start coming up for billing, so your 15% to 20% guidance, does it factor any revenue execution coming in from the new order wins or is it based entirely on the current backlogs that we have today?

Manish Mohnot: So 95% of our revenue projection for next year is based on current backlog, there is 5% for the company as a whole which is expected based on orders which we plan to receive in Q1 and that been typically at range.

Renu Baid: Question on the green corridor project itself, today a lot of solar plants, at the plant itself we are seeing they are having issues in terms of the viability of the projects given that the tariffs have been capped, so do you think not immediately but probably a year down the line the solar power plants itself see hiccups in slow down, the green corridor projects could face headwinds or they are independent irrespective of the timelines of completion of the solar power plants?

Manish Mohnot: Our personal assessment of these projects, I think they are completely independent. This green energy corridor is coming for projects, which are already installed, and already in advanced stages of installation. The completion period of all this green energy corridor is less than two years. So my assessment is at least the phase 1, which has already got tender and where the developers will be bidding in May-June, all project have to get completed in the next two years and there should not be any impact of any slowness if at all on the renewal side.

Renu Baid: On international rail EPC how are we looking at a business scale now given that the domestic has reasonably scaled off, so international how should we see the pie in terms of both order pipeline and new project scaling?

Manish Mohnot: We already have an order in a neighbouring international market and we have started exploring at least six to seven countries while we speak in terms of looking at opportunities for the railway EPC projects.

Renu Baid: Sir, my last question, on the net debt and working capital we have seen a reasonable improvement. Net debt is 500 Crores, positive surprise there. So as we look into next year, topline growing plus we have monetization from the BOOT assets also coming through, how should we look at the new term, at least the next two years the debt levels to move and on the sidelines what could be the kind incremental equity required for Shubham Logistics and the subsidiaries there or monetization from the other business we have? That is it from my side.

Manish Mohnot: Renu, our current estimates will not take any inflows on account monetization because it is difficult to quantify at this stage, it will still take us four to six weeks to quantify that number. Without that number, we expect stand alone to be at 800 to 1000 Crores at the year end and we should continue those numbers at least for the current and the next year.

Renu Baid: The kind of support to subsidiaries or monetization or proceeds from them?

Manish Mohnot: We have already committed a support of around 100 Crores for Shubham Logistics, which we have already articulated in the previous year, we got our approvals also. That should happen sometime in this month if not next month technically.

Renu Baid: Thank you so much and all the best Sir.

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

Swarnim Maheshwari: Good morning. Congratulations on the good set of numbers. Sir, two questions from my side. First when you look at your FY2019, focus area was clearly on unbundling of the balance sheet and I guess categorisation of assets per transmission assets held for sale is a step towards that, so any idea or any guidance how do you kind of you know plan to look at the application of the proceeds, will it go towards the debt reduction of the consol level or if there is something else also you are looking at it. That is first and second, looking at the Shubham Logistics, just on the Q4 performance, I think there has been a slip, specifically in Q4 when you look at the PAT loss of about 12 Crores just in Q4. So, any idea what really happened there? Thank you.

Manish Mohnot: As far as the strategy or plan for the expected inflow on the monetization, we have chalked out three or four areas where our focus would be. First, would be clearly in reduction of debt, second would be additional capex on our core business from long-term perspective, whether it is plant expansion, whether it is international assets at lot of our site, third would be to look at smaller acquisitions in some markets where we do not exist today and these would be the three area, but our prime focus would be on debt reduction in the short-term. As far as Shubham is concerned, I think Q4 in terms of profitability, it includes some one-off expenses on some historical numbers, which would not continue in the future. So there were some numbers which we had to write off as a one off just following a

conservative approach and those expenses are in the range of 5 Crores to 6 Crores in Q4 itself. So if we exclude that, we are reasonably well on target and those one off should not come in the future and that is why we are confident of positive PBT if not much better than that getting into the next year.

Swarnim Maheshwari: Thank you so much and all the best.

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

Ranjith Sivaram: Congrats on the good set of numbers. I might have missed out on that if you can give us breakup in terms of revenue from railways pipeline and domestic and international T&D for FY2019?

Manish Mohnot: I just gave that, I will again repeat. Total T&D was around 5000 Crores, our railways was more in the range of 850 Crores and our oil & gas was more in the range of 1200 plus. The projections for next year is railways and oil and gas should grow at least together in the range of 30% to 35% and transmission should be growing at the range of 12% plus.

Ranjith Sivaram: Inside transmission, how much is domestic and international?

Manish Mohnot: It is approximately 50% to 50%.

Ranjith Sivaram: Domestic what is your outlook, has it grown, degrown and going forward what is your outlook there?

Manish Mohnot: If you look at the previous year, domestic business has grown in the range of 9% to 10% and I expect that in the current year as well as the next year given that a lot of orders are expected out of green energy and SEBs, growth of 12% plus should not be challenge for the domestic business.

Ranjith Sivaram: In your order intake guidance, like how much should we factoring from the overseas and from the railways and also if not quantitative qualitatively from where are the orders coming in?

Manish Mohnot: From the international market, the focus continues to be Africa and SAARC and now a lot more focus would also be on the European markets after having the local presence there and we will continue to strengthen our focus in these three markets as far as growth is concerned. As far as the order inflow target for next year, we have targeted ourselves with Rs.10,000 Crores order inflow for next year out of which I expect approximately 40% should come from railways and oil and gas, and 60% from the T&D business.

Ranjith Sivaram: Just wanted to know are we putting any more equity into any of the transmission assets or equity infusions planned in Shubham this year if every thing is done and dusted?

Manish Mohnot: As I said earlier, Shubham we have already committed 100 Crores of further capital infusion, which

we had committed last year itself, the event would have happen now. We have got the approvals in place in the last few days. As far as the transmission assets are concerned, we are working on a line where we continue to invest. We would be bidding for small projects but at a smaller quantum.

Ranjith Sivaram: I will come back.

Moderator: Thank you. The next question is from the line of Mayuri Yadav from Equentis Wealth Advisory. Please go ahead.

Mayuri Yadav: Good morning Sir and congratulations on very good set of numbers. Sir the first question is regarding the margin, you know as you have delivered as per the guidance you have provided, just wanted to understand is there any Forex component in this margin that you have achieved for the year?

Manish Mohnot: If you look at our total forex gain for the year, it is around 19 Crores, but at the beginning of the year itself we had budgeted 10-12 Crores of forex gain with whatever we had a hedge position. So incrementally if you ask me what has been the incremental forex, it would be in the number of 5 Crores to 7 Crores for the entire year.

Mayuri Yadav: When we are giving guidelines of maintaining the margins between 10.5% and 11% at KTPL level, are we again factoring in this forex movement for the year or that can create a variation going forward?

Manish Mohnot: We typically forecast the number to be extent we are hedged, to the extent we have the visibility. Beyond that obviously there are in short-term volatility there could be some impact, but my personal assessment is we have budgeted similar numbers for the next year and that should not be a challenge.

Mayuri Yadav: Sir my next question is with regards to your consolidated balance sheet that you have disclosed in the press release, you know there is a line item as the assets classified as held for sale of around 1400 Crores, so what will this pertain to Sir?

Manish Mohnot: It was a transmission asset, the transmission BOOT assets and one particular land location in Shubham which the process has already started and at least the transmission assets we believe next four to six weeks, we should have a binding agreement with one of the bidders.

Mayuri Yadav: Right, this is the monetisation of the assets that you are saying and this is the amount we can see culminating into cash over next few quarters?

Manish Mohnot: No, this is the amount invested and the balance sheet. The amount which would get culminated depends on the deal value which would be much higher than this amount.

Mayuri Yadav: Thank you so much Sir. I will get back in the queue.

- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Good morning Manish ji and Manoj ji. Congratulations on excellent performance, particularly outbidding on balance sheet side. Sir, just one question in Kalpataru standalone, if we look at it, I mean this current asset which was 639 Crores has shot up to 965 Crores and current liabilities was 995 Crores to 1683 Crores in FY2019 in two years, so can you give some kind of a broad colour as exactly what are the components in this?
- Manish Mohnot:** Bharat Bhai there is a significant component which comes in Ind-AS on amounts billed to customers and amounts due from customers. So there is an amount which you incur on a project which does not get billed, but gets converted to revenue because it is as per the project, you know whatever project agreement you have signed. Sometimes you have excess billing to the client because your cost is less but your billing is high. So in Ind-AS what happens is you follow a standard margin on the entire project. So the leg where you have incurred an extra cost but billing would happen later gets into the asset sides, the leg where you have collected extra but the billing would happen will get on the liability side. This has happened in the last two years and that is why those numbers get reflected there.
- Bharat Sheth:** The current liability also includes the advance, correct?
- Manish Mohnot:** Yes, current liabilities will also include advance.
- Bharat Sheth:** How much advance is there on FY2019?
- Manish Mohnot:** The number should be in the range of 1200 Crores, it was approximately in that range, exact number may be I will give it to you in a minute, but it is in the range of 1200 Crores. It is approximately you know 7% of our order book.
- Bharat Sheth:** Thank you. That is all from my end and wish you all the best, both of you.
- Moderator:** Thank you. The next question is from the line of Kashyap Karthik from Table Tree Capital. Please go ahead.
- Kashyap Karthik:** Thank you so much. Good morning Sir and congratulations on a wonderful set of results. Sir, a couple of questions from my side. One on KPTL and the other on JMC. First question if you could give us strategic view on why do you think the oil and gas, we are seeing 30% CAGR growth over the next two to three years, any underlying trends that you are seeing leading to so much of confidence in the order book of 30% CAGR, if you just give us strategic overview on that sector?

- Manish Mohnot:** Good morning. Two or three specific reasons for it. One the capex plan of the six or seven entities which are into this space, whether IOCL, ONGC, GAIL, GITL, Cairn Energy, Reliance all of them, they have already planned their capex for the next two years and which has given us a very good visibility in terms of where we can bid and what we can win. Second, the segment itself is very technically intensive in nature and you do not see a lot of competition in this and so we believe we will have a good share of the market. So with both of this as we have projected in the last years, we see next few years also going very good in terms both revenue and profitability.
- Kashyap Karthik:** Thank you so much Sir for that. The follow up on JMC Sir, if you just give on the Madhya Pradesh government order and how it is coming along, are we seeing any kind of challenges, is everything going smoothly?
- Manoj Tulsian:** Good morning, no challenges. As we said in the last call also that actually we were ahead of time looking at the scenario of elections coming in the month of April and May and this year, for sure we have budgeted quite a significant sales coming from that business also.
- Kashyap Karthik:** Sir just one strategic overview question, given that MP government we did say in the previous concall it is at higher margin, higher return on capital, but just a concern essentially is if we get more and more government orders, the order book from predominantly factories and buildings which is written on capital and earning per share accretive will get more and more diluted, we get into more and more government orders. Just wanted to get a view from the management of how the management thinks about getting more and more government orders as part of our overall order book may be to become dilutive so and so forth and anti-government order or is it just a one-off?
- Manoj Tulsian:** I do not think first of all that some of these orders will be very high margin and the other businesses will be low margin, if you really see we have put some internal threshold where we will make sure that we do not bid below a particular margin threshold and if you see the senario in the last two to three the real estate business has not been so great, so only in the zone and with clients where we are very, very comfortable on the cashflow there only we try and pickup the orders, otherwise we do not look at picking up any new orders. At the same time, there is an opportunity, which we have seen in the country in the last two to three years in infrastructure and as part of some of the infrastructure business like the road and water and flyover and metro to some extent where we have been able to pickup order based on our margin threshold we have been able to be successful. I think that the same momentum continues, so next one year also we see that there is a good visibility immediately after elections there would be lot more bidding, which will come back, so we see good visibility for us in building up some more infrastructure orders and at the same time even on international we have mentioned earlier that we have been working for last good three years to pick up a few good orders in few more countries in Africa that is also going on well, so this year we are expecting that we will get a few good orders on international also.

- Moderator:** Thank you. The next question is from the line of Varun Agarwal from BOI AXA. Please go ahead.
- Varun Agarwal:** Sir, congratulations on good set of numbers. My question is on JMC, our order book is shifted towards infra and other segments, so now I wanted to know in terms of how that order book is expected to grow over the next couple of years and what are the key segments we are focusing on that?
- Manoj Tulsian:** As I just mentioned, the opportunity in infrastructure looks very good and we are flown with the tide because we have capability both on the building side and on infrastructure side, government or private this also we have also we have mentioned earlier that they are actually performing the same way, so that also does not makes a difference. Next one year and one and half year for sure we see a good opportunity on the infrastructure side, real estate of course the IT companies they are very bullish and gives us some good visibility in terms of picking up some good orders in the southern part of the country and that is where we predominantly today we exist because we have cut down and as I mentioned that we have cut down on the clients where we are not comfortable on the cash flow situations, so it is difficult to say. What we purely look at is one that we have to be very careful about the margin profile, second we have to be very, very sure about the cash flows and third we are comfortable whether it comes from government or private or whether comes from buildings or infrastructure.
- Varun Agarwal:** Any plans to going to projects with equity requirement or we are still favoring the EPC segment?
- Manoj Tulsian:** No, not at all. No plans, the EPC business is giving us good return if you see our ROCE is continuously improving, so does not make any sense looking at the balance sheet today to even think about getting into any of this projects with equity commitments.
- Varun Agarwal:** Question on the BOT assets, so now BOT assets started generating good amount of collections, so we are still intact with the monetization plan or we see that these projects are progressing well and you might change the strategy?
- Manoj Tulsian:** No, progressing well is good for the company, but our strategy remains the same. We continue to look for opportunity where we can exit most of these assets and hopefully, this year looks to be good for coming out with some good announcements.
- Varun Agarwal:** So, basically we will look it wherever possible?
- Manoj Tulsian:** Yes, absolutely.
- Varun Agarwal:** Thanks a lot.

Moderator: Thank you. The next question is from the line of Pankaj D from Kotak Mutual Fund. Please go ahead.

Pankaj D: Good morning Manish. Congratulations on good rate of numbers. First question on JMC if you look at you guys have delivered on JMC over the last three, four years and looking at the balance sheet cash flows and over the topline it is heartening, if we take a slightly longer term view from here on from 3200 Crores revenue, 10000 Crores order book, can you give us some sense where the company is headed over the next couple of years looking at the current environment today and will it be sustainable from the capital employed, which was today because you guys are keen on exiting the BOT assets as well, so some sense on where the direction of the company is headed it would be helpful for us?

Manoj Tulsian: First, I would say on the growth perspective, if you know that we have always mentioned that as a company internally also we are comfortable as long as we continue to grow at around 15%, but since we have been able to take care of our balance sheet in the last three, four years when got this opportunity of some good infrastructure orders, we have grown healthily at around 20% for the last two years and the coming year also for sure we will look at around 20% growth, but doing all these things we definitely keep a strong watch on our balance sheet and that is one of the reasons that we are talking about 20% growth this year because we have to be very careful about the cash flows and we do not want to go down on that, so the order book is there, the quality of order book is good, opportunities are there, real estate has not been so great in the last two, three years, but fortunately since they are already there in other segment, we have been able to get some good orders, so it is very difficult to give you a long-term perspective, but I think we are doing certain things in a good way and we want to continue it in the simple fashion only a growth of 15% to 18% for the next two, three year with margin protection and cash flow in control would be the best scenario where we would like to land.

Pankaj D: With the order book composition changing, you do not see any stress on the cash flow per se?

Manoj Tulsian: Cash flow, yes, if you see this year also my net borrowings have gone up by 100 Crores, but of course it is also back by the growth in sales and I mean last year and this year again we are looking at a growth of 20%, so that incremental increase in debt will happen and if we get to do a few monetization of assets then again it brings down the debt to some respectable level. So, we are working on both the counts, we are continuously working on the balance sheet capital employed side also and let see hopefully because lot of transactions are happening in the market so we also feel that something we work out during this financial year.

Pankaj D: The second question is for Manish, you guys have done a good job on return on capital, which you guys committed to, from here on, how should we look at the trajectory, you want to see consolidation here for you self or you see further improvement is going forward?

Manish Mohnot: At least the next couple of years I see this is improving further with those three plans, which we have one is monetization of transmission, second is look at exit opportunities for Indore assets and third is look at monetization on some of these investments at a group level whether it is JMC Road, whether is Shubham excess land any of those, all of this, at least next couple of these years, I see this further improving, but at the same time we will also continue to invest smaller amounts in opportunities, which are important from a long run in the business, which we understand, which is the EPC contract in core sectors. As far ROCE, I think we should see further improvements for the next couple of years.

Pankaj D: That is quite helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Good morning Sir. Congratulations on adding good set of numbers. I had a couple of questions, one is about this asset held for sale of 1400 Crores, so can you just give the split of how much investment in transmission asset and how much is in land and what is the amount of equity investment and what is the amount of loan in this numbers, number one and number two, how much is the loss in the road assets this year and this quarter?

Manish Mohnot: Let me answer the first question and I will ask Manoj to answer the second one. At assets held for sale you need to look at both equity assets as well as liabilities, we have shown that both on the asset side and liability side, out of the total investment around 50 Crores is the asset, which is the land, which we have planned to sell, which is for Shubham and the balances are for transmission BOT assets. Majority of our infusion is either in the form of equity or debt, which we would have borrowed from banks.

Deepak Narnolia: So, how much is the debt foresee in this?

Manish Mohnot: If you look at our investments, if you look at the same results, if you look at the standalone again asset held for sale is lying there also, so that is our equity investment 367 Crores that is our equity investment as far as the assets are concerted held for sale as of today and balance is all debt from banks, but you will have to look at this number both on the asset and liability side both of them.

Deepak Narnolia: I understand and the deal is for all the four transmission assets?

Manish Mohnot: As of now, yes we are looking at all of them together.

Deepak Narnolia: The assets under construction also?

- Manish Mohnot:** Two are commissioned, third is nearly commissioned, getting into commissioning soon and fourth will get commissioned next year.
- Deepak Narnolia:** How this proceed will be used, any idea if you can give?
- Manish Mohnot:** I have discussed this, but I will again repeat. I think the proceed would be on three specific area, one is reduction of debt, second is further focus on capex from a long-term growth perspective and third we would look at strategic initiatives in terms of equations like we acquired companies small such acquisitions where which will help us further grow in a few international geographies.
- Deepak Narnolia:** And losses in road assets?
- Manoj Tulsian:** In the four road assets, this year at PAT level we have loss of around 66 Crores odd.
- Deepak Narnolia:** This is for FY2019?
- Manoj Tulsian:** That is right.
- Deepak Narnolia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco Mutual Fund. Please go ahead.
- Rita Tahilramani:** Sir, congratulations on a very good set of numbers. Two questions, one on the side of Kalpataru, we have seen a debtor days significant improvement from almost 215 days to a tune of 170 days, could you help us highlight on this and secondly in terms of JMC, if you could help us the quantum of revenue from the MP irrigation project this year and what would be target next year?
- Manish Mohnot:** Debtor days while there has been some improvement because of collections, but in reality the numbers need to be looked at is slightly different, so the debtors come into two different places, one is other current liabilities, which is accrued value of work done that are not billed and second is debtors, which comes in the debtors itself this is the reclassification because of Ind-AS, so if you look at in together our debtors day only come down by around 11 days as compared to the previous year and which is primarily because of collections and focus on closure of projects.
- Rita Tahilramani:** Secondly, in terms JMC, if you could help us to quantify the revenue from this MP irrigation projects and what is it contributed?
- Manoj Tulsian:** This year FY2019 we have done close to around 100 Crores and next year we have a plan to go anywhere between 360 and 400 Crores?

- Rita Tahilramani:** What would be the guidance in terms of order inflow for JMC for FY2020?
- Manish Mohnot:** Q1, Q2, we do not see much happening though we have some L1 of around 700 Crores odd right now, Q3, Q4 we are bullish, but I think as I mentioned that we are also looking at some opportunities on international, which looks good and lot of infra bidding will come back post the election results, we are looking at somewhere around 6,500 Crores for the full year.
- Rita Tahilramani:** That is from my side and good luck for future.
- Moderator:** Thank you. The next question is from the line of Yash B from Karvy Stock Broking. Please go ahead.
- Yash B:** Good morning Sir. Congratulations for the good set of numbers. Had two questions, equity requirement side, how much has been infusion at FY2019 and what is the equity infusion?
- Manish Mohnot:** So this is for road projects?
- Yash B:** Yes Sir?
- Manoj Tulsian:** Road projects.
- Yash B:** Yes?
- Manoj Tulsian:** Last year we had an infusion of Rs.45 Crores and this year the way the number looks like we might have to invest Rs.75 Crores.
- Yash B:** On the domestic side if you can give us the outlook how you see the T&D and railway pipeline capex and what kind of order inflow guidance we can have for next few years?
- Manish Mohnot:** We are planning capex of around Rs.200 Crores in KPTL for the current year out of which around 70% should be in T&D and 20% in oil and gas and 10% in railways. As far as order inflow guidance is concerned, we are looking at Rs.10000 Crores order inflow in the current year driven by 60% on the transmission side and 40% on oil and gas and railways.
- Yash B:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Congratulations on a great set of numbers. I just have three queries and I am sorry to harp on the revenue guidance for KPTL standalones for next year, so just a quick back of envelope work if I assume like a 12% growth in T&D would imply a very sharp improvement or increase in the pace of execution implying given that you have a degrowth on your order book at least in Q4 as we start

FY2020 you are sitting on 6.5% lower order book than you were doing a year ago and even if we assume very sharp improvement in order inflows in the first half of the year as you mentioned that you expect certain domestic green energy corridor orders still it implies a fairly high execution rate if I was to see it over a five-year period the average execution that you do on your opening order book is about 60%. This would imply almost 70% to 72%, so how confident are you on this sharp uptick in FY2020? That is first question.

Manish Mohnot:

I think there is slight confusion in numbers, so our projections of growth for the T&D are in the range of 12% for 2019-2020. We are not talking about 20% growth, so if I look a 12% plus we were L1 in orders, which have already materialized in Q1, which we have declared today of around Rs.800 Crores, so whatever we are projected today as far as T&D is concerned including the L1, which we believe that should happen within this month and next month our execution is only around 60% planned for the year, so what we have picked up is not only the order book, but L1, which are expected to come and which have already come. Rs.800 Crores have come and we expect around Rs.1500 Crores more to come in the next few months. With the L1 visibility we will still be at execution in the range of 60% to 65%. Second we have also in the previous year and the current year expanding our capacity of the plant. With that capacity expansion we believe that we will be able to take care of a lot more demand, which comes not only on transmission as far as the plant is concerned but also on railways, so realistically if you ask me I do not see this as a challenge of growing at around 12% as for the T&D business is concerned for the current year, but we are still in the range of 60% to 65% of our order book only.

Jonas Bhutta:

Great that is helpful. My second question was on the Indore real estate there I noticed that the delivery timelines have been shifted by about six months from December 2019 to June 2020 A what seems to have happened there and would that entail an increase in your proposed investment in that asset from what you had earlier anticipated and for at least my interest Sir if you can highlight what would be our total investment in this asset by June 2020?

Manish Mohnot:

Let me answer the easiest question first. With do not see our investment to go up because we had already budgeted planned as far as the total budget is concerned. As far as the six months delay just driven by the market conditions that we are planning that we will exist this asset in this current year, but it looks like it will get into the next year. The total amount invested on the Indore asset is around Rs.220 Crores odd out of which Rs.150 Crores is equity and around Rs.280 Crores is debt. Let me correct this. Total project cost is likely to be Rs.426 Crores and we have already invested around Rs.350 Crores in that.

Jonas Bhutta:

Regarding the Thane asset Sir if just go back three quarters you realized about Rs.135 Crores of sale proceeds is that number correct?

Manish Mohnot:

Yes it should be in that range, but as far as we are concerned the Thane asset is fully sold.

- Jonas Bhutta:** The sale proceeds is Rs.135 Crores
- Manish Mohnot:** Yes.
- Jonas Bhutta:** Thanks a lot Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good morning team. I had two questions. One was more of a clarification. In all the guidance that has been given for KPTL standalone, I am assuming these are all organic growth numbers? The Nordic part will be an add on?
- Manish Mohnot:** Yes as far as the KPT standalone guidance is concerned Nordic would be an additional revenue as well as profit.
- Aditya Mongia:** Got it. The second thing, which I wanted to clarify for this Rs.357 Crores amount, which is asset held for sale minus 50, which is the land this amount, is only the equity part of an investment right? Will there be a separate L&A part, which will be sitting in standalone or everything is included in this side?
- Manish Mohnot:** Everything is included in this number, which is shown, our equity invested till date.
- Aditya Mongia:** All money put in one way or the other is included in this number right?
- Manish Mohnot:** Yes.
- Kamal Jain:** This does not include the land because that is consolidated figure.
- Aditya Mongia:** If there are any loans, so I think there was Rs.70 Crores amount given to all four projects combined on an FY2018 end basis, which was not an investment line item for you, but more of an L&A? I just wanted to double check whether that L&A amount is also now gotten inside this one line item or is it still sitting separately?
- Kamal Jain:** That is sitting separately. It is not included in 366. It is purely investment amount.
- Aditya Mongia:** Sure and if you could just share the project debt number for all these four projects combined?
- Manish Mohnot:** I think the project debt numbers if I look at the four assets combined as of now should be more in the range of Rs.1200 Crores. We will just give you the exact numbers may be later on, but should be in the range of Rs.1200 odd Crores.

- Aditya Mongia:** Sure Sir that will be helpful. Those were questions from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir my question pertains to JMC. Sir we have seen that debt going up, but the interest cost has reduced like from Rs.25 Crores in Q3 FY2019 to Rs.21 Crores and even depreciation has reduced so any particular reason why these numbers have gone down?
- Manoj Tulsian:** On interest this year what has happened that we have retention payable and receivable, which the auditors said that you need to discount it on both the legs. Because the numbers are very similar both on the payable side and receivable side, the auditors had not taken that call earlier, but this year they said no let us discount it, so when you discount it what happens is one leg has gone into the, benefit side has gone and sit into the interest cost, so for the current quarter, it shows a reduction of Rs.6 Crores on that count and the same other leg has gone into Rs.6 Crores increase into other expenses. As a company it has no impact, but these two numbers look distorted because of the same.
- Parikshit Kandpal:** This is like a full year adjustment in this quarter itself?
- Manoj Tulsian:** Yes normally these are the calls, which they take at the time of final audit right and since there were some more clarification during the year that redemption has to be discounted, so they said let us do it though at the company there is no impact, but they said let us start doing this.
- Parikshit Kandpal:** On depreciation Sir?
- Manoj Tulsian:** On depreciation there was some adjustments in the nine-month period because of which there is a Rs.2 Crores of reduction during the current quarter.
- Parikshit Kandpal:** My second question was on the asset monetization so now we have again like increased the quantum of loss vending to Rs.75 Crores this year versus Rs.45 Crores last year, Sir at what stage of monetization we are in? Any sense that where can we close this? Do we really need to pump in Rs.75 Crores? How it will be staggered if terms of FY2020?
- Manoj Tulsian:** I will tell you the reason this year it is becoming Rs.75 Crores, in any case out of Rs.75 Crores we will have a repayment of close to around Rs.40 Crores odd, so at the consolidated level that will not make a difference and the rest Rs.30 Crores to Rs.35 Crores also is going on because in one of the projects for this one year we did not have any deferment in terms of premium payment, so that has not added obligation of cash outflow during the year to the extent of around Rs.40 Crores odd. That is the only reason otherwise these numbers could have been much better. Yes monetization as we

mentioned earlier also in the call for sure we are looking at it and since these are happening in the market, we see this year to be a good year to may be see a few things happening on the same.

Parikshit Kandpal: So probably second half?

Manoj Tulsian: Well it is anybody's call, but our idea is to exit as soon as possible. Strategically we are very clear on that.

Parikshit Kandpal: This Rs.75 Crores happens before monetization what will be the timeline?

Manoj Tulsian: Right now we have assumed that all the four assets have a status quo on that basis, so if the monetization happens for one, two or three assets then depending on when it happens these numbers can be very, very different.

Parikshit Kandpal: That is all from my side. Thank you.

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

Debashish Majumdar: Thank you very much for taking my question and congratulations on a very good set of numbers both at KTPL and JMC. Most of my questions have been answered. One question left in JMC is if I see the raw material cost in this quarter, which has increased significantly as a percentage of revenue so anything to read there in terms of inflation increase or it is something one off there?

Manoj Tulsian: Good morning Debashish. I think there is nothing to read in that. Ultimately, it all comes from the product mix and this percentage can slightly be higher even in the coming year if you really see because of when you look at some businesses like water business where our sales are growing, there are any hardly capex in the business so if you will see from a value addition perspective the raw material cost would be slightly on a higher side despite the margins being good because these businesses are not so capex oriented. I think that is the only reason. It is more of the product mix, which is delivered, but it does not hurt the ultimate margin.

Debashish Majumdar: So for FY2020 should we assume that 44% to 45 is the raw material consumed as a percentage of revenue?

Manoj Tulsian: Honestly speaking if you see material consumed and construction expenses, we will not be able to tell you between these two numbers because at times we gave a lot of composite contract also where it comes with both material and labour, which goes into your construction expenses, so it is a mix of both. When we look at the mix of both I think it should be in the similar range.

Debashish Majumdar: No problem. Thank you very much.

- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Congratulations on good set of numbers. Most of my questions have been answered. Just one clarification you mentioned JMC is the equity requirement for road project this year will be Rs.75 Crores FY2020?
- Manoj Tulsian:** Yes equity requirement in the sense that we need to infuse.
- Amber Singhania:** For funding?
- Manoj Tulsian:** For funding the project.
- Amber Singhania:** So why it is going up from Rs.45 Crores to Rs.70 Crores when the calculation is increasing?
- Manoj Tulsian:** I just mentioned that out of Rs.75 Crores we have around Rs.40 Crores of repayment during this year. Once that has gone up considering the previous year and second on one of the projects for a one off case we did not get a deferment of premium payment for this particular year, so that will be my net-net cash outflow for the full year, which itself is close to around Rs.39 Crores to Rs.40 Crores.
- Amber Singhania:** How much is the capex planned for JMC?
- Manoj Tulsian:** Capex we are looking at somewhere around Rs.100 Crores during this year. The requirement may even go up further depending on any new projects what we get, but we will try and restrict it to Rs.200 Crores this year max.
- Amber Singhania:** Thank you Sir that is all from me.
- Moderator:** Thank you. The next question is from the line of Girish Raj from Quest Investment. Please go ahead.
- Girish Raj:** Thank you. Manish in your open commentary you mentioned productivity initiative can you please throw some light on that what exactly is the nature and does the EBITDA margin guidance for FY2020 factors any benefit from the productivity initiative or it is a FY2021 phenomenon?
- Manish Mohnot:** We are focusing a lot of productivity initiatives at the plant level, on supply chain as well as at the site level both in terms of delivering on time and looking at how to be further improve all the norms, which we have already set. We have already deployed a few consultants who are working with us. We have a large team, which is only focused on doing this, and we plan to implement this across a lot of projects in the current year and next year. As far as margins are concerned we have factored in some improvement in productivity in the current year margin. As far as next year is concerned it will be

early for me to comment, but getting into the next few years we should definitely see some improvement coming in through this productivity norms.

Girish Raj: Thank you.

Moderator: Thank you. The next question is from the line of Devang Patel from Crest Capital. Please go ahead.

Devang Patel: Sir a question JMC Rs.75 Crores will go in as part liquidity or all of it will be as loans and advances and what would stay where they are what would be the infusion required in the year after in FY2021?

Manoj Tulsian: Good morning Devang. This entire money will go as loans and advances only and the next year numbers we have not yet worked out. We can get back to you. It also depends on the type of traffic growth, which happens during this year. That will determine what is the type of number, which we might have to infuse provided that we continue with all these four assets even in the next year.

Devang Patel: Sir we have been hearing that the loss-funding requirement will come down? We assume that principal any bullet principal repayments will also be taken off within the cash flows of the assets, but it would be the case otherwise? Do any assets have large principle repayments?

Manoj Tulsian: Principal repayment continues. So this year out of Rs.75 Crores, Rs.40 Crores is actually repayment of principal only. That is why it does not affect the overall consolidated debt, but we have to meet that obligation as long as the cash flows are not enough to take care of the same.

Devang Patel: This is payment outside to banks?

Manoj Tulsian: Yes to pay the debt on the SPV.

Devang Patel: That is all from my side. Thank you Sir.

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

Rachit Kamath: Good morning Sir. Congrats on decent set of numbers. Sir I know like you have been saying that on the JMC front that the orders that you are looking at will be mostly infra and international, but could you just give out the pipeline as to where and in south orders, but then actual numbers can you quantify or give some details on it like if internationals will come like how much we are eyeing?

Manoj Tulsian: International if everything goes well, we are eyeing anything between Rs.1500 Crores and Rs.2000 Crores during the year right and the rest would from domestic infrastructure and factories and buildings.

Rachit Kamath: Even in this you will see like infra will be a bigger chunk of the orders right?

- Manoj Tulsian:** This year, it will be almost similar. Yes, slightly infra can be higher let us say around Rs.3500 Crores to Rs.3000 Crores.
- Rachit Kamath:** Sir regarding you are also looking at state financing the asset and with the favorable term sheet in the last quarter was there any further update on that?
- Manoj Tulsian:** We have received the term sheet, but then we had one. We had a few other ideas also on which we started working. Second because of the IL&FS we had to suddenly this entire thing went into a cold basket, so they put some more conditions before we could discuss with them and so it could not happen. We are still discussing, but we are looking at other things also, so we are also not close on the same.
- Rachit Kamath:** Sir like of the four assets you are ready to sell one asset, two asset, three asset or you are just waiting for the whole platform to go out and this happens to one of the assets? Will you go forward with this or you are just waiting for all the four to go together?
- Manoj Tulsian:** No we are open on both the ideas.
- Rachit Kamath:** So you are open to even single asset sale plus the whole platform sale?
- Manoj Tulsian:** Yes absolutely because that makes sense. The assets have matured in terms of construction, stability and all those things so getting a proper perspective on the valuation side also makes sense, so we are now open to both the ideas?
- Rachit Kamath:** Sure thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kashyap Karthik from Table Tree Capital. Please go ahead.
- Kashyap Karthik:** Thank you so much. Sir a couple of questions one is form a JMC perspective we have an existing order book of Rs.9000 Crores? We are expecting an order inflow of Rs.6500 Crores, which makes about Rs.15500 Crores and roughly execute about Rs.3800 Crores to Rs.4000 Crores of orders, so that is Rs.11000 Crores of pending order book, which is almost three times, so any plans of kind of ramping up the order execution because it is like three years out? Are we trying to accelerate on that or are we just focused on executing a 15% to 20% and making the cash flow from balance sheet?
- Manoj Tulsian:** When we are doing it we are actually taking care of both, but the given scenario in the market today in terms of the financial lot of instability, which we keep hearing here or there it is very important for us to be very, very careful about the cash flows, but having said that there are many projects, which actually goes beyond three years in terms of an execution timelines itself, so we would not be behind

in terms of delivering the order book. We would be very much on target in terms of delivering the order book also.

Kashyap Karthik: Got it, so the question was essentially was that are we building our capabilities and capex to execute let us say Rs.5000 Crores of orders FY2021 or FY2022 per year is the essential question?

Manoj Tulsian: Capex is something if you would have tracked the company for the last five years you would see we would have invested close to around more than Rs.500 Crores, so we have now enough capex to take care of this growth. This year again we are looking at something like Rs.100 Crores and if are able to do that I think we would have a sizeable capex to take care of the domestic demand. If anything comes on the international arena then for sure if it is other than Ethiopia well we might have to look at one time investment in those countries also on capex.

Kashyap Karthik: Got it Sir.

Moderator: Sir that was the last question we could take. Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Manish Mohnot: Thank you very much for being the part of this call. We will continue to deliver on our predications for the current year and hope to see you all on the call in the future. Thank you.

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. Thank you.