



# “Kalpataru Power Transmission Q1 FY18 Conference Call”

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**MODERATOR:** **MS. BHOO MIKA NAIR – IDFC SECURITIES LIMITED.**

**Moderator** Ladies and Gentlemen, Good Day and Welcome to Kalpataru Power Transmission Q1 FY18 Conference Call, hosted by IDFC Securities Limited. As a remainder, all participant lines are in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you, ma'am.

**Bhoomika Nair:** Thanks, Aman. Good afternoon, everyone. On behalf of IDFC, Welcome to the Q1 FY18 Call of Kalpataru Power and JMC Projects. The management today is being represented by Mr. Manish Mohnot – Managing Director and CEO, Mr. Kamal Jain – Director Finance and CFO, while JMC Project Management is being represented by Mr. Manoj Tulsian – Whole Time Director, Finance & CFO.

I will now like to hand over the call to Mr. Manish Mohnot, post which we will open up the floor for Q&A. Over to you, sir.

**Manish Mohnot:** Thank you, Bhoomika. Good afternoon to you all. And I am thankful to you for attending this call and your interest in KPTL and JMC.

I am happy to inform you that we have delivered a good quarter with robust EBITDA margin of 11.4% as against 11% in quarter one last year, with further improvement in our finance cost which declined 12% over quarter one last year and strong order intake of Rs. 2,130 crores in quarter one and Rs. 3,200 crores in the first four months of the year. Our order intake has been encouraging with a good visibility for future growth.

As anticipated, we have seen some impact of GST on our revenue for domestic business, due to our focused approach of minimal WIP at the end of the quarter which is temporary in nature. However, we are confident of delivering a 15% plus growth on a full year basis for both KPTL and JMC, even after accounting for reduction in revenue on domestic orders on account of excise duty and VAT due to the GST regulations.

Going into a little bit of details on the performance, revenue in this quarter increased 2% over previous year same quarter to Rs. 1,207 crores. We have delivered an encouraging growth in railway business, 17% YoY and pipeline business 27% YoY. Revenue for transmission and substation business declined by 3% YoY due to the GST impact as discussed earlier. On the margins front, our EBITDA for the quarter was Rs. 137 crores, an increase of 5% YoY. The EBITDA margin expanded by 40 bps versus quarter one last year to 11.4%.

Interest cost and debt level, our interest cost as a percentage of revenue is less than 1.8% and our target for full year is at 1.75%. Our debt level is within targeted levels of Rs. 700 crores. Profit after tax for the quarter stands at Rs. 70 crores as against Rs. 64 crores in corresponding quarter last year, an increase of 9% YoY.

On the order front, our quarter order book was at about Rs. 9,750 crores. We have declared new orders of Rs. 2,130 crores in quarter one and Rs. 3,200 crores on YTD basis. We have L1 position in excess of Rs. 2,500 crores as on date. Railways continues to be a solid growth driver for us, our order intake in railways business for the current financial year is closer to Rs. 500 crores. And we are L1 in projects of closer to similar amount. We continue to add new clients in the railway business with orders from PGCL, Wright and Konkan Railways. And our margins on railways and pipelines business now is very similar to our transmission business.

In JMC we have achieved significant progress both on revenue growth and EBITDA margin levels. Our revenue grew by 19% YoY and our EBITDA has now reached 9.8%, a 30-basis point's improvement over the same quarter previous year. Our finance cost too are down by 15% YoY. As a result, our PBT margin expanded by 190 bps versus quarter one financial year 2017 to 5% in quarter one financial 2018. At JMC, our order book of Rs. 7,000 crores gives us good visibility for profitable growth in current and next few years.

On our road BOT project portfolio, we have seen a traffic growth in the range of 6% to 8% across all our projects. However, we have also seen a reduction in overloading revenue, leading to an average daily run-rate of Rs. 50 lakhs per day, which is almost similar to the number one in quarter one last year. Considering improvement in macroeconomic factors resulting into an uptick in demand and reversal of interest rate cycle, we expect the growth trend and traffic to continue for next two years.

In Shubham Logistics, the utilization of warehouse is improving and we have delivered a positive EBITDA margin of 18% during the quarter, in line with our guidance for the full year. PBT is still negative, as forecasted, but there is a visible improvement. We will continue to put our efforts in improving warehouse revenue and improve on the profitability.

To summarize, we are confident of profitable revenue growth of at least 15% in the current year. A strong order book plus robust L1 pipeline give us good visibility and confidence of achieving the growth, both for KPTL and JMC. We continue to improve our return on capital employed for both standalone and consolidated results.

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

**Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Sir, would we believe that given that the margins in railways is improving and pipeline order is also picking up, for the full year we can expect about 11% - 11.5% margins, or probably you think it is more of a mix issue and it could moderate in the coming quarters?

**Manish Mohnot:** I think I agree with what you are saying, Renu, in terms of margin expected for the current year. We believe that our margins for the current year would definitely be in the range of 11%, slightly

higher than that, but it would definitely be a minimum of 11% for the current year on an annualized basis.

**Renu Baid:** And the main driver would be improvement in railway margins or the core T&D margins also we are seeing substantial improvements?

**Manish Mohnot:** Core T&D margins we are already at levels of 10%, 11%, 12% in different quarters, so these have been the improvements in railways and pipeline business

**Renu Baid:** Okay. Sir would it be possible for you to quantify what could have been the likely impact because of GST related deferment that we saw in terms of execution this quarter?

**Manish Mohnot:** It will be very difficult to quantify the exact impact, because the impact is everywhere, it was at the plant, it was at the site, because our agenda was very simple, we will keep minimal WIP so that we do not have billing and reconciliation issues. So, it would be an impact which was across, our budget for the first quarter at the beginning of the year was around Rs. 1,275 crores, against that we have achieved Rs. 1,207 crores. I am just giving an internal budget, which means that we could have easily had some impact of 5% - 6% coming because of this planned delay because of GST issues.

**Renu Baid:** Right. And second, on Shubham Logistics, now with at least operating performance improving, what is the expectation that for the full year we would see the net profitability improvement? And also if you can mention a little more with respect to the equity infusion required in that business?

**Manish Mohnot:** So, on Shubham, our average warehouse utilization which was at the same time previous year was around 55% - 60% has reached closer to 80% now. With this we are confident that we will have a good EBITDA positive numbers. On a PBT level we still believe we will be negative because of interest cost and our budgets for the year is in the range of Rs. 35-odd crores negative at a PBT level. As far as the equity infusion is concerned, I had indicated this earlier also, we might have to do one round of equity infusion at the Shubham, it is only that the timing of it is dependent upon when the company needs the funds, but we might have to do one more round of equity infusion of approximately Rs. 70 crores into Shubham

**Renu Baid:** In this year itself?

**Manish Mohnot:** Yes, in the current year.

**Renu Baid:** And sir just one last question, on the domestic execution, despite domestic headwinds we saw sales growth being flat. So, how have the international businesses performed and what is the outlook on international orders in the current financial year from different regions? That is it from my side, sir.

**Manish Mohnot:** International revenue for quarter one grew much better than domestic and for reasons which we discussed earlier, primarily GST driven. On an annualized basis we expect international business

to grow around 15% to 20% and margins stand similar to what they were earlier, in the range of 10% to 11%.

- Renu Baid:** And region wise the outlook for the pipeline of orders in the coming year?
- Manish Mohnot:** So, as of now, if you look at in the current year we have got huge orders in pipeline and railways, so the combined order book of pipeline and railways today is in excess of Rs. 2,500 crores, which is 30% - 35% of our orders. And the kind of traction seen at the ground in terms of tenders, I expect that it can be much, much high. So, that is why our belief is that these two divisions can easily grow at 40% - 50% annualized, if not more than that.
- Moderator:** Thank you. We have the next question from the line of Charanjeet Singh from B&K Securities. Please go ahead.
- Charanjeet Singh:** Sir, actually if we look at the order backlog, we have this large African order. If you can just give us some highlights in terms of when do we see the execution picking up in this order?
- Manish Mohnot:** No, we have a lot of African orders.
- Charanjeet Singh:** Just recently which we had won, large order. So, when do we see the execution? Sir, because our Africa order backlog is like around Rs. 3,200 crores, so overall on the execution in that region specifically if you can highlight.
- Manish Mohnot:** So, if you look at the last quarter which we declared, which you are talking about in Cameroon if I am not mistaken, it will get converted to revenue starting from quarter three or quarter four, because there is a design component, there is a service component, all of that. For all the other balance orders which we declared last year, Senegal and all of them, the revenues have already begun and we are on track as far as the execution is concerned.
- Charanjeet Singh:** And sir, if we look at there are lot of states and central entities are also undergoing changes in their tenders to factor in the impact of the GST for the new orders, so do you see that impacting our new order inflow going forward, may be for one or two quarters till these things get factored into new tendering documents?
- Manish Mohnot:** So, today we have a good order book visibility of approximately Rs. 2,500 crores in L1, plus we bid for a lot of tenders. I agree with you, there could be a delay of a few weeks or may be a few months in terms of tender opening or revised bid submission, but that would be more temporary in nature. So, as far as quarter two is concerned I do not see a concern on orders, in quarter three and four may be one or two months here and there, but that is more timing issue more than anything else.
- Charanjeet Singh:** And sir on the Shubham Logistics, if you can help us understand again on the top-line ramp-up? And we were also thinking of adding may be a new revenue stream in terms of helping people raise money through collateral. So, what stage is that process in?

- Manish Mohnot:** I do not think so, the collateral management is a new revenue stream, we were always doing that, it is not helping people raise money; it is about collateral management for people who keep goods with us in our warehouses, that was always there and that continues to be there. On an annualized basis, as we have projected earlier, Shubham this time should do revenue in the range of Rs. 50 crores to Rs. 60 crores odd on top-line and they will be definitely good positive on EBITDA. I repeat, PBT we could be negative anywhere in the range of Rs. 30 crores to Rs. 35 crores and definitely we expect next year we will get into PBT positive or PBT breakeven zone also.
- Charanjeet Singh:** And sir, just last question on the railways front, railways we have been talking about huge strong traction and we have seen also good growth. So, you have seen this execution run-rate being ramping up going forward in Q3 and Q4 in a much better way?
- Manish Mohnot:** Yes. As of today if you look at my order book on railways, it is closer to Rs. 1,300 crores to Rs. 1,400 crores; we are L1 in a few more orders. So, with that I am sure this ramp-up in revenue would come and you will see much better numbers coming into the current year.
- Moderator:** Thank you. We have the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** Sir, in continuation to the previous question, where do you see railways at the end of the year, or if you are seeing so much traction in the enquiry pipeline, can it become 15% to 20% sort of contribution to your order book in two years' time?
- Manish Mohnot:** Order book, I expect it to be at the levels of 15% may be at the yearend itself, as far we do with in terms of order book. But in terms of revenue, there might be a closer to 9% - 10% in totality in the current year. And getting into next year they can again grow by easily 40% - 50%.
- Madan Gopal:** Okay. And in terms of the ex-railway order book or even transmission, on the total transmission side you think growth is still possible on a very high base of order book that we have or order inflow that we had last year/
- Manish Mohnot:** As far as order inflow of transmission is concerned, we are confident that we should achieve a minimum of what we achieved in the previous year, driven by a lot of orders on international front; we are L1 in a few large orders on the international front also. So, as far as total transmission is concerned, we are very confident we will achieve those targets. The growth would be much higher in international as compared to domestic, domestic for a lot of reasons whether it is the planned CAPEX expenditure or the delay because of GST out of that, so from a growth perspective international would do much better than domestic in the current year.
- Madan Gopal:** Okay. Sir, on the margin front, generally we were of the opinion that margin in the transmission was around 10% to 10.5% sort of numbers and we were making some losses in pipeline which is just leading to lower numbers. But overall, now despite the mix being more towards say the mix of railways has increased and all, even then our margin reaching 11% plus and we also guided that

it can remain above 11%. Is it the overall transmission margin itself has improved in last one year, what is the reason of this?

**Manish Mohnot:** See, our transmission margin always has been in the range of 10.5% to 11.5% depending upon projects and which gets executed at what point of time. Our margins were coming down primarily because of some aggressive bidding which we did in the past on railways, just to get the PQ that we are qualified in all projects. So, as of today whether it is railways, pipeline or transmission, I think all of them are similar in terms of margins on an average basis if we look at their order portfolio. Given that we are confident that we should have margins in the range of 11% in the current year at least.

**Madan Gopal:** Okay. If I can have one more last question, JMC what sort of visibility, okay order book is strong, revenue growth is possible, you think JMC also in terms of order inflow can keep growing in double-digit?

**Manish Mohnot:** I will ask Manoj to respond to that. Manoj?

**Manoj Tulsian:** So, in terms of order book, we have given a guidance that this year possibly we will look at fresh order of around Rs. 4,000 crores. And in Q1 we declared around Rs. 700 crores of new order, we have a L1 position of around Rs. 1,500 crores while we are speaking. So, I think we are very much on track of growing the order book by around 15% this year also.

**Madan Gopal:** It is coming from government or the private sector, sir?

**Manoj Tulsian:** It is more coming from government at this point of time. Also, it is not that in private sector the orders are not there, but as we have always maintained in the last couple of years, we have become very conscious and careful in terms of bidding for any private orders. So, we ourselves have selectively reduced the number of clients with whom we are willing to work. And for that particular reason, I think going forward for some time we will see incremental percentage of order book being built up on the government side only.

**Moderator:** Thank you. We have the next question from the line of Balchandra Shinde from Anand Rathi Securities. Please go ahead.

**Balchandra Shinde:** Sir, regarding Shubham Logistics, would like to know. Would we not see impact because of GT implementation, what we have heard is like there will be saving on transportation of around one to two days? So, would it not affect our warehouse business to some extent because your overall delivery time is getting reduced by around one to two days?

**Manish Mohnot:** I do not see that as an impact from a long-term perspective. See, what happens is in a warehousing business you normally get all this material which stays with you for six, nine, 12 months and sometimes more than that. So, from a long-term perspective, from overall business perspective that one, two days hardly has an impact, because the material comes in and then it stays for long.

So, I do not see any significant coming because GST, either way, neither positive nor negative as far as warehousing business is concerned.

**Balchandra Shinde:** Okay. So, that business will continue to be like that only?

**Manish Mohnot:** Yes.

**Balchandra Shinde:** And sir on the transmission side, if we consider that Power Grid say do not come up with their CAPEX plans that much, still we will consider ourselves to get substantial orders from state transmission utilities or there will be an impact in order inflows post that?

**Manish Mohnot:** We have seen a lot of traction coming from SEBs and also private sector on the BOT side. So, our own perspective is, while it would not grow at the same speed like other three businesses which is railways, pipeline and transmission international, but definitely we will have enough order to make sure that they grow at a range of 7% to 10% on a year-to-year basis. So, we are seeing a lot of traction coming from SEBs on the transmission domestic side.

**Balchandra Shinde:** And last time you said that it was largely from Tamil Nadu, Karnataka and all those states. Any more states to add in that?

**Manish Mohnot:** We have five or six states, there is also West Bengal, there are projects coming up in UP, there are projects coming up in Bihar, there is Tamil Nadu, there is Karnataka. There are five or six states where we are seeing traction, this keeps on changing depending upon the urgency requirement of the states.

**Balchandra Shinde:** And sir, in international transmission orders do we have that risk of fixed price contract, means like if the commodities prices are going up will it affect our margins or we do not see that as a risk?

**Manish Mohnot:** No, we definitely have significant component of our order book, closer to 40% of our order book was fixed price in nature on the transmission side. So we definitely will have some impact of steel prices going up, although we normally keep good inventory and fixed price projects. On aluminum and zinc, normally we are hedged for a significant portion of time, so that might not have a big impact. But on steel definitely there will be some impact which would come in.

**Moderator:** Thank you. We have the next question from the line of Prabhat Anantaraman from B&K Securities. Good afternoon

**Prabhat Anantaraman:** My questions are related to JMC projects, firstly congratulations on a good set of numbers. Sir, I just want some clarity on the EBITDA margin front. This quarter we have done nearly fairly good EBITDA margin of 9.8%, even last year we started off well at 9.5% - 9.7% on Q1 and 2Q. Then because of the demonetization, the Bangalore rains and the Kaveri issue, our margins were subdued in the second half. Going forward sir, is this 9.8% a mere blip in the margins again or can they be sustained in this rate, could you give us some kind of guidance on how the EBITDA



margins would pan out, given that our slow moving orders are closing out, you have got better orders with better payment cycle in the order book right now?

**Manoj Tulsian :** I think last year full year we did EBITDA margin of 9.1% and we had given guidance that possibly we would be able to improve the margins by another 50 basis points. You are right, Q1 margin are actually very robust, good to see margins. And we will definitely try and see with the type of and quality of order book which we have right now and the execution plan which we have during the year, we feel very much capable of delivering anything between 9.7% to 9.9% during the current year. Q1 was a test for us because for so many years we have been thinking that we will grow, but for some reasons or other it was not happening. And this year Q1 for many of the projects which actually kick started well in Q4, we are able to get a full year visibility of execution. Barring few challenges which are unforeseen and which may come and hit us in the next few quarters, we are internally very confident that we will give a margin improvement of minimum 60 basis points during the year. Going forward also, right now the quality of order book which we have and the way we have disciplined ourselves in our bidding strategy, we feel that anything between 9.5% to 10% should be sustainable for at least one or two more years.

**Prabhat Anantaraman:** Just one more question, you did mention that your L1 position is Rs. 1,500 crores; do we have the Mumbai Metro Line to the order of Rs. 500 crores in this L1 position?

**Manoj Tulsian :** Yes, you are right.

**Prabhat Anantaraman:** And are we at liberty to share some details on these orders, or when it is in L1 we do not generally share some details?

**Manoj Tulsian :** No, not at this point of time. Only when we get the LOI, then only we can share more details.

**Prabhat Anantaraman:** And if I just squeeze one more question, sir. You did mention your toll revenues during the quarter was Rs. 50 lakhs per day for the BOT?

**Manoj Tulsian :** Yes.

**Prabhat Anantaraman:** This is on the gross basis or on a net basis?

**Manoj Tulsian :** Net basis means?

**Prabhat Anantaraman:** So, this is netting up your portion of equity in the BOT or this is on the gross basis that you would usually give us?

**Manoj Tulsian :** No, this is our share of revenue per day.

**Prabhat Anantaraman:** So, this is completely your share

**Manoj Tulsian :** Yes, purely our share.

**Prabhat Anantaraman:** Okay. And against the breakeven levels, so the breakeven levels I believe again are at 65 lakhs to 70 lakhs a day?

**Manoj Tulsian:** Well, we can cash breakeven around 61 lakhs to 62 lakhs. So, we are still slightly away from that. And was being mentioned in the opening speech, after a lot of quarters we have seen very robust traffic growth in Q1, at the same time there has been a reduction in the overload charges which we have been collecting as a single provision. But I think overall it is a very good scenario to be in because this growth will be permanent whereas we always knew that overloading charges at some point of time, as the law and governance in the country improves, it will come down. So, it has happened simultaneously which is very good, and this will have significant positive impact going forward.

**Prabhat Anantaraman:** And have we done any equity infusion in this quarter in BOT?

**Manoj Tulsian:** Yes, we have infused around Rs. 14 crores during the quarter.

**Prabhat Anantaraman:** And this is out of the total of Rs. 60 crores we are looking to do this year?

**Manoj Tulsian:** yes. At the beginning of the year we mentioned Rs. 60 crores, but as was mentioned in the opening speech that though the traffic has grown but the overloading charges have come down, in which case absolute revenue has remained the same. And when the initial projections were done at the beginning was with some traffic growth projection also, which was leading to incremental revenue. So, to that extent, if the growth is further there then possibly we would still be able to manage between 55 and 60 Cr, otherwise a few extra crores may have to go into that.

**Prabhat Anantaraman:** Okay. And sir, if we add to this Rs. 70 crores of our CAPEX guidance, if we maintain that like we maintained the last quarter when we spoke, we would look to add some additional debt on the standalone books, if I am not mistaken. If that is so then what quantum of debt are we looking to add?

**Manoj Tulsian:** Well, if you see on a quarter-on-quarter basis the debt right now is higher by around 5% around Rs. 30 crores to Rs. 35 crores. Though, initially we had given guidance that despite our CAPEX program and even infusion in BOT, we will try to maintain our March level. So, we are still confident that possibly it will not go wrong by more than Rs.30 crores - Rs. 35 crores. So, wherever we are today on the debt level we will try and maintain this level in March. Having said that, we will have some temporary increase may be in the borrowings level in Q2, mainly because of the GST implementation from July. Because most of the government contracts, and that is how we look at it, which we have will undergo a change now and it all depends on how fast the government machinery is able to revise those contracts. Otherwise we feel that it may happen that they may hold back our GST portion of the bill till the new contracts have been signed. So, there is a possibility that the working capital requirement actually can go up in Q2 because of these reasons. But I am sure that by Q3 all these things will be restored properly.

**Prabhat Anantaraman:** So, our working capital continues to remain at the four month level that we usually maintain?

- Manish Mohnot:** Yes.
- Moderator:** Thank you. We have the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Sir, this is regarding the substation EPC orders, how big it is percentage of our order book or revenue? And what is the visibility in it in the domestic market, both from PGCL and SEBs? Is it already somewhere near the peak in terms of PGCL ordering and what would be the opportunity going forward from SEB?
- Manish Mohnot:** On the substation front, our order book of international and domestic put together is in the range of Rs. 800 crores odd. We are not L1 in any major order as of now, we have bid for a lot of tenders, and we are expecting our results to come out. We are seeing a lot of traction coming from SEBs and not as much from PGCL or substation as of now, but we are seeing a lot of traction on the international front.
- Ravi Swaminathan:** But what would be India market size in terms of substation EPC contracts?
- Manish Mohnot:** In terms of size, I think we should see around Rs. 6,000 crores to Rs. 7,000 crores worth of tenders coming in the current year, which would be PGCL, SPVs and private sector put together.
- Ravi Swaminathan:** Okay, got it. And in terms of PGCL's reverse bids; are we seeing any impact of that in terms of pricing and what proportion of our order book would be orders which were won by through reverse bid orders?
- Manish Mohnot:** Currently PGCL's majority of the tenders, if not all, get awarded only through reverse auction. So, we have won around Rs. 600 crores in quarter one which came through the same process. Therefore order book of around Rs. 600 crores is from reverse auction. As far as competition is concerned, we continue to be competitive whether with reverse auction or without reverse auction. Yes, reverse auction makes it slightly more competitive, but I think it is more to do with every company's ability to take a call on pricing and take a call on where you are taking a project at.
- Ravi Swaminathan:** And sir, for JMC's road projects what would be the equity commitment that would be needed this year and next year?
- Manoj Tulsian :** This year we have equity commitment of Rs. 60 crores.
- Ravi Swaminathan:** This is direct equity commitment, our loss funding also, does it include that also?
- Manoj Tulsian :** This actually includes loss funding plus repayments, and some CAPEX obligations which are there on the projects.
- Moderator:** Thank you. We have the next question from the line of Bharat Seth from Quest Investment. Please go ahead.

- Bharat Seth:** Sir, this year of course as you said we expect to grow 15% plus in kind of order book that we have. Sir, can you give some color on some color on two, three years scenario how do we see for Kalpataru then JMC?
- Manish Mohnot:** So, Bharat, giving clarity for beyond two, three years would be slightly unrealistic. But as of today's order book of both the companies tell us that about 15% to 20% both in 2017 - 2018 and 2018 - 2019 can easily happen. While we say so, if you look at the sectors where we are today, whether it is KPTL or JMC, a lot of traction in railways, a lot in pipeline, a lot in transmission. Similarly, in JMC a lot of projects coming up in infrastructure, government as well as residential in a few select areas. So, with that I do not see revenue growth as a challenge at least for the next three, four years.
- Bharat Seth:** Okay. And in the last two, three years we diversified into railways and pipeline from KPTL, so are we looking at any new business for KPTL for future growth?
- Manish Mohnot:** We are exploring few opportunities in the renewable sector on the EPC side, but it will be a slow and gradual growth. But yes, we are looking at diversifying on the EPC side and the renewable side.
- Bharat Seth:** Okay. And on JMC, in international market how the things are spanning out?
- Manoj Tulsian:** So, Bharat, on the international side we have visibility of some of the countries where we wish to participate to the extent of around \$400 million to \$450 million of fresh bidding. And predominantly these are on road sector or flyover sector.
- Bharat Seth:** So, Manoj, is it in same country where we have presence or new geographies?
- Manoj Tulsian:** So, Ethiopia we are already present, Ethiopia and Sri Lanka now. And there are a few opportunities there. And other than this, we are also now looking at Uganda, Ghana and Tanzania.
- Bharat Seth:** And these are all funded projects?
- Manoj Tulsian:** Yes.
- Bharat Seth:** And how do we see this tax rate in the current year for JMC, Manoj?
- Manoj Tulsian:** Tax rate should be ranging between 27% to 32%,.
- Bharat Seth:** And for both, JMC as well as Kalpataru, overall in longer-term how do we see now with GST will have, some color, beneficial, positivity or negativity or...?
- Manoj Tulsian:** So, for JMC most of our contracts had pass through clause. So what I just mentioned previously that some time since we have to get all these government contracts revised, so there are two legs to it, the private side and the government side. The private side, most of the contracts are already

under revision and things are moving very fast. And on the government side also the work has started, but we know that there are too many decision making agencies on the government side. So possibly we are assuming that three months would be a good time for them whatever call they want to take, but come back and sign off the fresh contract with us, the revised contract. So, there would be some impact on working capital for sure in Q2, and that may continue in Q3 as because we continue to work for them. And when we raise the bills, if the contract is not signed we are not even able to raise the bills. Or if we raise the bill they may hold back the GST component and may pay us the rest of it, which is a most unlikely scenario. So, that is the only worry which is there really.

**Moderator:** Thank you. We have the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

**Madan Gopal:** Sir, on the KPTL standalone, the debt numbers have increased, the net debt if I see from Rs. 436 crores to Rs. 686 crores despite flat revenue. Do you think this will come back to normal level as we progress?

**Manish Mohnot:** Madan, we had projected debt levels in the region of Rs. 650 crores to Rs. 700 crores at the beginning of the year itself. So, if you go back to our quarter first and even last year quarter four, so we expect debt levels average to be Rs. 650 crores to Rs. 700 crores itself. Last year we had some good inflow of advances coming in that is why we were at lower levels, but otherwise R.650 crores to Rs. 700 crores are projected level for the entire year.

**Madan Gopal:** Okay. On the international book, because of currency there would be some translation loss at the EBITDA level?

**Manish Mohnot:** Not significant loss which came in because of currency, so it was a very small amount, but not very significant, as it was not actually a loss, it was a small gain of few crores, it was not a loss. Translational entirely depends on assets, liabilities at a given point of time. So, right now we are sitting on more advances than debtors, and that is why the numbers would be different.

**Moderator:** Thank you. We have the next question from the line of Prabhat Anantaraman from B&K Securities. Good afternoon

**Prabhat Anantaraman:** My question was also on the JMC projects, sir as a parentage of your order book how much would private real-estate be right now?

**Manoj Tulsian :** Prabhat, the total private chunk is around 60% today in our entire order book. And most of it is real-estate which will include both residential and commercial.

**Prabhat Anantaraman:** And this was 40% I believe last time we spoke, so there has been an increase purely in the orders that have come in right now, Rs. 700 crores worth of orders?

**Manoj Tulsian :** Yes, so in Q1 whatever orders we got were from the private sector only. And whereas the execution which is happening now is improved on the government side and also the infrastructure side.

**Prabhat Anantaraman:** Sir, just wanted to have on infrastructure, we had previously also spoken a couple of quarters to a year back that we are looking to increase percentage of infrastructure in the order book from the present 14% - 15% to say about 30% odd, if I am not mistaken, correct me if I am wrong there. And so now if you are again targeting such kind of an increase in infrastructure sector order, firstly, what kind of percentage of order book are we looking at where we will be current capital that we have, the capital employed, the gross block that we are comfortable, the expertise that we have that we are comfortable in executing in infra orders? And secondly, what kind of sectors are we looking at? So, we have got metro, as in completely new venture for us and are we looking at more metro orders going forward, are we again going to go back to the road EPC space, or probably tie-up with some developer who has already got a HAM project and we will lend him an exaction arm? So, if you could just throw some color on what is your guidance for this infra sector going forward?

**Manoj Tulsian:** So, Prabhat, some of your numbers are right and wrong, so let me just complete my side of the answer, and then you may counter it again. So, first is on the infra side, we have two books, one domestic and one international. So, together if we see, we are close to around 22% - 23% of the total order book. And in terms of visibility also, I think yes there is a thrust and there is a lot of visibility on the infrastructure side. So, possibly we can grow this 23% to 30% over the next 12 to 18 months. Having said that, the bread and butter remain the package on building side. And though there have been some slowdown which we have seen in the last 12 to 15 months, but we are very sure that most of the things also happened because of RERA, developers had held back many of their launches. And now that the RERA is in place, I am sure that this will again open up in next three to six months. So, if you are able to build up the infrastructure order book from around 22% - 23%, at present to around 30% in the next 18 months, it will be a good number to be in.

In terms of sector participation, metro is not at all new for us. Metro we have been doing continuously. As of now while we speak, we are still doing Delhi metro, before that we have completed a couple of projects in Bangalore metro and now we have bid for Mumbai metro. So, we are very much into that segment. And other than this, we are into flyovers, we are into water projects, we have been successfully now doing water projects for last 12 to 15 months and we look at opportunity of even growing that book. And also then in infra we have space on the international side. So, we are targeting at least 10% of our order book to continue in international for next one to two years. If we are able to build up anything better than that, that will be a bonus.

**Moderator:** Thank you. We have the next question from the line of Subramanian Yadav from Shubhkam Ventures. Please go ahead.

**Subramanian Yadav:** Sir, my question pertains to JMC again. Sir, if you can give us the guidance on equity investment in JMC road projects for next year, this year you have Rs. 60 crores, right?

- Manoj Tulsian:** Yes.
- Subramanian Yadav:** If you can guide is for next year also, how much would that be?
- Manoj Tulsian:** See, we are finding that there are too many variables which are playing right now in terms of giving this guidance, but as of now today where we stand, I see around Rs. 35 crores to Rs. 40 crores going into these road projects next year, mostly would be towards repayment of debt.
- Subramanian Yadav:** And what is the total equity invested till date in road?
- Manoj Tulsian:** It is almost close to Rs. 650 crores.
- Subramanian Yadav:** And current debt on the book, sir?
- Manoj Tulsian:** Current debt on the book is also around Rs. 670 odd crores.
- Subramanian Yadav:** Okay. And sir, what is the CAPEX for 2018 and 2019?
- Manoj Tulsian:** For 2018-2019?
- Subramanian Yadav:** Yes.
- Manoj Tulsian:** 2018-2019 CAPEX we have still not worked out.
- Subramanian Yadav:** Sir, for FY18 then?
- Manoj Tulsian:** FY18 we will be in the range of Rs. 70 crores to Rs. 80 crores.
- Subramanian Yadav:** And sir, I joined the call late so, have you given the guidance for FY18 for JMC?
- Manoj Tulsian:** FY18 guidance, yes, we have given in the opening speech, that on the top-line front we will be doing anything at 15% plus.
- Subramanian Yadav:** With that 9.5% to 10% margin, right?
- Manoj Tulsian:** Yes, in that range.
- Moderator:** Thank you. We have the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** My questions are with respect to JMC. So, first one was, I mean, if I were to look at our order backlog it seems like your private FMP accounts for almost 15% odd. Would it be possible for you to split it between into let's say residential and commercial buildings? And how do you see this split changing, I mean, going ahead? So, the idea would be to take more of commercial real-estate

because residential between there was a plunge, so do you see commercial to increase in our portfolio, which is what we have been seeing in last few years now?

**Manoj Tulsian:** I do not have the number right now, we may share it later through our IR. Our thrust in the last 12 to 18 months have been to work towards picking up more commercial orders. And we have already answered the rest of it.

**Prem Khurana:** Sure. And sir just on BOT side four SPV that we have what would be the average cost of funding in these SPVs and any refinancing efforts under way or have we been able to benefit from the rate cuts that we have seen over last one, one and half year?

**Manoj Tulsian:** Yes, which has happened and that is why in the earlier query I did mention that this entire model is variable and we have four projects and in every project we are working on a different strategy, so it is at a different level. So, somewhere we are trying to work out 5/25, somewhere right now the proposal is already there is further reduction of interest rates. So, in one of the project we went for a take-out financing. So, in every project based on the project parameters we are at different stage. So, it all depends that how it pans out and how successful we are in what we are doing which may have some impact on the numbers going forward.

**Prem Khurana:** Sure. But would it be possible for you to share the blended cost if possible?

**Manoj Tulsian:** They are all different in different projects, but I can just tell you that it is anywhere between 9.5% to 10.75%.

**Moderator:** Thank you. We have the next question from the line of Krish Kolhi from Edelweiss. Please go ahead.

**Krish Kolhi:** Sir, I have two questions basically. Firstly, what lead to the higher other income in this particular quarter, can you give us some component or some idea on it?

**Manish Mohnot:** This is for JMC, right?

**Krish Kolhi:** Yes, for JMC.

**Manoj Tulsian:** This is mainly we have got interest in one of our refund from Income Tax Department.

**Krish Kolhi:** Okay. And secondly, I must have missed the order inflow guidance for FY18.

**Manoj Tulsian:** So, FY18 we are looking at total order inflow of close to around Rs. 4,000 crores.

**Krish Kolhi:** And which segments would this be from?

**Manoj Tulsian:** Well, infrastructure would be around Rs. 1,000 crores to Rs. 1,500 crores and rest would be from F&B sector.



- Moderator:** Thank you. We have the next question from the line of Bharat Seth from Quest Investment. Please go ahead.
- Bharat Seth:** Sir, sorry for repeating, this RERA to GST, overall see like in past a lot of money was stuck because of late refund and all, so how do we see for JMC as well as for Kalpataru, over and over for longer period GST impact?
- Manish Mohnot:** Bharat, this is going to be very good for the industry. Although, in the temporary three to six months you seek some money getting blocked because of either working capital or returns filing or matching of projects, all of that. But in the long run it is a great initiative; it will help all the contracting companies.
- Bharat Seth:** Okay. And some benefit will be on working capital or even EBITDA side also we can have?
- Manish Mohnot:** You will not have absolute benefit, because in our business, majority of this is a pass through. But even as EBITDA percentage benefits coming through because your revenue would slightly reduce because of ED and VAT, earlier these used to be considered as part of revenue, but now in GST whatever contracts inclusive GST would not be considered as revenue.
- Bharat Seth:** And same is for JMC also?
- Manish Mohnot:** Yes.
- Moderator:** Thank you. We have the next question from the line of Charanjeet Singh from B&K Securities. Please go ahead.
- Charanjeet Singh:** Sir, if you can just give us an update on the Indore real-estate project, and how do you see going forward the sale in that particular project?
- Manish Mohnot:** So, as far as the real-estate business is concerned, I think Thana, as we have earlier explained, 50% is lease and 50% is already sold out. If you ask regarding Thana in the next six to nine months, it might happen in the current year itself. As far as Indore is concerned, we are on track on construction, although we have not seen much traction coming on sales and now we believe that post the building comes to a particular level you should see sales coming in. So, as we projected earlier, sales to come in the next year only.
- Charanjeet Singh:** So, from FY19 only we should see the sales coming in the Indore project?
- Manish Mohnot:** Yes.
- Charanjeet Singh:** So, if you can also give us an update on the transmission, BOT assets, because we are expected to put in Rs. 50 crores equity during this fiscal year or just if you can elaborate on that?

**Manish Mohnot:** We are investing closer to Rs. 150 crores in the current year on BOT and we have similar commitment of Rs. 100 crores Rs. 150 crores for the next year also.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Ms. Bhoomika Nair for closing comments. Thank you and over to you, ma'am.

**Bhoomika Nair:** I would like to thank everyone for being on the call, particularly the management for taking time out. Thank you very much, sir.

**Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of IDFC Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.