



JMC Projects (India) Limited  
a Kalpataru Group Enterprise

## “Kalpataru Power and JMC Projects Q4 Financial Year 2015 Results Conference Call”

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**ANALYST:**

**BHOOMIKA NAIR – IDFC SECURITIES LTD**

**MANAGEMENT:**

**MR. MANISH MOHNOT – MANAGING DIRECTOR–  
KALPATARU POWER**

**MR. KAMAL JAIN – DIRECTOR (FINANCE) - KALPATARU  
POWER**

**MR. MANOJ TULSIAN– DIRECTOR (FINANCE) – JMC  
PROJECTS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Kalpataru Power and JMC Projects Q4 FY 2015 Earning Conference Call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Bhoomika Nair of IDFC Securities. Thank you and over to you Madam!

**Bhoomika Nair:** Thanks Karuna. Good morning everyone. Welcome to Kalpataru Power and JMC Project on this call. The management today is being represented by Mr. Manish Mohnot, Managing Director, Mr. Kamal Jain, Director (Finance), JMC project management is being represented by Mr. Manoj Tulsian, Director (Finance). I now hand over the call to Mr. Manish Mohnot for their initial remarks post which we will open our floor for Q&A. Over to you Sir!

**Manish Mohnot:** Thank you, Bhoomika. Good morning to everyone. We have declared our financial year 2015 results and also quarter 2014 results of both KPTL and JMC and I am sure the copy of results, press release and presentations have already been sent to you and also uploaded on a website.

Before proceeding for the session, I would just like to take you through the key highlights of the result and recent developments. In the last quarter we have missed our estimates in ordering flows and also revenues due to extended timelines of project awarding activities in a lot of projects in which we have favorably placed especially in the international business.

In the last quarter, some positives came from the infra business which the contribution started being positive instead of being negative and considering good execution the new order received recently and healthy order pipeline, we expect good momentum from the entire infrastructure segment going forward.

Our historical projects where we had losses coming from a few segments are nearly getting over and we believe that by the end of Q1, we should be out of all the projects which will loss making. On the margins front, we continue to meet our expectations to be in the range of 10% even after absorbing losses of some of our new divisions for the last few years.

From order book perspective including L1 orders of over Rs. 2500 Crores we have visibility of orders of closer to Rs.7500 crores. Our actual order in hand as on March 31, 2015 is in the range of Rs.5200 Crores excluding the L1 orders. We expect most of these L1 orders to materialize in Q1 and I think the team is working hard to make sure that this happens at the earliest.

Given the current visibility in order book, we believe that we would have much better order inflow in the current year as compared to the previous year. The previous year was one-off year as far as order book is concerned. In the last quarter, we achieved COD of our second TL BOOT project in MP in a

record time of 16 months and to enhance this portfolio we are looking at bidding more in this project with the reasonable return and along with some partners primarily from a financial perspective. In JMC as per the strategy of consolidation, margins are improving with some decline in revenues. We have achieved operating margin of 8% plus in the last quarter and 6.8% in the previous year, which is an improvement of closer to 200-basis points over the previous financial year. Our targets would be to improve these margins by at least 100 to 200-basis points in the current year with topline growth which would still be limited with 10% levels.

JMC has received record order inflow of over Rs.3100 Crores in the last fiscal mainly on the residential and commercial projects and southern part of the country and the northern part of the country besides a few prestigious government contract. One of the major achievements has been commencement of all our road BOT projects in the previous year except the last project which is Reva MP, all are operating on full length and full toll basis.

Even for Reva project, we are expecting to receive the financial COD by the end of the second quarter of this year. On a portfolio basis, we are achieving 85% to 90% of a toll revenue estimates despite only first few months of operation on most of our projects. Considering very visible factors like achieving full COD, streamlining of operations and improvement in economy we expect realizations to improve significantly on all the BOT projects going forward in 2015-2016 and 2016-2017.

As most of you are aware, we have filed DRHP of our subsidiary Shree Shubham Logistics with SEBI. In addition to the numbers provided in press release and presentation we cannot discuss anything further at this juncture due to regulatory constraints. My request is to bear with us on this matter. As and when on obtaining regulatory clearances, we will be happy to discuss in length about that business vertical or whatever related to fund raising related to that business. With this update and request, I would like to open the floor for Q&A session.

**Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Kunal Seth from Prabhudas Lilladher. Please go ahead.

**Kunal Seth:** Good morning Sir. I had two questions. First is that what is our guidance in terms of what are we looking at in terms of FY2016 how the year is looking in terms of execution and margins? Secondly Sir, you highlighted that FY2016 is going to be much better year in terms of order inflow, so if you can give more colour in terms of where exactly are you targeting this orders from would it be more domestic, international?

**Manish Mohnot:** Kunal, our guidance as far as topline growth as of today continues to be in the range of 10% to 15%. We believe that we will have a lot of clarity over the next few months when a lot of our L1 orders get converted to assured orders. Right now, we are limiting our guidance to 10% to 15% and on the margin front we believe we will be in the range of 10% plus, because the current orders do not have any loss making orders which we had in the past, so as a company level I think it should be easily in the range of 10% plus inching more towards the 10% to 11% range and not range below 10. On the

order book front, there two things, which give us a confidence, one is L1 orders which itself is more than Rs.2500 Crores and second is specific segments whether it is international, whether it is railways, whether it is pipeline where we are seeing a lot of tenders coming through in the last two to three months. Also in the few years, we have built a prequalification and majority of the segments where we are diversified few years ago including railways and our ability to bid for some of the large orders there has improved significantly. Given that I think we believe that on the order book front, we should do much better as compared to the last few years in terms of winning absolute new orders for the year.

**Kunal Seth:** If you can also give some sense in terms of how is the capex from SEB shaping up and are we seeing some traction or we are still some bit away from that?

**Manish Mohnot:** We have started seeing some traction from selective SEBs that I would not see that we have seen traction from all SEBs across the country, but there continued to be this five to six SEBs where we are seeing some traction and that is a very decent traction in terms of improvement in order book. We personally believe that we should get significant amount of orders from SEBs in the current year.

**Kunal Seth:** Would you like to name the SEBs where we are seeing traction?

**Manish Mohnot:** I think it is typically some of western SEBs and southern which is more focussed on the western and southern SEBs. I would like to avoid naming them, but it is more focussed on the western and southern SEBs.

**Kunal Seth:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Yash Ved from India Infoline. Please go ahead.

**Yash Ved:** Good morning. What is the outlook for the coming year in terms of order book?

**Manish Mohnot:** Our internal targets of orders winning as far as KPTL standalone is concerned in excess of Rs.5500 to Rs.6000 Crores. JMC would have the same target of Rs.3000 to Rs.3500 Crores, on a consolidated basis our target book for the year in excess of in the range of Rs.10,000 Crores.

**Yash Ved:** What is the current debt?

**Manish Mohnot:** On a standalone basis, we are in the range of Rs.900 Crores as far as KPTL is concerned, .On a consolidated basis, we have more in the range of Rs.3500 plus Crores.

**Yash Ved:** Thank you.

**Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

- Kishan Gupta:** Good morning. Want to understand what would drive margins in JMC in this year you said the margin will go up?
- Manish Mohnot:** There are a couple of things which has changed in JMC over the last few years. So last few years, we had a few projects in a few sectors where we are bleeding a lot. One of the projects has got over and second of them is getting over the next three to six months. Besides that the entire order book, which we have built over the last 12 months is the order book was very reasonably decent profitability. So given that historical order books are getting over and profitability for the new order is good. We are confident that on a margin basis, we should do well. It is already visible in quarter four if you look at our operating margins they are much better than what we did in quarter three. We believe that should continue for the entire year going forward.
- Kishan Gupta:** Do they have price escalation clauses as well?
- Manish Mohnot:** More than 90% of our JMC order book as price escalation inbuilt in some form or the other. So that will be somewhere basically you have material supplied by clients, so we do not need to worry in price escalation somewhere where they will have basic price, so we need to worry and somewhere price escalation formulas. So on more than 90% of our order book, we are protected on price escalation to a great extent.
- Kishan Gupta:** What is the target margin for this year?
- Manish Mohnot:** At operating levels?
- Kishan Gupta:** Yes.
- Manish Mohnot:** At operating levels, I think we should be in the range of 8% for the current year.
- Kishan Gupta:** It was 6?
- Manish Mohnot:** 6.8% for the previous year.
- Kishan Gupta:** 8% is the target for this year right?
- Manish Mohnot:** Yes, 8% is the target for the current year.
- Kishan Gupta:** If I see others segment revenues, under others I see the revenues have declined. You said a lot of BOOT projects have gone on stream this started tolling this year. So can you explain that anomaly?
- Manish Mohnot:** I think I will just give it in a minute.
- Manoj Tulsian:** Can you repeat because it has not declined, if you see in the consolidated numbers.

- Kishan Gupta:** It is 432 versus 491 in 2014.
- Manoj Tulsian:** Which number are you referring to?
- Kishan Gupta:** Under segment revenue.
- Manoj Tulsian:** Segment revenue, then you are talking at the consolidated level, these are all KPTL level right?
- Kishan Gupta:** Yes.
- Manoj Tulsian:** That also includes something from KPTL project, but as far as the BOOT project is only concerned. BOOT project in the consol JMC has done our toll revenue of Rs.64 Crores, which in the previous year was only in the range of around Rs.22, Rs.24 Crores.
- Kishan Gupta:** How would you explain that fall I mean overall?
- Manoj Tulsian:** Not a fall, there is an increase.
- Kishan Gupta:** No, I am talking about the overall 432 versus 491?
- Manoj Tulsian:** Okay, so I think KPTL consolidation also we have proceeded.
- Manish Mohnot:** I think we can explain this slightly more in detail on a separate call, but I think this is just come because of decrease in maybe some other income coming from dividend interest income all the fact given some one significant amount has been reduction in loan given to one of our sister concerns which we paid them previous year and because of that interest income has come down. Otherwise there is not anything except interest income coming down and everything else should be similar and we will try and give you provide more details on this particular aspect later.
- Kishan Gupta:** How would you explain the sharp increase in receivables at consolidated level this time?
- Manish Mohnot:** I think it is driven by the industry nature. We had a few clients where and some big clients for the last quarter our receivable increased significantly, some of our biggest clients in February, March did not pay as a kind of receivables we expected to recover from them that has come back in the last few months, but that has been a kind of our industry trend across transmission primarily. As per JMC is concerned it has been in the similar levels. There has not been a significant increase.
- Kishan Gupta:** So all because of KPTL standalone?
- Manish Mohnot:** Significant amount of receivables have increased there.
- Kishan Gupta:** Thanks.

- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Markets. Please go ahead.
- Amber Singhania:** Thank you for taking my question. A couple of questions from the standalone side. On the segment revenue standalone, we have seen transmission distribution going down by around 14% YOY in this quarter and also the margin has come down, EBIT margin have come down by 126-basis point YOY, so what was the major reason for this, because generally Q4 is much better compared to other quarters also and YOY it has come down?
- Manish Mohnot:** For us the biggest reason has been our depleting order book in the previous year. L1 there were a lot of orders for the last closer to four, five months and we believe all of that should get closed this quarter, so the biggest reason has been one reduced order book and because of that our priority was to make sure that we deliver whatever we have in hand and that has impacted both margins as well as topline, because effectively spread, but we should not reach the kind of revenue levels then productivity suffers. It is primarily driven from the reduced order book which we have for the last three to six months.
- Amber Singhania:** Similar impact we can expect in Q1 also in that regard?
- Manish Mohnot:** As compared to the previous year quarter one you might see some degrowth not necessarily significant, but margins will not be able to because historical project have got over at a larger KPTL levels, so margins you might not see a degrowth, but revenue yes, you would not see a big growth coming in Q1.
- Amber Singhania:** On KPTL order book, we do not have any legacy project now on the infrastructure which used to have earlier?
- Manish Mohnot:** Loss making projects are nearly over but except for one project which should take may be the next three to four months, otherwise loss making projects are nearly over.
- Amber Singhania:** How will be that project which is pending?
- Manish Mohnot:** It is not very significant.
- Amber Singhania:** Secondly the standalone debt has gone up to Rs.971 Crores versus Rs.785 Crores last year and Rs.799 Crores in Q3 whereas in Q3 you mentioned that more or less we had at the peak debt level, so what was the major reason and how do we see debt going forward in this standalone entity?
- Manish Mohnot:** There are two basic reasons. One of them was couple of big clients as I mentioned where we are expecting a receivables to be realized in quarter four does not happen while we have been trying, but that has been the problem for the industry in large. Second is more and more new projects are coming with higher retention so while we load the interest income in our tendering, but there are significant

projects coming with higher retention and that is something which industry as a whole will need to be cautious about. So given that debt levels are something which we really need to monitor and this is the levels which we believe, we will continue going in the future also.

**Amber Singhania:** Secondly on your real estate part both Indore as well as Thane like there has been couple of quarters we have been looking to launch the projects in Indore and Thane is also 15% leased out level. What is the actual problem coming in, in terms of launching the Indore project and higher lease or sale out in the Thane project and when do we see that happening on the real estate?

**Manish Mohnot:** We have been given to understand from the entire team which is working on this projects that this Indore project should be launched out in the next three to four months. We have got all the approvals. Our sample flat is getting ready soon. The market assessment is already done. Construction has already begun. So we believe Indore should get launched definitely in the next three to four months. As far as Thane is concerned, we continued to look out at options of both leasing and selling it out and this is continued drive to make sure that happens we are just chasing opportunity as in when everything realizes, we will come back to all of you.

**Amber Singhania:** Coming to the road BOT side, just couple of things I wanted to understand. What is the total toll per day we are collecting right now and what could be the break even level in terms of per day toll on all these four projects combining together?

**Manish Mohnot:** May I request Manoj to answer this question Manoj.

**Manoj Tulsian:** On a daily basis, now we are collecting our share of toll which is closed to around Rs.45 lakhs and break even level would be somewhere around Rs.55 to Rs.58 lakhs.

**Amber Singhania:** By next year we can expect breaking even in all these four?

**Manoj Tulsian:** It depends on how the traffic grows. We all know that we are all talking about the economy getting picked up in the next six months, 12 months, 18 months and there are four different stretches. So we are very hopeful that things will happen, it is only a matter of time whether it is next three months or next nine months.

**Amber Singhania:** All investment has been done already and what is the debt and equity level in this fourth BOT which has been done so far?

**Manoj Tulsian:** All investments still not done, because the fourth project is still under construction part of it, because that is where we are operating right now on provisional tolling. So we have still around another Rs.40 Crores to invest in that on the equity front and other than that all the equity front investment has been done.



- Amber Singhania:** Could you give the numbers, breakup on total debt on this fourth project and total equity invested so far?
- Manoj Tulsian:** Total debt on these four projects would be somewhere around Rs.1400 Crores power share and the total equity as of March is Rs.480 Crores.
- Amber Singhania:** Apart from Rs.40 Crores do we see anymore funding require from JMC side in terms of funding a lot?
- Manoj Tulsian:** This year yes, because since they are still not meeting all the targets, so this year for sure yes we will be looking at some more funding to the BOT project.
- Amber Singhania:** What could be that tune Sir roughly?
- Manoj Tulsian:** We are looking at another Rs.30 to 40 Crores including some repayment obligation also which is there.
- Amber Singhania:** Last question, if I can squeeze in, how do we see JMC standalone debt, which is currently high going forward? Is it because of the road BOT projects also is there and is it going to reduce because of that going forward as it is operational, some colour on the overall debt profile of the JMC standalone as well as consolidated basis?
- Manoj Tulsian:** On the standalone basis this year yes our debts have gone up and we were also waiting for all our toll projects to get completed, executed and go live on tolling. Now that by maybe Q2 end we will have all our four projects running on toll. We will have a fair estimation of where they are going and what type of funding they may require, they may not require based on that we may look at some of the options like either the SPV level funding which may straightaway help the JMC borrowings to come down at the same time internal accruals how they improve during the year and if needed maybe at some equity raising options but that will all depend on between three to six months of time from now. So we will be keeping on all watch on how the traffic grows and everything in the three to six months period and then accordingly we will have various options open for ourselves evaluate and go with the best action in the interest of everybody.
- Amber Singhania:** How much of the standalone debt is because of the subsidiary?
- Manoj Tulsian:** Well it is difficult to say that way because we have total investments as on date in subsidiary as I just mentioned around Rs 480 Crores and if you see the total debt position today we are at around Rs 680 Crores and our networth is around Rs 450 Crores so it is really that way difficult but yes we have a long-term loan which is close to around Rs 300 Crores which majorly had gone into the BOT projects.

- Amber Singhania:** This is roughly Rs 300 Crores is because of the debt and Rs 150 odd Crores we have put in from our own money on the JMC?
- Manoj Tulsian:** Well you can know just the ballpark number to put an assessment it is not the real guiding factor but just to put some assessment.
- Amber Singhania:** Sir just one last question, if I can squeeze in on the working capital of JMC. I have seen networking capital going up from 52 days to 92 days in compared to 2014 to 2015, why is it so and what is the way forward in that?
- Manoj Tulsian:** The way we look at our working capital it has not gone up substantially like that so I am not very sure because there are different ways of looking at the working capital. One reason also during the year has been that we did not receive much orders in the first two quarters because of which there was a depletion in the mobilization advance and some of them we got in the fourth quarter itself but overall still our mobilization advance repeated by around Rs 85 to 90 Crores during the year that was one reason for which it has gone up and other than that there were certain receivables which we were expecting and targeting in the month of March which got delayed and we received it only around end of April.
- Amber Singhania:** But there are no sticky receivables or there is nothing which maybe written of later on as such?
- Manoj Tulsian:** No real worries.
- Amber Singhania:** Sir I have come of more questions. I will come back to the queue on that.
- Moderator:** Thank you. Next question is from the line of Madan Gopal from Sundaram Mutual fund. Please go ahead.
- Madan Gopal:** Good morning Sir. Sir this question is on the margin front on the standalone while I am happy that you have brought down your loss numbers in the other segment than the transmission the margin in the transmission business itself has come down year-on-year basis so whatever the gain you made on the infrastructure side seems to have lost in the transmission side how do we see moving forward next year?
- Manish Mohnot:** Couple of points there, I think in order book front we are confident of a margin which is in the excess of 10% whatever we have today. Last few quarters we have had challenges as I explained earlier coming out of lower productivity at a plant level because of our reduced order book and then similar delivery because your fixed cost to a great extent are similar and also we are increased interest cost in a totality basis so if you ask me I think our target would still continue to be in the range of 10% plus but this one offs have happened primarily be driven by a lower order book visibility for the next in the previous two quarters.

- Madan Gopal:** Your order book is sharply down year-on-year basis right now and you have a good healthy L1 number I agree, but your guidance of 10% is considering the L1 or you were looking at a growth even on the existing order book?
- Manish Mohnot:** I think as I mentioned earlier the guidance's looking at the L1 and also as I said earlier that at the end of Q1 by which we will have a lot of clarity on the orders which we are going to win in the next 30 to 60 days, so even the current order book we believe it should be 10% to 15% but we are going to revisit that in July for sure.
- Madan Gopal:** Sir the pipeline seems to be similar like it is not like the sector is seeing some sort of an upswing in terms of pipeline in Q1 but we are trying to get as much orders as possible. Are we doing at the cost of margin or you are comfortable in looking at the same level of margins in the new orders?
- Manish Mohnot:** I think our focus as historically continuous to be making sure that we look at profitable growth, if you look at the history of KPTL for the last five, six, seven years it has always been focused more on profitable growth instead of just topline growth so I think we will continue our focus on profitable growth and we are still focused on projects where we can at least on an average basis achieve whatever is our targeted margins.
- Madan Gopal:** Just last question the debt levels have come down from the Rs 930 Crores sort of levels or it is still remaining there?
- Manish Mohnot:** It would have reduced not significantly but may be Rs 30 to 40 Crores, not significantly because lot of advances on new orders are yet to come in so it would not have reduced significantly but yes to the extent of Rs 30 – 40 Crores definitely it is reduced in the last two months.
- Madan Gopal:** Thank you so much and wish you best of luck.
- Moderator:** Thank you. Next question is from the line of Sanjeev Kumar Panda from Sharekhan. Please go ahead.
- Sanjeev Kumar Panda:** Good morning Sir. The revenue decline in T&D would you believe that this is as it looking in terms of execution problem or any projects that we are facing hence it is primarily because of the depletion of the order book and related to that the receivable number that has gone up we have been observed is it because of the declining order book we put a faster execution and because of that the receivables are relatively delaying?
- Manish Mohnot:** To be very frank on both the questions, I do not think it has got anything to do with the execution issues. Q4 typically is the best quarter for execution. So I do not think it has got anything to do with the execution issues, and similarly on the receivable front as I said earlier there is a few big clients without naming them where we have had some delays in the last quarter on realizing the receivables and which had come through in April May it has got nothing to do with delayed project execution or any of our projects.

- Sanjeev Kumar Panda:** Thank you Sir. That is it from my side. I will come back in case if I have any questions.
- Moderator:** Thank you. Next question is from the line of Parth Mehta from M Capital Group. Please go ahead.
- Parth Mehta:** My questions have been answered. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Chinmay Gandre from Dalal & Broacha Stock Broking. Please go ahead.
- Chinmay Gandre:** Good morning Sir. Sir our L1 orders we have been carrying these kind of orders even in last quarter they were around the similar number, so just wanted to understand any issues with them or anything specific that you want to comment that we have not been able to back these orders but that which we have not been able to convert into orders?
- Manish Mohnot:** To be very frank, yes there has been some concerns because some orders which have got delayed by four to five months after being L1. We are continuously monitoring and are in touch with the client. I personally believe that barring maybe 100, 200 Crores where we might have some issues balance should get converted in the next six to eight weeks for sure, I think the focus of the organization right now is to make sure that we convert to get the earliest and get back onto the growth mode.
- Chinmay Gandre:** Which are these orders, are these international orders?
- Manish Mohnot:** The L1 order is a mix of both domestic and international including some infrastructure. I think international is more than 50% of it and the domestic which includes railways, pipeline and T&D, most of the concerns we have around a few international orders and which we are trying to get clarity at the earliest.
- Chinmay Gandre:** Internationally is it because of any geopolitical, or if it is in Middle East because of the crude prices are falling down, has that got anything to do the delay of orders?
- Manish Mohnot:** I do not think, it has got to do with that. It has got to do with some change in plans of clients in terms of whether they need line from point X to Y or Y to Z something like that we are still in touch with the clients. I do not think it has got any linkage to the economical drivers of the Middle East.
- Chinmay Gandre:** It could be primarily because of the change in scope of and coming of that sort?
- Manish Mohnot:** Which also we believe it should get sorted out but we are trying our level best to get clarity either way in the next four to six weeks we do have clarity either way.
- Chinmay Gandre:** Sir regarding your JMC borrowings what is the target borrowings that we are having for FY 2016 end?

- Manoj Tulsian:** See JMC borrowings we are looking at on as is basis we are looking at maybe it will go up by around 40 to 45 Crores by the year end.
- Chinmay Gandre:** So that would be for the equity contribution?
- Manoj Tulsian:** Well yes I think majorly that may go towards equity contribution.
- Chinmay Gandre:** Sir and you also mentioned to support the project you would need 30 to 40 Crores. So this is in addition to the 40 Crores of equity investment right.
- Manoj Tulsian:** Yes.
- Chinmay Gandre:** Thanks.
- Moderator:** Thank you. Next question is from the line of Deepak Poddar from Spark Capital. Please go ahead.
- Deepak Poddar:** Thank you very much Sir. Sir on this debt part at the JMC level so is it fair to assume that by FY 2016 it would have peaked out like additional Rs 40 – 50 Crores that you said from maybe Rs 2100 Crores I think about what we have at the consolidated level?
- Manoj Tulsian:** Yes I think that will be a fairly reasonable assumption.
- Deepak Poddar:** Second that do we have any plans to cash-out from any of our BOT projects?
- Manoj Tulsian:** No as of yet we have not discussed anything per se our first challenge was to complete the execution on-time or before time and I think as an organization we did a reasonable job in completing all our projects before time and now of course for us it is a long-term project so we are looking at the revenue stream and anything which comes in future you all will come to know.
- Deepak Poddar:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Good morning Sir. Sir one question only on Kalpataru standalone although our borrowing has gone up but cost interest amount has come down so any restructuring that we have done in borrowing or so cost of borrowing has gone down?
- Manish Mohnot:** No I think if you look at the interest amount it also includes the FX MTM kind of losses, which we incurred or losses or gains in the previous year we had significant losses which were built in there and so when you look at in totality it is look like it is being similar but the differential impact of that for the year as a whole is an excess of Rs 10 Crores.

- Bharat Sheth:** Sir on JMC on infra side there were order book has come down significantly which was around say now currently around Rs 550 plus so how much is though in legacy order that we have where till we have some kind of bleeding or may be a low margin?
- Manoj Tulsian:** We have still around Rs 175 Crores of order which is on a lower margin
- Bharat Sheth:** Second thing, we had got one order from Ethiopia so how that order is moving and earlier we were thinking totally and borrowing in international markets or can you elaborate little more?
- Manoj Tulsian:** So as a strategy we discussed earlier that based on the success of KPTL and also the guidance and experience of KPTL we are also venturing in the certain countries, territories where KPTL has succeeded in the past. Ethiopia was the first such country where we got success after doing a reasonable hard work for one, one and a half year. The project so far looks good. Our experience has been good and we are now actively pursuing a few more projects in that territory.
- Bharat Sheth:** Sir can you elaborate of how much of out of that we are getting from government side and Manish Ji mentioned about some prestigious project so can you explain it?
- Manoj Tulsian:** We got a few good projects, prestigious projects from government. One, we got a Supreme Court project this year, which is an extension of the existing Supreme Court and it is large project almost around Rs 500 Crores. We also got another two projects in fact one which we delivered during the year which was a conventional center in the Presidential House and based on our quality of work and our timeliness and everything we were awarded another work after that for constructing a museum. So these are very prestigious so to say.
- Bharat Sheth:** Going ahead and how do we have outlook on this government side order book?
- Manoj Tulsian:** Well we of course are looking at a healthy mix of both government and private and the same will continue.
- Bharat Sheth:** Profitability wise both are at par?
- Manoj Tulsian:** See government for sure is clearly L1 basis but yes we have our own internal targets prices below which we are now not willing to bid and we are very conscious about that so you would assume that if the project does not get delayed unnecessarily the margin level should be similar.
- Bharat Sheth:** How is the pipeline for that?
- Manoj Tulsian:** It is very strong.
- Bharat Sheth:** Sir infra side we have how things are moving for JMC?

- Manoj Tulsian:** As we said on the international side now we are aggressively looking at participation because our first endeavor in Ethiopia looks good and on the domestic side we are looking at projects on the infra projects like on the flyover or bridges and also on the water works.
- Bharat Sheth:** Just last question for Manish Ji. Since in transmission government is giving some kind of priority in giving on nomination basis order to PGCIL where work completion has to be done on the faster basis as well as they are talking on north-east front as well as J&K side so how we are placed for those kind of a project?
- Manish Mohnot:** We are focused on some of these regions. We have also set up dedicated teams wherever believe we are ready to take the risk and we believe we can executive so we have also get up in the last nine to twelve months to focus on this part of India to both Jammu & Kashmir as well as North East and hopefully you should see some traction coming on it maybe in the next three to six months.
- Bharat Sheth:** How is that competition on those areas?
- Manish Mohnot:** Those areas are all about managing risk and your ability to executive. I think it is going to be very different depending on every competitor's perspective on which part of that area he would like to focus and he can deliver.
- Bharat Sheth:** Based on your past experience normally?
- Manish Mohnot:** The competition could be very different depending on tender-to-tender, price of the tender, where is it, is it covering one state versus two states, what is the delivery schedule, is it an urgent line, it is going to very different on every tender.
- Bharat Sheth:** How big is the size that you look forward overall?
- Manish Mohnot:** In the North East segment there would be tenders in the range of Rs 15,000 to Rs 20,000 Crores being awarded by PGCIL in the next 12 to 18 months.
- Bharat Sheth:** Thank you.
- Moderator:** Thank you. Next question is from the line of Kunal Seth from Prabhudas Lilladher. Please go ahead.
- Kunal Seth:** Sir just a follow up just wanted to clarify we are saying that in infrastructure segment our legacy orders will more or less get completed by Q1 right?
- Manish Mohnot:** Yes.
- Kunal Seth:** So are we expecting breakeven for infra in FY 2016 or there might be some other glitches to that?

- Manish Mohnot:** It think we are expecting breakeven and at EBIT level we are expecting profits also and on totality basis we have targeting breakeven but at EBIT level obviously there will be profitability.
- Kunal Seth:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good morning Sir. Sir my first question was on this Green corridor which is being bid out on the PGCIL right now. My sense is that a decent pipeline for interstate of about Rs 20,000 Crores is there of which how much would be the opportunity element for transmission lines for yourself?
- Manish Mohnot:** Typically the percentage of transmission lines on the totality PGCIL has been in the range of 45% to 55% depending upon what kind of orders they are taking. I am saying we should assume that out of that Rs 20,000 Crores anywhere between 9000 and 11000 Crores could be the focus from a transmission perspective.
- Aditya Mongia:** Sir if I essentially add up this opportunity with essentially projects given by Ministry of Power to both PEC, REC, PGCIL in the first one year or so I come to a very reasonable kind of numbers for overall transmission and activity which can happen over the next two years against that the orders inflows which we are targeting kind of appear to be slightly conservative, would you kind of agree with that or you think that you would be only focusing on certain segments of orders which are there as of now?
- Manish Mohnot:** The challenge is to make sure that whatever is on plans get materialized there is always a time gap difference on that that. So as we are concerned we will going to be focused on every tender which comes from PGCIL right from a perspective of wining and delivering it but the challenge is whether the timings is going to come in the next three months, six months, how much time will it take from the time of tendering to the time that gets awarded from all perspectives. I am saying last few years we have not seen a lot of tenders a lot of orders being placed by the central as well as state utilities in the country so given that we just want to be realistic not being aggressive on this front but yes if there opportunities we will go ahead and make sure that we build our order book.
- Aditya Mongia:** Sir the other question was on the infra segments firstly could you repeat the number for the legacy order which are left and also kind of focus slightly more than which all segments at an infra not going so well for you and then what is the plan going forward of whether you would continue to be in those segments or not?
- Manish Mohnot:** Almost all the old projects which we had loss making except one has got closed. The one which we have should get closed in the first two quarters of the year personally believe should get closed by September that is not significant in terms of revenue but it has challenges in terms of margin. Our current order book on infra which includes both pipeline and railways is in the range of Rs 800 Crores



and we have good visibility of L1 orders in the range of Rs 600 Crores plus which we believe should get materialized in the next few months. All these orders have better margin that what we have been passed and also that the team is built and we have learned from the hard way of delivering and the kind of challenges in these projects, we believe that on this new order book we will have a reasonably better margins compared to what we saw in the past.

**Aditya Mongia:** So you would be focusing on all these subsegment within infra and hopefully we would now come at better margins in both the segments. There are no segments which will kind of exit?

**Manish Mohnot:** No there are only two of them oil & gas pipelines and railway, both of them provide a lot of opportunities in the short-run and long-run not only domestically but also internationally if everything goes well we should be taking them internationally also in the next few years.

**Aditya Mongia:** Sir last question on the BOT side what has been the typical traffic growth which we were seeing right now for your project?

**Manoj Tulsian:** See out of the four projects only there is one project which is now seen around 12 to 15 months. Rest all the projects have just gone live in Q4 and so it is too early to comment on that. Yes the one project which is there for around 15 months we have seen a growth of around 5% to 6% on the traffic side.

**Aditya Mongia:** Thank you Sir.

**Moderator:** Thank you. Next question is from the line of Amber Singhania from Asian Markets. Please go ahead.

**Amber Singhania:** Just couple of things on the T&D side we had seen a lot of BOT project was planned almost 12 in terms of number of BOT projects. How is the bidding of those projects is going through and how many has been already bid out? Have we bid for anyone of that for those projects how is the scenario on that part?

**Manish Mohnot:** I think on the technical perspective, we have submitted RFQ for some projects. Commercial bids have not been submitted for any projects in the last three to four months. There was projects we submitted last year November, December have all got opened and different people have won that. We at KPTL have not won any of those projects.

**Amber Singhania:** Sir who would be the other people who have got it what was the major reason?

**Manish Mohnot:** The combination of a few private sector players and PGCIL. I would not have the exact details but if you get onto the website you will be able to get those details.

**Amber Singhania:** What is the outlook in the further bidding which can coming in the next quarter two quarter whatever you think?

- Manish Mohnot:** The bids were closer to 12 to 13 RFQs which might be totaling to Rs 15,000 Crores plus which have technically got evaluated, some of them have got evaluated and players have been shortlisted so I expect that in the next few quarters at least this tender should get opened and who is the preferred bidder would be declared by REC-PFC.
- Amar Singhania:** Second Sir as you given outlook about the domestic pipeline on T&D more from the PGCIL perspective if you can throw some light on the international side how thing are looking and which geographies are looking better or any major projects if you can throw some light on that?
- Manish Mohnot:** In the international front we continue to focus on the key segments being African the entire African belt the CIS zone and Middle East with limited opportunities coming from South East Asia and US also. We have presence now in closer to 40 countries in terms of old projects all new projects and we continue to increase that. Our team size had increased by more than 20% of the last one year on the international segment and will continue to focus on transmission projects in the international segment in countries where we exist and new countries.
- Amber Singhania:** Any target you are keeping for the international order inflow for this year Sir?
- Manish Mohnot:** Our current order book is 55% international, 45% domestic as far as Kalpataru Power is concerned and given the visibility of L1 I think this might go towards 60-40 in the next year or so.
- Amber Singhania:** 60% towards the international?
- Manish Mohnot:** Yes.
- Amber Singhania:** Just one book keeping question on the JMC side the difference between standard and consolidated is almost Rs 70 Crores of revenue that is entirely because of the toll collection on the road BOT?
- Manoj Tulsian:** Yes, out of that 64 Crores is on account of toll collection, and a 5 Crores is another utility item which was a back-to-back item so it is all related to BOT only.
- Amber Singhania:** Given only one quarter of operation is it fair to assume that we might be able to clock in around Rs 250 odd Crores of revenue from the toll collection in the full year basis.
- Manoj Tulsian:** No, see one major project the largest project has been operating for the whole year and in two projects have started tolling almost from January so there only there is one quarter of revenue and the fourth one has done for around six to eight months.
- Amber Singhania:** Could you give some breakup sir how much was the full year revenue for that?
- Manoj Tulsian:** The full year revenue if you want to get an indicative number it should be close to around 150 to 160 Crores for the coming years.

- Amber Singhania:** No out of the 64 Crores the largest Rohtak Bawal which is operational for full year how much have come from that project?
- Manoj Tulsian:** I think we do not have individual data we would not be liking to share at this point of time but I can give you the view for entire year so in the coming year for your understanding all four together should clock around 150 to 160 Crores of toll revenue.
- Amber Singhania:** Sir just on the back of envelope calculation with this 160 Crores of revenue collection we would be having roughly 140 odd Crores of interest payment on that plus depreciation will clock in would it be fair to assume that we will be having losses from this project to the tune of 100 to 150 Crores?
- Manoj Tulsian:** No, see the major cost is interest itself, rest are some O&M cost and maybe some amount of premium so at the cash basis what we said around 30 to 35 Crores of loss visibility would be there.
- Amber Singhania:** On a cash basis.
- Manoj Tulsian:** Yes.
- Amber Singhania:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Divyata Dalal from Systematix Shares & Stocks (I) Limited. Please go ahead.
- Divyata Dalal:** Good afternoon Sir. I just wanted to have some view on the order inflow outlook of the JMC projects this particular year we backed around Rs 3150 Crores worth of orders so what would be the outlook for FY 2016?
- Manoj Tulsian:** We are again looking at anything between Rs 3,000 and 3,500 Crores of order book.
- Divyata Dalal:** Apart from building & factories which are the segments would drive these order inflow?
- Manoj Tulsian:** Infrastructure.
- Divyata Dalal:** Infra would mainly the roads.
- Manoj Tulsian:** It should be international and on domestic it can be flyovers, bridges and water projects, pipeline projects.
- Divyata Dalal:** In terms of your guidance for revenue growth since this particular year was a bit muted how do you see it for picking up in FY16 this such good order inflow and order book position?
- Manoj Tulsian:** We are surely looking at 10% plus so it should be in the range of 10% to 15%.

**Divyata Dalal:** That is it from my side. Thanks.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to Bhoomika Nair for his closing comments. Over to you Madam!

**Bhoomika Nair:** Thank you everyone for being on the call particularly the management for taking time out to answering all our queries. Thank you very much Sir.

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