



Kalpataru Power Transmission Limited & JMC  
Projects (India) Limited  
Q1 FY2023 Earnings Call

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**SPEAKERS:**    **MR. MANISH MOHNOT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - KALPATARU POWER TRANSMISSION LIMITED**  
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**MR. S.K. TRIPATHI – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR - JMC PROJECTS (INDIA) LIMITED**  
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**Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY2023 Earnings Conference Call of KPTL & JMC hosted by DAM Capital Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital. Thank you and over to you, Madam!

**Bhoomika Nair:** Thanks. Good morning everyone. A warm welcome you to the Q1 FY2023 earnings call of Kalpataru Power Transmission Limited & JMC Projects Limited. We have the management today being represented by Mr. Manish Mohnot – Managing Director and CEO, Mr. Amit Uplenchwar – Director – Group Strategy & Subsidiary Operations, Mr. Ram Patodia – President, Finance & CFO, Mr. SK Tripathi – CEO & MD, JMC and Mr. Vikram Singhvi – CFO, JMC. I will now hand over this call to Mr. Manish Mohnot for his initial remarks post, which we will open up the floor for Q&A. Over to you, Sir!

**Manish Mohnot:** Thank you Bhoomika. Good morning everyone. We heartily welcome you all to the earnings call of Kalpataru Power Transmission & JMC Projects for Q1 FY2023. Let me begin with a summary of the performance for the quarter ended June 30, 2022, post which I will update an update on individual business and key strategic initiatives. We reported strong growth of 15% Y-o-Y in consolidated revenue driven by robust performance on the execution front. Our consolidated EBITDA margin of 8.6% remains healthy in the context of the unprecedented high commodity and logistics cost. Our PBT before exceptions grew by 10% to Rs.139 Crores and PAT grew by 13% to Rs.88 Crores.

Our consolidated net debt has declined by 21% Y-o-Y to Rs.2,301 Crores. Our net debt in our core EPC excluding road BOOT assets and Shubham Logistics stands at around Rs.1500 Crores. Our net working capital days are at 106 days at a consolidated level. Our debt levels are inline with the requirement of high working capital in certain businesses, which is generally witnessed in the first quarter of every year. We expect normalization in working capital get into second half of this financial year and are committed to further reduce debt by the year-end.

Additionally, our focused efforts to bring further efficiency in working capital, speedy project closure and proceeds from sale of Indore asset will help further in our deleveraging journey.

We had a very good start for the year in terms of order inflows as we have already secured orders of the Rs.7,952 Crores at consolidated level. Additionally, we have a L1

position of around Rs.7,000 Crores. The secured orders combined with L1 is almost 70% percent of our targeted consolidated order inflow of Rs.21,000 Crores for the full year 2023. Moreover, most of the new orders secured till date in 2023 are at better prices and were quoted at the peak of the commodity cycle. Hence, there is enough cushions on the margins, as these orders get into execution in later part of the year.

Our consolidated order book without L1 is Rs.36,880 Crores, which is well diversified across businesses and markets. This gives us a good visibility to achieve the targeted growth going forward.

Now coming to individual businesses, first in our T&D business, our growth was impacted given lower order inflows in 2022 last year. The order book for the first time crossed the USD 1 billion mark. We have secured orders of Rs.3,355 Crores till date in our T&D business. Most of these orders have come from international markets. We continue to strengthen our foothold in key markets by strategically targeting large size projects and ensuring superior project delivery. Our focus markets continue to be in Africa, Middle East, Americas and India.

We expect growth momentum in the T&D business to improve going forward given that we have secured significant others in the current year and the execution of these orders will start in later part of the current year.

We have acquired the balance stake of 15% in LMG last month. We see tremendous potential for growth in the Nordic and European market given the push for clean energy, a need for upgradation of power transmission infrastructure. LMG has reported revenue of Rs.266 Crores in Q1 and has an order book of Rs.1,178 Crores at the end of June 2022.

In Fasttel Brazil, we have strengthened our organization by deployment of senior resources from India. We remain watchful in our approach to scale up our operation in Brazil given the volatility in commodity and other input costs in Brazil. From a long-term perspective, Brazil and Latin America remain one of the largest infrastructure market and we are confident to building a sizeable presence there. Fasttel reported revenue of Rs.123 Crores in Q1 and had an order book of Rs.934 Crores at the end of June 2022.

In B&F business, we have achieved revenue growth of 35% Y-o-Y in Q1 2023 given robust execution and healthy order book. During the quarter, we have also secured the first data center project. Our total order intake in the B&F was Rs.1,046 Crores. We have added new clients in the commercial and residential building segments. In the B&F, we

continue with the strategy to strengthen our leadership position in the select B&F markets and clients within India.

Our water business recorded a strong growth of 72% with significant ramp up in our execution capabilities especially on the large size projects. We have secured orders of Rs.2,193 Crores till date in 2023 and additionally, we have L1 position of over Rs.1,500 Crores. Our order book in the water business is at record level of Rs.8,600 Crores.

Our railway business grew by 8% Y-o-Y to Rs.360 Crores in Q1. We have made foray in the high growth metro rail electrification space there by expanding our portfolio and clientele. Our order visibility has improved in the railway business across both conventional and emerging areas like metro and high-speed rail. Our existing order book and L1 of Rs.500 Crores gives us confidence to deliver sustainable growth in the railway business.

In the oil and gas business, we secured our first international project for an oil and gas pipeline in the Middle East. The business reported a growth of 8% in Q1 2023. Our business visibility remains good with tenders worth Rs.18,000-20,000 Crores to be bid in the near term in India and International market.

In urban infra business, we have re-entered the metro rail business with an order from Kanpur Metro for elevated viaduct and station works. Additionally, we are L1 for EPC of a large size integrated airport development projects in Asia. We are confident to significantly scale up our market position in the urban infra business in India and international market going forward.

In case of our road BOOT assets, we have witnessed significant improvement in traffic across all the three road assets. Our quarter revenue has increased from 40.2 lakhs per day in Q1 last year to 56.8 lakhs per day in Q1 this year, a growth of over 40% YoY. Additionally, we have received consent from lenders for restructuring of WEPL and expect that same to be completed in Q3. Simultaneously, we will start to work on refinancing of VEPL, which we expect to complete this year.

As far as update on KPTL & JMC merger is concerned we have received no observation letter from SEBI and stock exchanges. We have filed petition with NCLT for which first level of approval is expected anytime soon, maybe in next few days itself. Post that, we will proceed for shareholders' approval, for which the meetings are scheduled in the first week of September. We plan to complete the merger latest by Q4 2023.

Now, moving onto our outlook. We continue to drive strategic priorities of enhancing growth in the core EPC business, expanding international reach, further strengthening our balance sheet and divesting non-core business and assets.

The recent softening of select commodity prices augurs well for us and if it stays, it will sequentially benefit our margins from December or March quarter onwards.

Business visibility across all our business has remained robust both in domestic and international markets. We are confident to reach our targeted consol order inflow of Rs.21,000 Crores for the full year 2023 and we might revise the target upwards in Q2 once we have some more clarity.

Our current order book and well diversified business mix favorably places us to navigate various challenges in the current operating environment. We are confident to deliver consol revenue growth in excess of 15% for full year 2023.

With a clear imperative to further strengthen our balance sheet and maintain one of the best financial profiles in the industry we are working towards divestment of non-core business and assets. We expect to complete sale of our Indore real estate projects in the next 12 to 15 months. Also we expect significant progress on resolution of Road BOOT assets in financial year 2023.

With this I would request the moderator to open the lines for Q&A. Thank you.

**Moderator:** Thank you very much. Before begin the question and answer session we would like to announce that we have Mr. S.K. Tripathi Sir's line connected to the call. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** Good morning, Sir. Congratulations for a decent result. My first question is if I look at the margins from the standalone core margin have been close to 8% to 8.5% levels, if you can help us understand. First, in terms of standalone backlog, how is the mix between fixed price and variable price projects and going forward since you mentioned that new order inflows have come at peak of the commodity prices, so how should we look at the core portfolio margins for KPTL moving ahead in second half of the year and for 2024?

**Manish Mohnot:** Good morning, Renu. So, if I look at the KPTL standalone order book as of now fixed price projects are closer to 75%, variable is 25%, at a consol level our variable price projects are 59% and fixed price projects are 41%, so that is how they balances as per

standalone and consol is concerned. On the margin front, Renu, clearly I think we had targeted at the beginning of the year that we should be reaching margins closer to 9% at EBITDA level on consol and we believe getting into Q3 if not maybe later part of Q3 depending upon the impact of monsoon on various projects we should be reaching there. Clearly now we are seeing that a lot of softening on all the three aspects -- freight prices are coming down significantly, availability of containers no longer is an issue that is the first thing, commodity prices have softened and so one is the softening issue, commodity is less volatile, that is the second advantage we have and from an interest cost perspective we are not getting much impacted because we anyways have low leverage, that we do not have a negative in terms of interest rates going up, so from that perspective we personally believe getting into Q3 we should be there, it is not likely earlier.

**Renu Baid:**

And also at the end Q4 we have created a provision for cost to completion on an account of commodity inflation and PAT, do you think there could be some of its provisions could be reversed in the second half given that commodities have come out and prices look more comfortable compared to the start of the calendar year?

**Manish Mohnot:**

So, Renu, out of the closing provision was closer to Rs.150 Crores at the end of the year FY22 in terms of CTC, Rs.145 Crores or Rs.148 Crore number if I am not mistaken out of that we have done projects where we have reversed the provision of around Rs.40 Crores in Q1, we still continue to hold a CTC provisioning of Rs.100 Crores plus and you are right, Q2, Q3 either the projects will get delivered or the softening will help so either way you would see this provisioning coming down in Q2 and Q3.

**Renu Baid:**

Got it and secondly, in your commentary in terms of order pipeline prospects have been very strong that L1 is Rs.7,000 Crores plus, so if you can just give us someone qualitative comments in terms of how the prospect is pipeline in the core T&D, B&F and other portfolio is stacking up?

**Manish Mohnot:**

So, when I look at today's L1 it is the mix across all divisions right, we have a significant position of L1 in transmission international, we have a couple of large projects in railways, we have a couple of large projects in water, we have one large airport project which was L1 few days ago and it should get converted to an order soon, We have orders across, so if you ask me today from a growth visibility perspective I think three divisions we will do very well in terms of growth from 15% to 20% plus which is T&D International, Water and B&F.

T&D Domestic, railways and oil and gas all of them should be in the range of 10% to 15%, but there is a lot of visibility even in T&D Domestic now we are seeing a lot of SEBs & BOOT tenders being declared. It has got deferred, even the railways got

deferred, but getting into maybe Q2, Q3 you should see those order books also improving, so today across the six to seven, segments wherever we are the visibility is good one, second our focus of getting a much stronger in international beyond transmission has also helped us. We have built a significant order book on international whether it is on road and B&F, after two years of effort we have secured our first order in oil and gas in the Middle East and we are bidding for five, six more large projects. Railways we had one order in neighboring country, but now we are bidding for five, six projects in Africa, so with that visibility also I do not think order book would be a challenge in any form and that is why I was clear that we will revise upwards our order book target by the end of Q2.

**Renu Baid:** Right, if I can one more question, you did mention that you are re-entering within the urban infra and metro and viaduct segment so any constraint even you are reentering the market or internal changes where you believe the market experiences, concerns reimbursement concerns will not prop up again?

**Manish Mohnot:** Renu, you are right, our historical numbers on some of the metro projects were not so good, but we have learned from the lessons that we are not bidding very aggressive to take projects, but at the same time we need to maintain our pre-qualification which we have built a long time ago, so will be selective and bidding for projects, but we will bid in a manner that we are seen as a player across all segments, One. Second emphasizing on the fact that we will also take that business international because the opportunities in Africa and some of the urban infra projects is very, very high so it is the combination of three things, make sure that you have credentials and a team to deliver across the segment, selective clients you want to work with the clear defined duration with not significant capex and take the business international in a defined timeframe.

**Renu Baid:** Got it. Thanks and all the best. Thank you.

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

**Bharat Sheth:** Good morning, Mr. Manish and Mr. Tripathi and congratulations on a good performance in a challenging time. Coming back to our this three-year vision which you have shared, so where do then we want to reiterate because that was I mean when we announce I mean it was challenging, so in terms of revenue, core EBITDA margin and PBT factoring the merger benefit and how much order book will need to achieve those kind and you are currently, you said we are in six, seven sectors, but are we looking also to enter new segments. So if you can revise your three-year vision?

**Manish Mohnot:**

Sure, Mr. Bharat, I think we continue to be focused on achieving our targeted vision and in the last six months we are becoming much more confident and much more closer to achieving the vision of 2026, where a vision of reaching a \$3 billion revenue in the next three years, if I look at sequentially we were last year at revenue of around Rs.14700 Crores, in the current year we will be in the range of Rs.17,500 Crores plus right, which means a significant growth and with the order book visibility that should not be a challenge.

Second, with the entire sectors infrastructure spending whether it is Middle East, Africa, India, and private capex coming back, we believe that achieving what we have targeted should not be a challenge. As far as margins are concerned yes, we are targeting 4.5% to 5% at the PBT level, which is what we had committed at the beginning of the year and I believe that we should be there sooner than later and on a annualized basis also we will be targeting a number similar.

EBITDA level, going back to the double digit looks difficult for the current year because we keep a lot of inventory and projects, so even when the softening happens by the time the impact comes you would have lost five, six months. But definitely going into the next year we are targeting getting back to the double digit levels which we have historically done always, Pre-COVID if you look at a number it was always there, but now we were looking at those numbers at a consol level right, which means something very, very different from a larger organization perspective.

The next question, are we looking at diversifying beyond the sectors we are. Within the sectors we are I think we have not yet done a lot and our definition of lot is very simple, we want to be among the top three in the market where we exist, so in some of the sectors we believe we will be in the top three, some of them we are not so anyway have a huge challenge in front of us. With the good opportunity of reaching that in the sectors over the next two to three years if you ask me, we will continue to be focused on our core sectors, which is T&D, Water, B&F, oil and gas, urban infra and railways and within that a lot more thrust on the international business.

**Bharat Sheth:**

Great, Sir and one more question if you do with your permission, we understand from the market that KPTL promoter I mean financial problem has been resolved substantially and is expected to be over in couple of months, so would you like to comment on the shares?

**Manish Mohnot:**

So. What we have been given to understand from the promoters and they talked on the same ground which we had spoken last time that we should see some good improvement on reduction of pledged shares any time between September to November as early as September and latest by November, beyond that I do not have any other data.



I have spoken to them before this call and they said from September, they will start reducing pledge. That is what we had committed in the earlier call also I think looks like we are on track as far as that commitment is concerned.

**Bharat Sheth:** Great and all the best, Sir.

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

**Swarnim Maheshwari:** Sir, good morning and thanks for the opportunity. A couple of questions, first of all if you can just give us some sort of understanding on our international businesses with respect to Linjemontage and Fasttel specifically on the margin site and what we are witnessing in Brazil is something where the interest rate risk have gone up quite substantially, so how are you looking at these businesses?

**Manish Mohnot:** So, Swarnim as far as Linjemontage is concerned they have done better than what we have projected when we acquired them right and even today even if you look at what they have done in the current quarter, their EBITDA continues to be in the range of 8% to 10%, we have targeted 6% to 7%, but they are in the range of 8%. with reasonable PBT. We have good visibility of order book, clearly they are one among the top three in that space, and we are seeing a lot of opportunities coming up there and in the neighboring Nordic countries and we continue to focus on the neighboring Nordic countries also from Linjemontage. The team is very strong there from where we are acquired we have doubled the team, right now we have 200 people there which was closer to 100 when we had acquired it. Visibility is very good on every aspect of the business whether it is steel, whether it is substation, whether it is services.

As far as Fasttel is concerned, we have taken a large order in the last quarter right from one of the Indian developer itself to be delivered over the next two-and-a-half years, that order is at the current price with the current interest rate and with cash flows, which are positive across. Fasttel number for the quarter they have delivered revenue of Rs.123 Crores with EBITDA of negative of around 4 Crores. Fasttel, if you look at the business, from a business perspective we focused on looking with select clients and select projects in geographies closer to that area where we have expertise, we are still not expanding across Brazil. We have received a lot of opportunities in the southern part where we are very strong. Finally we have built a strong team, we have send people from India to Fasttel in the last six months and we have recently appointed a new CEO who has also joined us. So at that business while we are cautious we are growing with selective clients to make sure that at least we can work in segments which are strong areas. I believe Fasttel would get back to profitability in the next year, but the current year the losses

would not be very significant, will be minimal. We have also been successful in Fasttel of getting huge claims from client over the last 15 months, which has help us to make sure that a losses are very, very minimized and there are claims which are in the banks, we do not account for claims unless the money hits the bank and that also helped us to sustain the unprecedented rise in commodity and we do not have interest rate issue there, we got debt is very minimal level.

**Swarnim Maheshwari:** Got it. Sir, secondly now we have entered into railways it is one of those new divisions and railways has been a very big opportunity, but if you see with the working capital is a bit of a challenge over there, so how do you look to maybe get that part?

**Manish Mohnot:** Swarnim, we have been selective in building our order book, if you look at railway last year our order book inflow was very, very small amount, we continue to be very, very selective in building the railway order book. Wherever working capital is very, very high, we are selective kind of project which have back ended, there will be a setback, let us be very, very cautious that is the first thing. Second, again from a perspective of the division as I said earlier the focus would be one to bid for high value project, we look at our project declared as a Rs.500 Crores plus, one more L1 we have Rs.500 Crores plus so that what is the life cycle of the project, the working capital cycle gets balanced over there once coming in at the beginning of the projects. Third on railways, we have been in the business for six to seven years and as I said earlier I am not bullish of growing that business like 15% or 20% or 25%, we are more in the range of 10% types growth, so that to make sure that we do not over leverage our balance sheet in any form. We have been successful in that till now and I do not see that has a challenge even going forward.

**Swarnim Maheshwari:** Fair enough, Sir. Got it, thank you so much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Mr. Manish and Mr. S.K. Tripathi congratulations on a great quarter, so my first question is on the international order book , so last year we had clocking about Rs.3,000 Crores from the international order book, so in this year how do we see this international order book growing up even if I see the full year number, last year we had infra about Rs.9,000 Crores from the international market, and now you are taking civil competency in overseas market, so how do you see this order book turning out?

**Manish Mohnot:** Sure, so from a focused perspective I think we are very, very clear international is a big area for us given that KPTL has presence in 70 countries and JMC is in 5 or 6 countries, so the focus to take JMC across the lot of market continues to be one of key strategic

area. We have been very vocal about it, international number, yes, last year was fabulous in terms of international order book, are we going to replicate that same number, I do not know or I am not sure whether that number is going to the same or similar or lower because at the end of the day it depends on what opportunities and if you can get profitable order, but while we say so today itself we have won L1 large international order and there are few more which we have bid which we are very hopeful of. At a consol level, I can confidently tell you that we are looking at more than 50% of our current year order coming from international, if not maybe in the range of 60%, so that defines our strategy. But they would it be similar to last year it is going to be difficult because please remember that getting orders is easier than executing order and we are building up the team, so we just do not want to get into that scenario where you just have suddenly got into 25 countries and you are running around building teams, so it will be growth oriented strategy, but we are not able to give you a exact number of saying that how much it will be. At consol it will be 50% plus will be international.

**Parikshit Kandpal:** My second question is on the debt level, so we have been able to reasonably contain our debt level for the scale of business which we do. So, this quarter we have seen that increase in debt and all usually Q1 and H1 that increases, but are these the peak level of debt for standalone & consol. We're getting to the debt further growing up from here?

**Manish Mohnot:** So, Parikshit, if you look at a number and I am sure you have been in this, you have been looking at us closely for long enough last five years Q1 our debt never always go up right last year it went up by Rs.350 Crores odd at KPTL level, JMC also went up last year, JMC has done a wonderful job of reducing debt in the current Q1, hats off to the entire team, so that has been the industry for a business for long enough, but while it has gone up we are pretty confident we stick to target of further deleveraging by Rs.300 Crores to Rs.400 Crores by the year end. So getting into Q3, Q4 you will start seeing things improving again. Third, we are very selective on advances right, because we are still getting debt at much lower rate level, so that is one area which again we will revisit at the end of Q2 and that would further help us to reduce the debt, so we are not worried.

Q1 typically all clients are in their budgeting process, the capex cycle starts only by June, vendors need to be paid to mobilize so that they gear up for delivery over the next nine months, so that is how the cycle is, we are within our budgeted numbers as far as debt is concerned.

**Parikshit Kandpal:** You said the debt reduction of Rs.350 Crores odd this is from Q1 levels or you talking about Q4 level last year?

**Manish Mohnot:** Q4 levels, we had guided up from Q4 at a consolidated level the debt reduction of Rs.300 Crores to Rs.400 Crores, we are still sticking to that now.

**Parikshit Kandpal:** Just one more thing on the share pledge that you said that as early September and November we will see the reduction in the pledge share from promoters, so does that imply that directionally now the pledge will be reducing from there on from September-November onwards. And is there any level this going below maybe beyond September, say 12 months beyond September, so any updates will be helpful?

**Manish Mohnot:** So, Parikshit, what we have been given to understand from the promoters is that yes, pledge will continuously come down, at a significant amount you should see in between September to November itself, a number which they had committed to the shareholders to be done by December, if did not happen will happen now, I would like to take this step by step, let us first see the first reduction is happening and then we will come back to you with the revised target or what next, so right now the focus is let us see the first big chunk happen between September and November which the promoters have recommended to us.

**Parikshit Kandpal:** Just the last thing from me, how much of net cash we collected from Indore during this quarter and if you can just quantify how much has been funding for this quarter and how much amount for the full year?

**Manish Mohnot:** We were expecting OC for one of our buildings as early as April, which came in July, that got delayed by three months, but for tower C the OC came in July, so a lot of sales which were committed will get booked now, so you should see a significant amount of cash flow coming in this quarter itself, for the previous quarter I think we just got a number, it was not significant, it was in the range of Rs.15 Crores to Rs.20 Crores not more than that, I do not have a number in front of me, but far significant, but we expect the current quarter to be much, much higher, because the OC got delayed by three months, but now we have got OC for tower C also, so which means OC for four towers is done, only one tower left.

In terms of our total value of investment today we have around Rs.290 Crores odd, which is still invested in it and as I said earlier we expect Rs.100 Crores odd to be reduced in the current year itself out of that if not more.

**Parikshit Kandpal:** Sir, on the road subsidiaries?

**Manish Mohnot:** S.K. Tripathi you want to just brief on road subsidiary?

**S.K. Tripathi:** Yes, so Road Assets Parikshit, Good morning, this quarter we have invested about Rs.21 Crores or so and majority of that has gone into the periodic maintenance, which roads were requiring and as we have given the forecast for the whole year it could be in the range of about Rs.70 Crores to Rs.80 Crores because KEPL is already terminated so cash outflow is already stopped there and the rest of the things they are in the manageable range. Revenue has also seen some uptrend in the quarter one in all the projects, so I think the investment should be in this range for the year.

**Parikshit Kandpal:** How much is the maintenance in this subsidiary out of that Rs.70 Crores to Rs.80 Crores, it is a regular short term?

**S.K. Tripathi:** So, out of Rs.70 Crores to Rs.80 Crores about Rs.35 Crores to Rs.40 Crores will be towards the maintenance.

**Parikshit Kandpal:** Sure, Sir. Thank you. Those are my questions.

**Manish Mohnot:** And I just want to add to what SKT said, that this was numbers based on our projections at the beginning of the year, if the traffic continuously improve the way it is improving, hopefully we should be able to improve on this numbers also, but will commit that may be at the end of Q2 or Q3.

**Parikshit Kandpal:** Okay, sure, Sir.

**Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

**Prem Khurana:** Thank you very much for taking my question, Sir and congratulations on good quarter. My questions is with respect to JMC, so when I look at our order backlog and commentary that you gave in your opening remarks on the way has grown during the quarter, it seems that our other infra other than water seems to be going little short and given the fact that we have Rs.3,000 Crores odd of order backlog there as well, the quarterly run rate that I get to have based on my calculation Rs.80 Crores to Rs.90 Crores odd, which seems to be on a lower side, so what would explain, is it that some of these projects are long gestation projects or moving slow , if you could help us with the way it has been with our infra other than water, please?

**S.K. Tripathi:** I lost in between.

**Prem Khurana:** Sir, I will repeat the question, what I want to understand was, when I look it I mean the way it has been I mean in your opening remarks you said B&F has grown almost around

35% odd Y-o-Y and water has grown 70% odd and when I had my calculation, the number that I get to have in terms of revenue contribution from your other infra walk through almost around Rs. 90 Crores to Rs.100 Crores odd for the quarter and the run rate has been somewhat similar so when I compare this number quarterly run rate of Rs.80 Crores, Rs.90 Crores, Rs.100 Crores odd with an order backlog of Rs.3,000 odd in infra segment, the number seems to be on lower side, so just wanted to understand, what could explain this slow contribution or low contribution given the fact that on this healthier and order backlog in infra side as well I mean is it that some of these for long gestation or how it does?

**S.K. Tripathi:**

So your question is right, all the international projects we have seen revenue in the range of Rs.50 Crores because these projects have six to eight months of mobilization period post the signing of the contract. We will see the uptick in the revenue starting from the quarter three and the quarter four because the first six to eight months goes into the design, land acquisition, mobilization and all those things, as far as urban infra is concerned, there is also the metro which we have got that will start contributing to the revenue only from the Q3, so you are right from the order perspective it looks large, but the revenue contribution we will see uptake only from the quarter three.

**Prem Khurana:**

Sure and also if you could share your thoughts or give us some colour on the L1 that you have almost around Rs.3,000 Crores odd, how is it segregate between various segments any large thoughts that you would share with us and in terms of timeline by when do we expect these to get or become a part of our firm order backlog?

**Manish Mohnot:**

So, I assume, Prem, you are looking at a consol level I will just give a breakup of where are we in terms of L1 on a console level, right?

**Prem Khurana:**

Yes, Sir.

**Manish Mohnot:**

So, where we are L1, if I look at from a JMC perspective it is around Rs.1,500 Crores in Water, there is around Rs.1,000 Crores in urban infra and there is around Rs.250 Crores in B&F, if you look at from a KPTL perspective there is a amount of Rs.2,000 Crores plus, which is on international, there is around Rs.1,000 Crores with oil and gas division and there is around Rs.500 Crores plus in railways plus we have a few L1 in Fasttel also.

**Prem Khurana:**

Any timeline has been in place, by when do we expect these are going to become firm order backlog and start contributing?

**Manish Mohnot:**

So, I expect this entire Rs.7,000 Crores to materialize within the next three months, I do not see anything getting over 3 months maybe Rs.1000 Crores odd.

But Rs.6,000 Crores plus should get materialized in this quarter itself besides we bid for a lot of projects, which are opening up, as I said either across all divisions there are more than Rs.25,000 Crores worth of project, which we have tendered, which are not opened up and when I say Rs.25,000 Crores it is a focused project it is not the large bunch of projects otherwise it will be much higher, so those are project, which again we will have a lot more clarity in the next few months.

**Prem Khurana:** Sure and the way we have been able to make progress let us say restructuring or refinancing for some of our road asset and the traffic has also been making a comeback and we have been growing very good now, so any thoughts on asset monetization because now it becomes lucrative for I mean there was a limited clarity on whether the traffic would come back and you will get to have that COVID shock go away or not, so given the fact that the refinancing and restructuring efforts are moving and as well and you have a traffic which has already come back, any thoughts on asset monetization or are we going to get our capital released from BOOT assets?

**Manish Mohnot:** So, Prem, we continue to be focused on declaring this as non-core right and we will be very upfront all our TBCB and long-term assets are non-core and some of the others like Indore and SSL also continue to be non core.

Currently, have we re-entered the market exploring, my answer is no, right, our focus right now is one to make sure that the traffic whatever improvements are there capitalize on that to create whatever is required to make. Second, do a restructuring sooner than later and third, we have a lot of legal claims where we are at very advanced stages of awards, right, all the three assets and two of them significantly, so currently the focus is to make sure that all of this happens and hopefully by Q3, Q4 we should be getting back to the market and I agree with you that there is a market which is opened up, we are aware of it, we kept our eyes and ears open, but we have still not deployed a consultant who can help us on this process, we had done that earlier, but that was stopped.

**Prem Khurana:** Sure and any update on Rohtak Bawal arbitration where are I mean, are ended right?

**SK Tripathi:** Yes, so, Prem, the first arbitration the arguments are over and we can expect some award in Q3, similarly the second, the termination also the panel is formed and we will be getting into the proper arbitration settings maybe within three weeks time.

**Prem Khurana:** And just one last if I may please, on capex side, I think in the last call you gave us a guidance of Rs.40 Crores to Rs.50 Crores , I was wondering I mean the way we have been able to build order backlog, how Rs.40-50 Crores capex suffice so we are looking to take equipment on lease, this was the timing, stabilize, operations some of these newer

geographies that you are getting into and then decide whether you want to buy equipment on your own books and the current asset base that we have with us, what kind of annual revenue run rate I mean is it possible to be able to take care of the existing asset base, this for the JMC?

**Manish Mohnot:** So, capex base I think ourselves have an internal plan to the range of about Rs.100 Crores that number Rs.40-50 Crores we need to correct in our perception because for this kind of growth we cannot manage with Rs.40-50 Crores and this is Rs.100 Crores will be minimum required in addition to the lease rentals in order to keep the asset book in the normal levels, now what was your second question?

**Prem Khurana:** Sir, the current asset base that we have with us, what kind of annual revenue run rate is possible in this space?

**S.K. Tripathi:** So, normal the asset to turn over if you see the 6.5 or 7 is considered extremely good as a ratio right and if you look at in our case we have a asset base of almost Rs.700 Crores and we clocked a revenue of about Rs.5,300 Crores, which is at far the best in the industry that also largely comes because of the water business improved number, so on the mix it is healthy, but if you look at specific sectors maybe number will vary here and there, but as a company we are on a asset to turnover ratio of 7 plus, which is good by any industry standard.

**Manish Mohnot:** I just also want to add to this, Prem, on the capex front that the consol level our budget is around Rs.250 Crores for the current year and while Rs.100 Crores defined for KPTL and JMC, but we would be crossing Rs.250 Crores of capex for the current year given the new order line close and given our low leverage on the balance sheet side that would not be constant in any form, so capex will continue to happen and that wherever it is required for growth will be done, but our current year target is Rs.250 Crores at a consolidated level on capex.

**Prem Khurana:** Sure, I will come back in the queue, thank you.

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

**Bhavin Vithlani:** Thank you for the opportunity. So, the question is an Indore Real Estate , Manish you mentioned Rs.290 Crores of investments in that and Rs.100 Crores of cash flow does that mean Rs.200 Crores of loss in that investment, if you can just help us understand it better?



**Manish Mohnot:** Bhavin, thanks for correcting, I just made it clear that Rs.100 Crores we are going to collect in the current year itself and it is going to be much more than Rs.100 Crores. Rs. 100 is the bare minimum in the balance part of nine months.

Our fifth building OC is expected sometime maybe six months from now or may be nine months from now, so a lot of cash in terms of the residential as well as commercial attached to that building will happen later so on this Rs.290 Crores we do not expect any further loss to come, we have already take an impairment of Rs.45 Crores in the previous year, so we expect this entire amount to be recovered Rs.100 Crores to Rs.125 Crores in the balance in the nine months and balance in the next year.

**Bhavin Vithlani:** So, IRR would be net negative?

**Manish Mohnot:** IRR, okay, on a project as a whole because you charge interest on debt across the project, it would not be net negative even if we take that hit of Rs.45 Crores because the debt interest has been charged for the entire duration of six, seven years. But it would not be attractive as what we thought at the time and when have got to do the project.

**Bhavin Vithlani:** Understand, so from now on no further investments in real estate, would that be right statement?

**Manish Mohnot:** Absolutely, I do not think we have done anything in the last five years or maybe more than that. The last was the the Indore Real Estate assets, expect buying some small guest house requirements or office requirements that is a different story which is for our own consumption purpose, small one not even big one, the answer was absolutely, no real estate developmental projects absolutely that is the statement which can be taken as a motto.

**Bhavin Vithlani:** The second question is on the monetization of road assets and last year during the same time you have mentioned that and you have non-binding offer and you are expecting a decision in the couple of weeks and now you are saying there is a change in thought process, so can you help us what resulted in the change in thought process and while you are saying that you have classified it as non-core and the market has opened up, but there is no intention to sell as of now?

**Manish Mohnot:** Bhavin, I think we had corrected ourselves in Q3-Q4 itself by saying that yes, we had a bidder who had given us a non-binding offer on one of the assets and we are very keen to look at it, but there was one of the conditions which were more something which wherein we would have lost our opportunity on all the arbitration cases which we believe was a

strong cases and as SKT presented earlier we expect majority of arbitration awards to come in the next six to nine months right.

So at that point of time a conscious call was taken given that traffic had improved and all of that let us focus on O&M, let us focus on improving traffic, let gets the arbitration awards whichever way, we are not sure what amount, whichever way it comes and then we would because any new buyer is getting into that space of saying that can we withdraw this because to get a final approval maybe the client might also ask you to do that and that is why the call was taken saying that if things are happening the way they are happening let us just make sure that we focus on doing three of them and again revisit the market for sale maybe Q4 or Q1 of next year.

**S.K. Tripathi:** And jus to add to this, I think in the next six to eight months the pieces will fall in such a way that it will be a seller's market for us rather than a buyer's market.

**Bhavin Vithlani:** Last question, where are we in the monetization for Shubham?

**Manish Mohnot:** Shubham, we have taken a few calls, one we had created five or six cold warehouse assets which were giving very low return and any new investor who are looking at that space are not keen for the cold warehouse. So, we have started exiting a lot of them we have sold one of them in Q1, we are further looking at exiting a few more in Q2, so one whatever assets which we believe on non-core for a long term within that right we are exiting and that should happen in the next few quarters. Finally, we continue to explore as a strategic as well as a long term buyer on that, but if you ask me today to have visibility if it is happening in the current year, my answer is no, we know it might take some more time.

**Bhavin Vithlani:** Sure.

**Moderator:\*** Thank you. The next question is from the line of Rakesh Vyas from HDFC Asset Management. Please go ahead.

**Rakesh Vyas:** Good morning. My question is on JMC and particularly on margins from JMC, correct me if I am wrong, but around 90% or more of our order book had price variation clause and most of these projects had close to 10% margin, but it has been almost five quarters that we have been operating at suboptimal margin so far, so my question is in two parts, one when should we expect this 10% margin to come back and secondly on the price variations that happened in the last five quarters, when should be expected it to get recouped beyond this 10% as well?

**S.K. Tripathi:** Good question, So, Mr. Vyas, if you look at the current quarter the trend is visible, right otherwise, the first quarter always have been strange quarter in terms of the numbers, now the lag between the prices as well as the escalation what it gives there is always a time lag as well as there is a differential to be gap within the numbers, so precisely to answer your question when we will be in the 10% plus, we have already forecasted that this year we will be in the range of 9%, right and maybe towards the Q4 when we see the other things settling down, we should be in the range of 10%, but as a overall year forecast, we will still go with the 9% forecast number and let us see how further this order books gets built up, we have aspiration to go to 10%, but this is the reality today.

**Rakesh Vyas:** Got it, SKT., just to clarify so of last five quarters when the margins have been lower, is it largely on an account of the differential that is not getting accounted for, or is it related to the lag in the price variation versus how we are billing today, so what I am trying to essentially ask is that is there a number that can get recouped from the last five quarters of execution into FY2024 as well?

**S.K. Tripathi:** So, let us look a little bit at a granular level, once we are continuing with the projects which they have to continue irrespective of the prices we have to feed the projects and as I said there will be what is our formula gives us and what is the commodity prices there will be always a 20% uncompensated portion right, that is the first piece of it. The second piece is the time lag, the time lag as I said now this time if you look at the whole cycle of commodity rises was almost six month and now it is going to take another three to four months to cool down right, so maybe the quarter three onwards this escalation numbers will start reflecting because the prices have to come down, we have to buy at that rate, it has to get into the work cycle to get converted into the sales and when the numbers will get into the reflection, so you are right, we can see toward the Q3 and/or Q4 these numbers improving, but always due to the commodity rise what we will lose about 20% that is the permanent loss which does not get compensated anyway.

**Rakesh Vyas:** Got it, SKT, and just to clarify one more point, which is on the order book, do we restate order book based on the price variations that exist or we just only book it in the P&L and the order book remains at the original value itself?

**Manish Mohnot:** No, the order book we keep at the original level.

**Rakesh Vyas:** Got it, that is helpful. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Arfat Sayyed from Reliance Securities. Please go ahead.

**Arfat Sayyed:** Good morning, Sir. Thanks for taking my question. My first question, can you quantify opportunities and on tender pipeline T&D and railway segment over the next two to three years?

**Manish Mohnot:** So, on the TLD front, clearly as I said earlier also a good visibility of pipeline is visible both in India and overseas, in India we are seeing a lot of traction coming from projects on BOOT on a select state electricity boards as well as select regions whether it is not so from that perspective visibility is there although some tenders have got delayed by a few quarters, but if I look at it from two to three year perspective earlier we used to say T&D it might grow at the range of five to seven now we are seeing in the range of 10% plus, as far as TLI is concerned we have seen a pick up happening across all geographies whether it is data Africa, whether it is Latin America, whether it is Middle East, whether it is CI and we have strong presence in 70 plus countries out of which were 30 to 35 countries we actually have local offices for more than five years, we believe that that is an area where we will continue to grow, even today in our L1 the highest component is international TLI orders.

As far as railways are concerned while we see the visibility coming across the non-electrical segments, on the electrification we are not seeing much, but on composite works on expansion, on high speed, on metro electrification we are seeing a lot of tenders coming, but we see competition also there, so from a strategy perspective we would be targeting some high value projects there, but focus on more international projects where we are seeing opportunities in the railways front also.

**Arfat Sayyed:** And the second question is on the Shree Shubham logistic, so just want to check how the business is shaping now after pandemic and what is the outlook on the that and any plan for IPO in the company?

**Manish Mohnot:** So, on the Shubham logistics we have had challenging last two quarters right because with the hike in prices the storage across country has come down. Storage itself has come down to 50% over the last six months, so last six months have been challenging time for Shubham in terms of storage, luckily our operating cost is a lot more variables so we have not suffered so much, but we believe that coming back to the storage level which we had seen for three years might take some more time, may be like Q3, our own storage has come down to around 40% in the last six months, so I believe the next three months might be similar, once prices stabilize of commodities and once government improve the MSP should come back, so Shubham we believe in the next two quarters will still have challenging time, but we continue to reduce whatever is non-core within Shubham also, as I earlier said cold storage, we sold one of them, two or three more sold in the next

three to six month, but next six months are challenging time for Shubham as far as revenue and margins are concerned.

**Arfat Sayyed:** Thank you, that is it from my side.

**Moderator:** Thank you very much. That was the last question for today. I now hand the conference over to Ms. Bhoomika Nair for closing comments.

**Bhoomika Nair:** Thank you everyone for being on the call and especially the management for giving us the opportunity to host the call. Thank you very much, sir and wish you all the very best.

**Manish Mohnot:** Thank you everyone, thank you Bhoomika.

**Moderator:** Thank you very much. On behalf of DAM Capital Advisors that concludes this conference. Thank you all for joining us. You may now disconnect your lines.