



“Kalpataru Power Transmission Ltd. and JMC  
Projects (India) Ltd. Q4 FY2022 Earnings  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY2022 Earnings Conference Call of Kalpataru Power Transmission Limited & JMC Projects (India) Limited 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 Advisors. Thank you, and over to you, Madam!

**Bhoomika Nair:** Thank you. Good morning, everyone. Welcome to the Q4 FY2022 Earnings Call of Kalpataru Power Transmission and JMC Projects. 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; and Mr. S.K Tripathi –Managing Director and CEO of JMC Projects. I will now handover the floor 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, and good morning and a warm welcome to everyone for the KPTL & JMC Q4 and Full Year Earnings Conference Call. Trust each one of you and your families are keeping safe and are in good health. The initial few minutes I will focus on my thoughts on the strategic aspects of the business and later I will share the notable highlights of our financial and operational performance.

The operating environment continues to remain challenging with the recent geopolitical conflicts, high commodity prices and disruptions in supply chain. In the midst of this headwind, we have made notable progress on many strategic fronts. In line with our efforts to prioritize growth in the core EPC business we have significantly scaled up our T&D and civil businesses during the year. We have also enhanced our international reach and achieved significant breakthrough in securing large size EPC orders. By doing this we are consistently improving our competitive position and business mix with emphasis on segments and markets that have higher growth outlook and better margin profile.

Our consolidated order book visibility including L1 is at an all time high of over ₹ 40,000 Crores. In financial year 2022, we have entered four new countries taking our global footprints to 67 countries. We have improved our market standing by securing high value projects in the T&D, Water, B&F and Urban Infra space.

In the T&D business, we have secured single largest order till date in our history of ₹ 3,276 Crores in the South America market, which is not Brazil. Additionally, we secured our first international order for the B&F business in Maldives and Oil & Gas pipeline project in the Middle East. JMC’s Water business has achieved record order inflows of ₹3,286 Crores in

2022, significantly expanding its geographical reach within India. In the Road business, we have won two new projects in Africa valued over ₹ 2,200 Crores. In the Urban Infra business, we are L1 in the large size airport project in Asia and have emerge as a top bidder for a Metro Rail project in India.

The average size of most of our recent order wins, including the ones in which we are L1, is over 900 Crores. Moreover, around 75% of these orders have price variation clause or are long-term in nature, which very well safeguards us from the current volatility in the markets.

Our subsidiary Linjemontage has reported good growth in revenue and profitability since the acquisition in March 2019. We have almost doubled the size of the business. In Fasttel, Brazil we are strengthening the organization alongside improving the systems and processes in line with KPTL and they have reported a loss for Q4.

In line with our vision and efforts to become a leading EPC company, the board of KPTL approved the scheme of merger of JMC with KPTL in February 2022. This is a significant milestones of both these companies to unleash their growth potential and drive the next phase of growth., The merger will help integrate diverse EPC capabilities in the high growth segments and markets. The merged entity will benefit from operational and cost synergies arising from the scale and size of the combined business. The merger will also enable us to bid for large size complex projects along with improved management bandwidth. Moreover, the combined entity will have a strong balance sheet and financial flexibility to invest in core EPC business to create long-term value and achieve the vision of the \$3 billion revenue organization by 2025. The process of getting necessary approvals for the merger, are underway and progressing as per schedule. The merger is expected to be complete by Q4 of 2023.

In financial year 2022, we have also made considerable progress on a deleveraging journey with improvement in working capital management, record number of project closures and completion of divestment of T&D BOOT assets. We have reduced the consol. net debt by 45% from 2021 levels. Our net debt is at ₹ 1,902 Crores with the net debt to equity ratio of 0.43x.

We have been successfully reducing our debt, alongside pursuing business growth, Capex and M&A's over the past few years.

We are working hard for resolution of our road BOOT assets and anticipate favorable results in the coming quarters. We expect to complete restructuring of Waingangā Road project in the first half of this year as we have received majority of approvals from the lenders. Simultaneously, we have started refinancing process for Vindhychal Road Project.

We expect our capital outflow to come down with the completion of restructuring of WEPL.

In regards to our Indore real estate project, we have achieved sales of around 60% of units and received cash flow of around ₹ 160 Crores from projects till date. We plan to complete the balance sale in the current financial year.

Now let me provide you with key highlights of our financial and operational performance. At KPTL consol. level, we have delivered robust performance with topline growth, stable margins and notable drop in debt levels. So, our consol. revenue grew by 1% in Q4 and 14% for full year to ₹ 14,777 Crores. Our revenue growth was on back of strong execution in B&F, Water, and International T&D subsidiaries. Revenue of LMG (Sweden) was ₹ 1,191 Crores and Fasttel Brazil was ₹ 548 Crores for full year 2022. LMG has achieved a revenue growth of 12% YoY with improved profitability.

Our consol. EBITDA margins remain under pressure with elevated level of commodity, freight and other input prices. EBITDA margin was 7.3% in Q4 and 8.6% in financial year 2022. Our PBT was ₹ 157 Crores in Q4 and ₹ 696 Crores in financial year 2022, PBT margin for full year 2022 was 4.7%. Our PAT was ₹ 115 in Q4 and ₹ 535 Crores of full year 2022.

Consolidated net debt was at ₹ 1,902 Crores which is a decline of 17% compared to last year. Our net working capital days improved from 102 days in FY21 to 98 days in FY22. Our consol. order inflows were ₹ 18,161 Crores in FY22, which is a growth of 11% compared to previous year. Our consolidated order book as on March 31, 2022, was ₹ 32,761 Crores, up 17% YoY.

Till date in FY23 we have received new orders of ₹ 3,819 Crores. Additionally we have L1 of around ₹ 4,200 Crores spread across water, urban infra and T&D business. The Board of Directors at KPTL has recommended a dividend of ₹ 6.5 per share, which is in line with our dividend policy of 15% to 20% of PAT as dividend.

At KPTL, standalone level revenue was ₹ 2,010 Crores in Q4 and ₹ 7,062 Crores for full year FY22. Our revenue declined due to lower order inflows during the first half of the year, lower dispatches in the T&D business and slow progress in few Oil & Gas pipeline projects. T&D revenues including Linjemontage and Fasttel grew by around 8% and railways revenue grew by 2%, while oil & gas revenue declined by around 20%.

We were able to maintain EBITDA margin of 8.5% in Q4 and 9.2% for FY22. We have prudently made provision for CTC cost on account of high commodity cost in existing projects and we have ₹118 Crores as CTC provision at the end of Q4.

Our lower revenue growth and fall in EBITDA margin has led to fall in PBT and PAT. Our net debt has declined by 47% YoY to ₹ 414 Crores. This is in line with our guidance to be a significantly lower and negligible debt company. KPTL along with Linjemontage and Fasttel received orders of ₹ 8,159 Crores in FY22. Our closing order book as on March 31, 2022, at standalone is ₹ 15,759 Crores. We have received new orders of ₹ 1,626 Crores till date in the current FY23. Additionally, we have L1 position of ₹ 1,500 Crores plus largely in our T&D business. I would like to highlight a typo in our investor presentation on slide no.14. T&D share and total KPTL stand order book is 71% instead of that typo of 61% please note that.

In JMC standalone, we reported strong revenue growth of 16% in Q4 and 45% for full year FY22 to ₹ 5,353 Crores. Our revenue growth was driven by robust execution in B&F and Water business.

JMC's EBITDA was at 8.5% in Q4 and 7.9% for full year FY22. Our EBITDA margin was impacted by high commodity and other input cost. We expect margin to improve going forward, as most of the projects have price escalation provisions in JMC. Our PBT before exceptions and ECL provision was ₹ 66 Crores in Q4 and ₹ 166 Crores for full year FY22.

ETL provision and exceptional items pertaining to road BOOT SPV's have affected profitability for full year FY22. Our net debt at ₹ 640 Crores at the end of March 2022 is higher compared to ₹ 512 Crores in the previous year. The increase in debt is on account of growth in working capital, Capex, and investment in road BOOT assets, largely towards repayment. JMC received record order inflows of ₹ 10,139 Crores in FY22, and order book value is all time high of ₹ 17,139 Crores at the end of March 2022. JMC has also received new orders of ₹ 2,193 Crores in financial till date in FY23. There is an additional L1 position of around ₹ 2,700 Crores.

Going forward, we will continue with our strategy to drive sustainable and profitable growth by: (1) Accelerating growth in core business, (2) Building efficiencies to improve competitiveness, (3) Sharpening capabilities by improving integration of JMC and KPTL and (4) Strengthening balance sheet through debt reduction, exit of non-core businesses and efficient capital management.

Let me now conclude with the outlook and guidance for the next year. Despite the near-term headwinds due to fluctuations in commodity prices, geopolitical uncertainties and high input cost, we remain favorably placed to navigate the challenges given our established EPC capabilities, strong order book, robust balance sheet and well diversified business mix. We expect consol. revenue to grow in excess of 15% for next year, with PBT margin in the range of 5%. We will target consol. order inflows of over ₹ 21,000 Crores for full year FY23. We will continue with our deleveraging journey, by actively looking to exit non-core

businesses and improving our capital management. We further target debt reduction of around ₹ 300 to 400 Crores in financial year FY23.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

**Swarnim Maheshwari:** Hello Sir. Good morning and congratulations for managing in such a tough environment. My first question is, if you can just give us some more color on this ₹3,200 Crores of single ticket order bag we have taken, what is the nature of this order, is this an EPC contract and what is the timeline, I mean, just trying to understand from the risk perspective to be honest because it is quite a big-ticket size order.

**Manish Mohnot:** This is an order of around 700 kilometers of a T&D line, end-to-end EPC to be delivered in Chile. This order has three components. The first component is engineering, design and necessary approvals, which will continue for the first 12 to 18 months, then we start with the construction, which needs to be delivered over a period of 36 to 42 months.

The entire order whether it is design, whether it is procurement, whether it is construction with that, the client has responsibility for environment and ROW which will be done by the client in that part of the country. So the order has to be executed over a period of five to six years. The project is developed by large developers in that country and we have to do the end-to-end EPC. You mentioned the execution period is five to six years.

As I said earlier, first 18 months is primarily engineering and design, and for such large orders, engineering and design takes time and which is significant component, where we will have to put all the efforts and post that the execution will start. So from a revenue perspective, there is only less than 10% of the order's revenue which comes in the first 18 months and balance after that.

**Swarnim Maheshwari:** Safe to say, this would be funded by multilateral agencies?

**Manish Mohnot:** This is funded by three large developers in that part of the world. I would not be able to give you the exact names, but, yes, developers whose networth has been billions and billions of dollars, they have won the transmission project and we have the EPC project. They are very, very large developers, much bigger than any organization we have in our country.

**Swarnim Maheshwari:** Secondly, in the last quarter we had mentioned that execution had got postponed to Q4 because of some delay and it was a strategic call on delay in dispatches, but I think Q4 still

continues to be same. In terms of execution challenges, we can understand on the margin pressures and all because of commodity. I just wanted to better understand on the execution front.

**Manish Mohnot:** You are right, Q4 also we had some challenges, primarily on supply chain issue more than anything else. As an organization, we have not delayed anything because of commodity pricing and that is why we continue to take CTC losses. But supply chain continued to be a dampener in availability and the entire Ukraine thing happened and then the China thing happened, where the vessels got blocked, all of that. So supply chain continued to be a challenge, we see that challenge continuing even in the current quarter and that is why I am targeting more growth at a consol. level of 15%. KPTL standalone could still have growth challenges in the current year. We are definitely growing, because it was a de-growth compared to the previous year, and we have visibility of order book, but, yes, supply chain disruptions continue to be a challenge while we speak now.

**Swarnim Maheshwari:** All right, got it Sir. Thank you so much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Narendra Mhalsekar from IIFL Securities. Please go ahead.

**Narendra Mhalsekar:** Good morning and thank you for the opportunity. With regard to your guidance for 15% plus sales growth at consol. level, is it fair to assume that this growth will largely be driven by JMC portfolio, as T&D continues to face execution headwinds and if you exclude Chile, order inflows for T&D have been fairly been weak. So what would be your guidance for the standalone business and inflows and revenue for FY2023 and also what is the sort of fixed price contracts, share of fixed price contact in your order book and how do you see the standalone margins going from here with the lows of 8.5% seen in 4Q.

**Manish Mohnot:** I think you have asked me all the questions in one, which is good. So let me go step-by-step. Yes, you were right; I think a significant portion of the growth comes from JMC. So internal target says KPTL would grow at the range of 10% to 15%, JMC would grow at the range of 15% to 20%. Why are we confident of the 10% to 15% because, we have also received some orders in last few weeks, which we have declared where delivery can start immediately. So confidence of 10% to 15% is visible because the visibility on that in the current order book is good. Secondly, where do we expect margins to be, so as we have declared at a consol. level we expect PBT without exceptions, to be in the range of 5% which converts to a increase in PBT, if you look at it on a consol. or a standalone basis, an improvement of closer to 15% to 20% compared to what we have reported today. At the EBITDA level we expect both the companies to be in the range of 9%. We are not projecting 10% what we have seen in the previous year as of now because although we have seen some softening in commodity prices last two, three weeks but we would still like to

wait for a few more because steel is something which is very volatile. We would still like to wait for a few more months before we revise those targets. One, two, three, and then you had a question on saying that visibility on T&D. I think the visibility on T&D has improved significantly in the last three to four months, driven by a lot of factors; one, international funding agencies have started funding for projects again. and that is a big thing in the international market. Second, on domestic market, you are seeing a lot of states coming out with projects and even PGCIL coming up with cost plus which all of us are aware of the entire (?) duct which is a big thing for PGCIL, where we should have a reasonable share. So with that I think achieving that 10% to 15% growth for KPTL in the current year would not be a challenge. The last question you had was on a ₹ 21,000 Crores order inflow target I think as of now it is equally divided. Both the companies have a target of being in the range of ₹ 10,000 to ₹ 11,000 Crores of fresh order inflows. As of now today we have visibility of around ₹ 7,500 Crores, including what we have declared this week and our own view is that achieving ₹ 21,000 plus Crores should not be a challenge, given the current visibility. Hope I answered everything, is there anything I left, one, two, three, four, five. I think I have answered everything.

**Narendra Mhalsekar:** Thank you sir for that.

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

**Parikshit Kandpal:** Sir, my first question is on the CTC provision. So much of CTC provision has been taken in the fourth quarter of FY2022.

**Manish Mohnot:** I think I just declared that number. Our provisioning of CTC losses as on 31<sup>st</sup> March 2022 is ₹ 118 Crores in KPTL mainly due to commodity price. We follow this policy driven by our corporate governance norms, as well as driven by the requirements of auditors. We do believe that there could be some savings in this, looking at the current meltdown in commodity which we have seen over the last two quarters, but our provision is at ₹ 118 Crores in as on 31 March 2022 on CTC.

**Parikshit Kandpal:** At the March 31, 2022, prices, so what kind of margin if the prices remain at that level. So you said 9% is what you are guiding for but if the prices remain at that level? So is it trying to assume that we have assumed almost a double-digit margin if the prices remain at March 31, 2022, level.

**Manish Mohnot:** As I said, I just do not want to comment on that at this stage because the volatility is so high. We saw steel coming down by ₹.2,000 last week, we do not know what is going to happen tomorrow. What we are clearly guiding is the PBT margin at a consol. in the range of 5% and that is something which we are guiding looking at everything what we have



looked at today. We would come back with revised guidance on margins, if we see this volatility, meaning a reduction in prices, continuing. Clearly if it continues to go down, you will see margins going up, but I just do not want to comment on it right now because it is completely external driven not driven by any one of us either on the call or in the room today.

**Parikshit Kandpal:** My second question is on the Kohima Transmission monetization. So if you can reconcile in the cash flows how it is getting reflected, because part of it is funded through debt and then through loans and advances, structured debt and then as equity. So how is it reflecting in the cash flows if you can help on that?

**Manish Mohnot:** Amazing question I have to come back to you on this, whether it comes from cash from operations or cash from investment. My own understanding would be and I am going to take help of Ram on that. , What our CFO has confirmed, that some portion comes from cash flow from investing activities and remaining from financing activities.

**Parikshit Kandpal:** Because I just see that about ₹ 157 Crores has come in from there like proceeds from sale of subsidiary and joint venture. So I understand it was about ₹ 500 Crores, it was just some sort of clarification if Ram can help us. If he does not have it handy readily, later in the call we can discuss how it has been.

**Manish Mohnot:** To the extent we have our equity that would be some in cash flow from investing activity right. Ram you can answer it?

**Ram Patodia:** Yes, the amount of ₹ 157 Crores is against our sale of equity of 23%, which forms part of cash flow from investing activities. While, the remaining is interest free loan amount also which is forming part of cash flow from financing activities. So we divided that entire cash flow into two lines based on the requirement as per accounting standard.

**Manish Mohnot:** So maybe break it on a smaller book we might be able to give you the details.

**Parikshit Kandpal:** Sure and just my last question on Linjemontage and Fasttel. Therefore, you did mention that the revenues have fallen in the fourth quarter. You mentioned that the growth in Linjemontage is about 12%. If you can just comment on why the revenues have fallen in the fourth quarter for both the entities and what is the total annual profitability of these at the EBITDA level.

**Manish Mohnot:** I think it is just a mix of orders more than anything else. Q4 for Linjemontage was almost flat as Q4 continues to be a quarter where weather impact is also there, but it is just a mix of order book more than anything else for both of them. As far as next year is concerned, we expect both the business to grow only at a single digit level because Linjemontage has

grown significantly over the last three years. They have doubled themselves in three years and normally after three, four years it is time to revisit growth, get the team to rebuild systems and processes, so Linjemontage we expect a growth of only 5% to 10% in the current year. As far as Fasttel is concerned, we have taken a loss provisioning of around ₹ 27 Crores in the current year in financial year 2022 with a number which is closer to ₹ 35 Crores in Q4. With this, we do not believe that Fasttel would have any losses going forward. This is all as far as losses are concerned because the whole order book is delivered. They are today sitting on orders, which they have won in the last six months only, so going forward Fasttel will not be impacted. We expected EBITDA to be positive more in the range of 8% to 9% only as far as both the business together are concerned. We do not expect them to grow beyond 5% to 7% in the current year.

- Parikshit Kandpal:** What was the EBITDA margin for LMG Linjemontage for FY2022?
- Manish Mohnot:** It was in the range of so if you look at gross and net and I am saying net because there are some put call options for which we have to do a provisioning. Therefore, at the net level it continues to be in the range of 6% to 7%.
- Parikshit Kandpal:** Both these entities remain debt free right; there is no debt on this.
- Manish Mohnot:** So Linjemontage remains debt-free, it has surplus cash. They have also declared some good dividends, which we should see in our books coming into Q1. As far as Fasttel is concerned, they have a small debt, which has come up in Q4.
- Parikshit Kandpal:** Sure Sir, those were my questions. I will join the queue for more questions. 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 Manish Ji and SKT on an excellent performance in challenging time. Now on the merger, I mean, the large part of the FY2023 have been asked by the people, but if you look at every three years perspective, post merger we have stated that we expect a ₹100 Crores benefit in operational side. Is that fair understanding?
- Manish Mohnot:** Yes.
- Bharat Sheth:** This will be more of a front loaded or back loaded saving and how much could be the saving in finance cost, I mean, overall finance, if we look at only core business.
- Manish Mohnot:** A significant portion of the saving will be in the finance cost. It is not that if I divide this saving into three areas one is finance cost saving second is operational efficiencies. So

significant portion will be in finance cost because today the rating of the two companies are different, the profile of debt is different, all of that. As far as operational efficiencies are concerned, we do not see significant reduction happening in people cost, because with the growth I think we will be absorbing all the people we have. We will actually have to recruit more people, but we expect operational efficiencies to come in making sure that we have the best of the processes, making sure that there is focus on delivering before time and that is going to be a big advantage also that is why we are saying ₹ 100 to ₹ 150 Crores saving, which is what we projected looks visible and that is also there in our margin guidance. We look at it, we are at around 8.6% consol. EBITDA in the current day and we are saying we will be in the range of 9% that is visible there also.

**Bharat Sheth:** This 8.6% is despite I mean writing off 9% if we may further, if commodity price is sustained at this level, then there could be some benefit is that fair understanding.

**Manish Mohnot:** Our write-off at an EBITDA level is minimal. I think the write-off is more beyond EBITDA, at the EBITDA level we hardly had any write-offs.

**Bharat Sheth:** Coming to now on this where in your initial opening remark we have received one L1 in airport side in Asia also which has been given on the slide #4 and we were also in the tunneling project so what are the status of this new area of verticals that we are entering?

**S.K Tripathi:** Airport, yes, we are L1 in a large airport in Asia. I will not give these specific details, but this is the sector which we have been trying to get in for a long time in India, as well as international and we see a good visibility of this business building up in Africa going forward, and that is why we have pitched on a single large EPC project which bring us the PQ. Coming to your second part of the question, tunneling, yes strategically we are trying to enter this business but currently what we hear, Manish Ji has said in the opening remark we are L1 in a large metro project which is basically a elevated corridor which we have executed in the past also.

**Bharat Sheth:** So, we were L1 at the end of Q3 in one of the tunnel project. So what is the status of that project?

**S.K Tripathi:** That project is still in a question with government, where some security concerns have been raised by the government because we had a Turkish partner. We are trying to resolve that problem, so it is still that matter is in the court. This is under sub-judice and this is why we have not taken in our L1 numbers, this tunneling project.

**Bharat Sheth:** Manish Ji you said that this gross borrowing, I mean, net borrowing in consol. is ₹ 1,900, so how much is that core level and if we really reduce, I mean, divest, I mean, some of the

road projects, so this ₹ 300 to ₹ 400 Crores savings what you are talking is over and above if we divest some of the borrowing may go out.

**Manish Mohnot:** Our core level debt if you look at KPTL and JMC together is around ₹ 1,100 Crores net debt. We have not taken any proceeds from divestment into our target ₹ 300 Crores plus reduction in net debt. If that happens, it will be over and above this ₹ 300 Crores. ₹200 Crores comes only out of internal efficiencies, working capital, project closures and a focus on being lower leveraged from a long-term perspective, so we have not taken. Yes, we have taken Indore in this because we expect a lot of cash flows to come, we have targeted around ₹ 125 Crores of cash flows to come out of Indore in the current year and that is included in this ₹300 Crores to ₹ 400 Crores number.

**Bharat Sheth:** Any update on this restructuring and divestment plan of the road as well as our logistic business.

**Manish Mohnot:** What I mentioned earlier also, we are in advanced stage of discussion with bankers on both of them. We have got all the approvals except one bank and post which we will apply to NHAI. We are expecting, we are pushing to get that approval in the next few weeks, post that NHAI, whatever time it takes. As far as refinancing is concerned, on one of the projects we have got a couple of proposals from large bankers and NBFCs, we are working on that also and hopefully Q2 we should be able to give you clarity on that. As far as Shubham Logistics is concerned, I think that is something that could take some more time because that business has headwinds, which are very different today. With the increase in wheat prices and commodity prices, you are seeing warehousing revenue come down by closer to 25% in Q4 because people are just exporting. But yes, last Friday the government has banned export of wheat and that would have an impact, but as of now we kept that on a backburner. I do not see that happening in 2022-2023 for sure and we have not budgeted for anything out of that in our targeted debt reduction. But yes, we have declared that as non-core and it is only a matter of time that we start looking at either a strategic investor or any other option for that business.

**Bharat Sheth:** Last question post merger with the strong network. So how much incremental, I mean, on the project bidding side will be currently if you are bidding only for hypothetically ₹ 500 or ₹ 1,000 Crores from JMC suppose that how much of that, we can increase?

**Manish Mohnot:** Today we do not have a challenge from a bandwidth perspective of bidding for any size project, yes but strategically we are saying that we would be bidding for high value projects. Only merging the strengths of engineering and civil across the two companies will be one company and we should be declaring the name soon. Strategically our focus is, we will continue to bid for large projects only unless strategically we need to, as it is a new

entry strategy, new country strategy, any of that, but the focus would be shifting to bidding for large projects only.

**Bharat Sheth:** Last question one is we said that 74% is with the price escalation I mean whatever order we have won. So my belief is that in international it is a fixed price contract so these things are changing from here on.

**Manish Mohnot:** Yes, we have seen. We have also recently signed an international contract where the client has in-principle at least agreed for a variable price. So slowly and steadily, we are pushing clients. I am not saying that we have been successful a lot in saying that this kind of volatility is something we have, contractors cannot absorb and we are pushing this domestic and international. Have we succeeded, my view is out of the last five contracts bid, we succeeded in two which is not bad, but we would have loved to succeed in all five. So, it is a mindset change which will happen over a period of time and for all this, if commodity's meltdown happens and we come back to reasonable levels, the push could be different, but yes we are pushing for at least the volatility being absorbed by the developers instead of the EPC contractor.

**Bharat Sheth:** Thanks to you and all the best.

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

**Prem Khurana:** Thank you for taking my question Sir. My questions are with respect to JMC. So just to begin with, when I look at our order backlog and look at the composition, infra is almost around 53%. Now I think, when we embark on this journey to kind of diversify our order backlog, when we used to be around 10% on infra side, the idea was to kind of go to 30% and we come to almost around 53%. Just given the fact a large part of the order backlog now sort of and, at the same time your private sector B&F seems to be making a comeback, seems now with residential real estate cycle going good. Do you see this mix to sustain at these numbers, or do you get to see a thought process I mean the private B&F could again become larger than infra going forward and also if you could share your thoughts on how the international and domestic mix becomes. I think as of now it is around 22% international, which used to be negligible for us and given the fact that we are looking at some more international geography, so fair to assume international would also go up even further?

**S.K Tripathi:** Going forward the B&F is getting a lot of traction domestically, but we are also expanding B&F now on the international foray and few successes have been there and going forward so to answer your question, this ratio of the B&F private driven will keep reducing because our focus today domestic side, we have huge opportunities on the government side and the

international also our 100% projects are multilateral funded or so called the government funded, there is nothing in private funding. Now with the increased size in the order book, which is now being driven by the international and water this ratio will further get skewed, but B&F also will grow along with the other government opportunities. So to answer your question, the B&F non-private business will keep on increasing proportionately going forward, say next two to three years horizon.

**Prem Khurana:** Anyway, it is unlikely to have any change in the working capital cycle that we get to have and if it is comparison between private and public order the working capital cycle I mean you assume and it will be the same with both the segments.

**S.K Tripathi:** It will remain same and it keeps changing based on the market condition and we keep moderating it depending on the market condition, so whether we moderate the order info we will, if we find that cash flow inflows are tight then we go and focus somewhere else. I think is more of a moderation, seeing the overall situation of the sector.

**Prem Khurana:** In this order backlog, we have ₹17000 odd Crores, how much would be water order and possible to share, I mean, how much would be bought out component in these waters because there the margin ideally should be lower than I mean it could proposition up your EPC projects on the bought out components. Possible to share I mean how much is the order backlog on this and how much is bought out portion in these water orders?

**S.K Tripathi:** Out of ₹ 17,000 Crores,, water will be about ₹ 6,500 Crores. Out of this the bought out will be almost 70% of this. Most of the water contracts, they are covered by escalation, but recently due to the very sharp drop in the commodity prices, the indices they never move so quickly as the commodity prices, and that is why we have seen some erosion in the profitability, but as the market stabilizes I think the water contracts, the overall margin profile is better than the average what we are showing for the company as a whole and we see this kind of visibility to continue at least for next one to two years.

**Prem Khurana:** Just two more if I may, one was essentially on if you could share the status on the assets there and the road BOOT that was planning to sell where are we in terms of our efforts now.

**S.K Tripathi:** Asset sale at the moment, see the current situation, we are not seeing any traction in the market realistically, but we have re-worked on the strategy now. One asset is already terminated there, we are working with NHAI and the bankers to settle the termination payment so that yearly cash outflow is stopped. On WEPL there we are already which Manish Ji has briefed that we are working on the restructuring, something should happen in Q1. VEPL, it is sort of self-sustaining and we are going for refinance there. Hopefully that should happen in next two quarters and Agra Aligarh, anyway BBEPL is a small asset so it is self-sustaining so these two assets now with the current revenue spectrum which has now

touched to about ₹58 lakh per day so if you look at these assets including repayments, we need a revenue of about ₹66 lakh per day. Last year they were earning ₹47 lakh per day and now they are at about ₹58 lakh per day if this trend continues it significantly improves the health of the both portfolio and our obligations to fund more and more reduces. So this is our overall strategy here one asset we will refinance one asset we will restructure and one asset we are trying to settle with the NHAI on the termination payment.

**Prem Khurana:** Just one last, I think in your earlier remarks you spoke about that you are getting into newer segments, so would that need you to increase some more incremental capex and over and above what we generally get to have in terms of run rate so you spoke about I think underground metro and you are getting into airports as well, and the idea to kind of take up some more orders on airport side in Africa, so would that need to kind of incur capex which is in excess of the run rate generally that we get to have with us?

**Manish Mohnot:** We are trying to balance the overall portfolio. If I look at water, they do not require any capex and that is what we are leveraging to build other businesses. So if the water business requires only 3% capex, maybe underground and the airports they require 10% to 15% level of capex, we are balancing both that so that the overall capex investment remains in the amount and anyway with the merged entity going forward, we will have better ability to fund the capex, which are particularly in the underground project which are very capital intensive and that is what currently our strategy to fund the capital intensive projects and balance the portfolio on the capex side.

**Prem Khurana:** If you could share the absolute number for FY2023 in terms of capex that will be my last question. Thank you.

**Manish Mohnot:** On a consolidated basis we expect capex to be in the range of ₹ 300 Crores for FY2023.

**Prem Khurana:** Sure Sir, thank you. Thank you very much for taking my questions.

**Manish Mohnot:** Thank you. The next question is from the line of Jainam Shah from Equirus Securities. Please go ahead.

**Jainam Shah:** Good morning Sir thank you for the opportunity. My question is related to the road assets of JMC. So, if you see Kurukshetra, that we have given the termination notice to NHAI and we have also provided for some of the provisions in our books. So I wanted to know how much investment is still there in our books for KEPL in terms of equity plus loans, plus some cost equity if we have?

**S.K Tripathi:** So KEPL everything is provided there is nothing left to be provided in KEPL and our investments today stand at a number closer to zero.

- Jainam Shah:** Any amount to be received from NHAI would be directly going to the lenders for the repayment of the loan, so there will not be any incremental payment from our side in coming one year in the formality of this combination.
- S.K Tripathi:** That is our best endeavor. As per the concession provisions, NHAI is supposed to pay to the lenders what is due to them, but knowing NHAI it is a journey we have to travel with them. I am sure you understand the way the NHAI conducts on these issues. So, we have received the engineer recommendation which says that the full debt obligation of the bankers can be paid off, NHAI is evaluating it. We are working with them and will come to know by the end of this quarter, how NHAI is going to handle this issue.
- Jainam Shah:** Any adjusted equity kind of thing that we are expecting to get back, like although we have provided everything but any kind of positive cash flow we can expect from these stronger assets?
- S.K Tripathi:** No.
- Jainam Shah:** You said that we were requiring ₹ 66 lakhs per day for these three road assets for the overall repayment of the three road assets, so are we factoring any major maintenance into that ₹ 66 lakhs per day, or any major maintenance would be over and above it. So what I believe is that there might be some major maintenance cycle in upcoming one to two years for one of our projects?
- S.K Tripathi:** Let me rephrase what I had said. ₹66 lakh per day is the subsistence revenue including the debt obligation and currently we are at ₹58 lakh per day compared to the ₹ 47 lakh per day of last year. So there is a lesser pain now to manage these assets, that is point number one. As far as the major maintenance is concerned this is to be funded separately which is not part of this number and we do not have major repair obligations which are there, maybe in 2024-2025, but there also we have taken a strategy where we are spreading the major maintenance because if there was no traffic, last seven, eight years and there was no revenue there is no immediate need to do the major repair and those repairs we are spreading over a period of two to three years strategically in order to contain the funding requirements.
- Jainam Shah:** If we just take a scenario that this refinancing of WEPL and the VEPL takes some more time then how much funding is expected for FY2023 as we have done ₹81 Crores for this in FY2022. So any ballpark number for upcoming two years for this funding is it like ₹ 23 lakhs into 360 days something like that.



- S.K Tripathi:** Last year our total funding in these SPVs was to the extent of ₹140 Crores this year it is to be expected to be in the range of about ₹70 to 80 Crores depending on the how the revenue comes on the full year cycle.
- Jainam Shah:** The ₹140 Crores that you have told versus ₹81 Crores reported into the presentation so this balance ₹60 Crores is for the Kurukshetra if I am not wrong.
- S.K Tripathi:** Yes.
- Jainam Shah:** Okay Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Teena Virmani from Kotak Institutional Equities. Please go ahead.
- Teena Virmani:** Sir, my question is related to KPTL standalone. We have seen a sharp increase in the working capital requirements for KPTL standalone. So what exactly contributed to that sharp increase and going ahead how do we see that panning out for the company. So are the CTC provisions which we have taken for around ₹118 Crores, are they part of the working capital or is a part of the overall expenditure which the company has reported?
- Manish Mohnot:** Good morning Teena, I think you have answered a few questions yourself, which is good. So let me first answer the last one, yes provisions continue to be part of working capital first. Second why has the working capital days gone up, there are two specific reasons, one we have focused on not increasing our customer advances given the interest rates, given our low debt levels that is a conscious call of not increasing customer advances where the interest rates are much, much higher and second, consciously last two quarters we have also made sure that creditors payment is much higher than it would typically be so our creditor days have come down significantly at a KPTL standalone level. Both are conscious efforts right, given the low interest rates and given that we have a low debt. As I said earlier, on a consol. basis, we are targeting to be in the range of 90-100 days as far as networking capital is concerned and we are pretty confident we will be there.
- Teena Virmani:** Even if I adjust this creditor days and another adjustment related to CTC provisioning then also the working capital cycle is much higher. So going down to almost around 90 to 100 days would require a correction of somewhere in the range of 35 to 40 days of correction from the current levels of FY2022. So do you think it is possible in the next one to two years when we know that the environment is a little volatile?
- Manish Mohnot:** I will just be very clear on what I said. On a consol. Basis, we expect 90-100 days. As far as KPTL standalone is concerned, we will continue to be at a slightly higher level in the current environment, because we are still with that low debt and all of that we are still not

taking too many customer advances so from 134 days we definitely plan to bring it down to levels of 120 odd days in the next year or so. But it is not going to be significantly lower. At JMC it will be lower and consol. we should be in the range of 90-100. So from 134 our target would be getting it down closer to 120 levels at KPTL standalone by the end of next year.

**Teena Virmani:** My second question is on overall consol. revenues. Like, if I see overall consol. revenues are around ₹ 148 billion for FY22 and standalone number if I add up the standalone numbers and JMC numbers there is still a short fall so where is this short fall coming through because standalone is around ₹ 70.6 billion and JMC is around ₹ 55 billion so where is the gap coming in from because Shubham you mentioned that there are challenges on the growth side so what exactly is contributing to this gap between console and these two entities.

**Manish Mohnot:** I think the biggest gap is KPTL Sweden (Linjemontage) which is closer to ₹1,100 Crores, then there is Kalpataru Brazil which is close to ₹500 plus Crores and then there is Shubham Logistics. So if you add all of that because in KPTL standalone, Linjemontage and Brazil are not reported in the revenue.

**Teena Virmani:** Okay so this is not part of your revenues on the standalone basis?

**Manish Mohnot:** Perfect. Well both put together they are around ₹1,700 Crores, Sweden and Brazil and then you have Shubham also around ₹120 Crores.

**Teena Virmani:** My last question is regarding the guidance for JMC. So given the fact that the order inflow for the company was quite good and order book is also very good, so why such a conservative guidance of around 15% to 20% for JMC? Is there any kind of delay that you see from the customer side to go slow or in terms of payment otherwise like when you normally see the order book is fairly strong. So, I believe the growth should ideally be much more than 15% to 20% for JMC.

**Manish Mohnot:** I think you are right. Looking at the order book that the numbers could be much better, we just want to be slightly conservative at this stage because there are the global issues happening, all of that. But you are right, last year also we had guided JMC to be in the range of 20% and we have done 40% plus, so current year also we believe that this could come up but we would just like to wait for one more quarter to be sure what numbers would come up, but yes you are right, 20% minimum is visible it will go up beyond that only.

**Teena Virmani:** Thank you Sir that is it from my side.

- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just on the loss funding Sir, so last call we have said that about ₹15 Crores to ₹20 Crores will be the requiring loss funding so now it is again ₹70 Crores to ₹80 Crores number which you have mentioned this quarter. So just if you can break up this number is there any major maintenance included in this because we were expecting some ₹40 Crores to ₹50 Crores of major maintenance in FY2023 so does that include that?
- S.K Tripathi:** Can you repeat your question once again?
- Parikshit Kandpal:** Just on the loss funding, you have said that in FY2023 about ₹70 Crores to ₹80 Crores of loss funding will happen. So just wanted to understand from the last quarter call you had said that about ₹15 Crores to ₹20 Crores will be the loss funding on a recurring basis and there could be something which will come up on major maintenance in FY2023 so this ₹70 Crores to ₹80 Crores does it include any major maintenance.
- S.K Tripathi:** Yes, so out of ₹70 Crores to ₹80 Crores about ₹20 Crores to ₹25 Crores will be towards the maintenance obligation and the balance will be towards the loss funding.
- Parikshit Kandpal:** This number seems to be on a higher side because we were looking at settling down this loss funding on a recurring basis to about ₹20-30 Crores so does it have an impact of delay in the restructuring of WEPL that is why this number is higher. So just want to understand what would be the normal recurring loss funding from here on after the WEPL restructuring.
- S.K Tripathi:** You are right currently the number, because the restructuring thing if it gets delayed by another quarter or so that is why these numbers we have still kept a little on higher side depending on the outcome with NHAI.
- Parikshit Kandpal:** On a recurring basis what could be the loss funding including major maintenance and delay and assuming that the restructuring of WEPL will happen. So from there on how much will be the current price?
- S.K Tripathi:** So if it happens there could be a reduction of another ₹10 Crores to ₹15 Crores.
- Parikshit Kandpal:** On FY2024 how much would be the loss funding after restructuring?
- S.K Tripathi:** 2024 we can come back to you with the revised working because all will depend on the traffic scenario. So it will be wild just putting any number now but if the number goes as I

said the subsistence revenue is at the level of ₹66 lakh per day if it crosses that then we have a lot of problems solved on these projects.

**Manish Mohnot:** So I will just give you different perspective to it based on what SKT said ₹66 lakh per day versus ₹57 lakh per day we have a shortfall of closure to that ₹10 lakhs and if I put that number assuming things do not improve that then we are looking at a ₹35 Crores to ₹40 Crores funding only for debt management and interest. If the number ₹58 lakhs goes up to ₹62 lakhs per day, great, if it comes down significantly is something but as of now, if you look at the numbers given by SKT there is a half mix of MMR and the balance is ₹35 to 40 Crores is what will go out for maintaining the cash flows on this the average.

**Parikshit Kandpal:** But what will be the impact of restructuring on this number.

**Manish Mohnot:** Ideally if it happens the way we want it this number of ₹40 Crores could come down to closer to a single digit Crores getting into the next year, but as I said ideally because this is the final negotiations happening with the bankers a few things up and down can happen and that is why I just want to restrict that for maybe a few more quarters because the moment it has done we will come back to you at the first instance to tell you exactly what the number would be.

**Parikshit Kandpal:** The second question is on the elevated cash levels in the balance sheet close to about ₹ 900 Crores so why such high cash levels and what do you intend to do that with that cash?

**Manish Mohnot:** I think this cash level only stay at the quarter end and the year end primarily for various reasons, which I just do not want to discuss on the call because we have banking limits which we need to utilize and all of that because we have used limits. So typically at quarter end and year end you will always see that we have high cash levels for a few days in our balance sheet.

**Parikshit Kandpal:** Just last bit on the debt free status which you have mentioned and also if we can mention about the pledges. So earlier, the promoters had guided a pathway towards reducing this pledge. So where are we on the journey of reducing pledge and when can some concrete action happen there for these two.

**Manish Mohnot:** We continue to be on the date which we had given in the December quarter we believe that starting Q2 the pledge will start coming down that is what the promoter have told us, given the increase in sales and the kind of traction which the real estate has. So, we do not see pledge coming down in Q1 but what we have been given to inform by the promoters is that starting Q2 the pledge will start coming down.

**Parikshit Kandpal:** The net cash status at the KPTL level if you can just give some comments there.

- Manish Mohnot:** Net cash.
- Parikshit Kandpal:** At the KPTL level we were trying to reduce the debt to near zero so if you can just give some color on that.
- Manish Mohnot:** Again it would be difficult to give you exact number at KPTL. As I said earlier, on a consol. basis and that is a better way to look at it, we expect that to come down by ₹ 300 plus Crores and significant amount of this would be at KPTL because Indore itself we expecting ₹125 plus Crores. But it is good to look at it on a consol. basis because hopefully by the year-end when we declare, this will be one entity.
- Parikshit Kandpal:** But Indore is how much is the revenue that it is cash flows including what is unsold which we can realize from that project now?
- Manish Mohnot:** ₹150 plus Crores.
- Parikshit Kandpal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Thomas George, an individual investor. Please go ahead.
- Thomas George:** Good morning Mr. Mohnot and congratulations for a very successful quarter result. I have just a small question in terms of looking prospectively after the merger what will be the employee size of our company, both the companies put together.
- Manish Mohnot:** We are currently at levels of around 7,500 people on a merged entity. Given the growth prospects, we believe this could slightly go up, but our own projection is we should be in the range of a 7,500 level as far as employees are concerned.
- Manish Mohnot:** Right Sir thank you good day.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Ms. Bhoomika Nair for closing comments. Over to you Madam!
- Bhoomika Nair:** I would just like to thank everyone for their participation and particularly the management for giving us the opportunity to host the call. So thank you very much and wish you all the very best.
- Manish Mohnot:** Thank you very much Bhoomika and thank you everyone.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Dam Capital Advisors that concludes this conference. We thank you all for joining us. You may now disconnect your lines.