



**“Kalpataru Power Transmission and JMC Projects 3Q FY2018
Earnings Conference Call”**

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MANAGEMENT:

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MR. MANOJ TULSIAN : Whole-Time Director and CFO, JMC Projects

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MS. BHOMIKA NAIR : Analyst

Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power Transmission and JMC Projects 3Q FY2018 Earnings Conference Call hosted by IDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case 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 - IDFC Securities Limited. Thank you and over to you, ma'am.

Bhoomika Nair: Good morning, everyone. On behalf of IDFC Securities, I would like to welcome you to the Q3 FY18 earnings call of Kalpataru Power Transmission and JMC Projects. Today with us from the management of Kalpataru, we have Mr. Manish Mohnot – Managing Director and CEO, Mr. Kamal Jain – Director Finance and CFO and from JMC Projects, Mr. Manoj Tulsian – Whole-Time Director and CFO. I now handover the call to Mr. 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 to all and I am thankful to you for making yourself available to attend this call and for your continued interest in KPTL and JMC..

I am happy to inform you that we have delivered a good quarter with a strong revenue growth of 22%, /26% considering for the impact of excise duty compared with Q3 previous year and we expect that the revenue growth momentum will continue in Q4 and the years ahead. The EBITDA margin continued to be robust at 10.7% as against 10.3% in Q3 last year. On a 9-month basis the EBITDA margin is at 11% as against 10.7% in the same period last year. Our order intake this year is very strong with the YTD number of approximately Rs. 8,500 crores.

Going into a little bit of details of performance, revenue in this quarter improved across our business over the previous year same quarter. We have delivered an encouraging growth in railway business of more than 65% Y-o-Y and pipeline business of approximately 150% Y-o-Y. While revenue for our transmission and substation business grew 12% Y-o-Y. Our EBITDA for the quarter was Rs.152 crores, an increase of 28% Y-o-Y. The EBITDA margins continue to expand around 44 bps versus the same quarter last year. Our debt levels are within our targeted range of Rs. 700 crores to Rs 800 crores. Our finance costs continue to improve as targeted. Finance cost as a percentage of revenue was at 2% in this quarter as against 2.1% in Q3 previous year. Our profit after tax for the quarter stands at about Rs.75 crores as against Rs.57 crores in corresponding quarter last year an increase of 32% Y-o-Y.

Our quarter-end order book is at approximately Rs.10,500 crores net of GST. This is excluding the new orders of Rs.2,400 plus crores received in the new calendar year from January till now. Incrementally we also have a L1 position of about Rs. 2,000 crores as on date. On JMC we have achieved significant progress both on revenue growth and EBITDA margin levels. Our revenue grew by 29% Y-o-Y and our EBITDA grew by 46% Y-o-Y in the quarter. Our EBITDA margin is nearing double digit of 9.9% which is also a 118-bps improvement over the same quarter previous year.

Our PAT for the quarter increased by 30% and for the first 9 months by 69% Y-o-Y. Our finance cost as a percentage of revenue for JMC was at 3.2% in this quarter as against 3.8% in Q3 previous year. On a 9-month basis revenue growth for JMC was at 24% increment Y-o-Y and EBITDA grew by 32% and PBT by 77% Y-o-Y. At JMC our order book is at Rs. 7,500 crores net of GST at the end of the quarter. We have also received additional orders of approximately 350 plus crores in the new calendar year. Our L1 pipeline remains strong at about Rs. 1,400 crores as on date. In our road BOOT projects portfolio, the reduction in overloading continued in Q3, lending to an average daily run rate of Rs.50 lakhs per day, this is our share which is higher by 10% on a Y-o-Y basis.

At Shubham Logistics, the utilization of our warehouses has shown significant improvement. Our revenue for the quarter was up 31% and we have delivered an EBITDA margin of 45% during the quarter in line with our guidance for the full year. Our average utilization at Shubham was in excess of 80% and we expect this to further improve going forward. Our PBT at Shubham is still negative but there is a visible improvement. One of the other significant update is that to just inform you all that we have signed a term sheet for assignment of our remaining rights in the office space at the Thane commercial property and the company has also received a token advance of Rs. 14 crores. The transaction is right now undergoing due diligence and we expect the transaction to close in the next few months.

Thank you very much and I am happy to take your questions now.

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** My question pertains to JMC projects. Sir, post the stellar number would you like to revise the year FY18 revenue guidance upwards and can you give some color on FY19 numbers also?
- Manoj Tulsian** See, we have already given a guidance, initial guidance what we had given was 15% which we then revised to 20%. By the year end it will be 20 plus for the full year.
- Subramaniam Yadav:** And then next year?
- Manoj Tulsian** With the type of quality of order book what we have next year for sure now we are looking at 15% plus.
- Subramaniam Yadav:** And sir, what about the order inflow, how are you looking it post GST and RERA?
- Manoj Tulsian** Well, if you really see again on that guidance we said that for the full year we would be booking around Rs 3,200 crores plus. We have already declared orders worth Rs 2,700 crores and we have L1 position in excess of Rs 1,400 crores. So, we are very much on track of our order booking also and we see good traction going forward. I mean RERA in any case is a boon for all the contractors, if you see per say, right. So, the quality of execution because of RERA will improve significantly including also the working capital management going forward. These are huge benefits for any contracting business.
- Subramaniam Yadav:** So sir, there has been any improvement in collection days because last quarter because of GST there was some delay in collection of the revenue, right debtors, right?

- Manoj Tulsian** Right, so if you really see between the last quarter and this quarter our debt has come down by approximately Rs 40 crores and we expect by year end it should come down by another Rs 50 crores to Rs70 crores.
- Subramanium Yadav:** Sir, any update on the Wainganga project?
- Manoj Tulsian** It is going on; the process is on.
- Subramanium Yadav:** Sir, has the bid submission happened or still pending?
- Manoj Tulsian** No, not yet.
- Moderator:** Thank you. The next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.
- Abhineet Anand:** First of all, on JMC, we have seen a very strong inflow and what would that translate into this sales growth for next year if you can guide something on that?
- Manoj Tulsian** Next year sales growth with the current order book we are looking at 15% plus.
- Abhineet Anand:** And this year now inflows, we had some guidance which I think we have fairly surpassed that we have already done by YTD?
- Manoj Tulsian** No, initial guidance was around Rs 3,200 crores.
- Abhineet Anand:** No, sorry I think I am talking from Kalpataru perspective, sorry. Sir, Kalpataru sales for next year and because I think the numbers for inflows will largely met by YTD?
- Manish Mohnot:** So, we still are finalizing our budget for the next year. But given the current order book looks like we should be growing at a 15% to 20% level but we would be able to give you a perfect guidance maybe by March, April.
- Abhineet Anand:** And now on JMC, just can you throw some light on the consol performance YTD?
- Manoj Tulsian** 9 months we are positive at PBT level and a very small negative at PAT level which we think by the year end both should be positive.
- Abhineet Anand:** And again, in this case this is more like 2-3 years view, so last 3-4 years if you see you guys have done phenomenal work in JMC in terms of margin expansion?
- Manoj Tulsian** Right.
- Abhineet Anand:** And in these 3-4 years except for this year our sales were largely constant. So, it was more a cost and all the processes that you control within the company. Now we have seeing a strong uptick in sales coming

up and your guiding per say 15% net sales well. So, will this also lead to a further maybe 50 or 100 basis point expansion because typically sales growth of this what leads to that? So, just your thought on that?

Manoj Tulsian Well, so as of now we would say that 10% is a good number. We need to sustain at this number that is how internally we look at it, right. But yes, because of good growth, we may see some incremental benefit coming on account of the operating leverage. But we would say that right now we should consider at 10% level. But our thrust towards improving the same continues.

Moderator: Thank you. The next question is from the line of Mayank Goel from B&K Securities. Please go ahead.

Mayank Goel: My question is regarding JMC, just wanted to know about the equity requirement. How much we have infused in the 9 months and what is the pending infusion and how will we phase out in the coming years?

Manoj Tulsian First 9 months we have infused around 45 crores and the full year requirements still looks to be around 60 crores which we have been guiding from the very beginning. For next year this number should come down drastically to a range of around 15 crores.

Mayank Goel: And on the CAPEX guidance side?

Manoj Tulsian CAPEX, this year we will be around 75 crores. We already done around 60 crores plus and next year also we are looking at a similar number if not more.

Mayank Goel: And lastly sir, are there any legacy orders in our order book and what will be the amount of those orders?

Manoj Tulsian Well, that is only around 2% to 3% of our present order book.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: First on construction side if you can help us understand what was the key drivers for execution pick up as in did we see this execution strongly coming in from the international market or domestic and the emerging segments that kicked off. So, if you can help us understand little more on the 9 month as well as the quarter driven execution?

Manish Mohnot: So, as indicated in my opening speech, lot of execution has come from the railways and the pipeline division which was as planned at the beginning of the year itself because both these divisions the turnover previous year was very low and with the order book we were expecting a healthy execution to come in. So, this is exactly what has happened. As far as the transmission business is concerned it is being consistently growing at around 12% to 13% on a 9-month basis. And expect that overall transmission business to be in the range of 15%-20% growth only on a 12-month basis. Within the transmission business TLI has grown slightly faster than transmission domestic but the difference is very minimal. So, it is not that the difference between both of them is high.

- Renu Baid:** And what would have been, if you can share, I do not know if you have mentioned it in the opening remarks or not. What would have been the 9-month revenues from the rail business coming through the rail EPC segment?
- Manish Mohnot:** So, 9-month revenue would be approximately 290 odd crores from the railway segment, right and from the pipeline segment would be a number of around 400 crores. So, together they would be at around 700 crores.
- Renu Baid:** And sir, with respect to order pipeline and finalizations how are we looking at the rail EPC business, order flow traction to proceed in the next 12-15 months. And in the international market on the transmission line side are we seeing I mean uptick coming through with respect to order finalization as well order wise?
- Manish Mohnot:** Yes, so we are bullish on the transmission international market primarily a few geographies which we are a lot more focus. Yesterday also we declared orders of around Rs 600 odd crores on the international business. So, we continue to be bullish in the transmission international business. We continue to stay bullish both on railways and pipeline business where we have bid for a lot of tenders and we are L1 in a few already which needs to be declared soon. So, as far as from a 2-year perspective, I think we are very bullish on all the 3 segments.
- Renu Baid:** And sir my last question with respect to support to subsidiaries as in this year we had committed an x amount but how do we look the overall support for FY18 and 2019 to entities and is there any thought process going ahead given that JMC is stabilized and doing well, profitability is in line with similar to Kalpataru numbers. There could be an option to look at a better coordination between both the companies even in listed terms?
- Manish Mohnot:** So, I would not be able to comment on from a listing perspective on better coordination. Obviously, these two companies as of today work operationally in a very coordinated manner. From an infusion of equity into subsidiaries, yes, we have planned some infusion of equity in Shubham in the current year which we have not done till now. Given the improvement in performance at Shubham if you look at the way the 9 months numbers have come, I am not sure whether we need to do that immediately or do that early in next year. So, we are watching the situation, at the relevant time we will take the call on that.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, my question is with respect to JMC. Sir, basically I understand, I mean if I have to look at our order backlog compositions, so government used to be almost 20%, I mean government F&B used almost around 20 odd percent a couple of years back and it is being coming on number that I look at now is around 8 odd percent. So, is it a conscious decision on our part that we will go little slow in government side or is it that opportunities are not there or the competition is very aggressive which is why we have been focusing more on the other segments now?

Manoj Tulsian So no, there is no conscious effort but one thing which we have maintained in the past couple of years is that we have become very conscious about our margin protection. So, we have been bidding selectively on the government side also. Hence wherever there is a severe competition we are not coming to the L1 position. The numbers will change again, there is too much of business opportunity now in the sector. So, we are not really worried about it and we are going as per our own strategy of growing at a healthy rate with protecting our margins.

Prem Khurana: And infra the idea you used to be take it to almost 30 odd percent still it is around 23%-24%, so any efforts there?

Manoj Tulsian Again there is lot of opportunity, right and I am sure that we will click some of those ones, right and for sure this number would be 20% plus because we see a lot of opportunity there.

Prem Khurana: And sir, just if you could explain on the debt part, so I think, I mean the numbers come down by some Rs. 40 odd crores, sequential basis net debt and if I have to look at the number, we would have paid around Rs. 15 odd crores to ODC to support their operations which initially means our core operations could give us almost Rs. 55 odd crores or free cash so, which is how we would have been able to reduce our debt by 40. So, what would have led to this reduction on debt ,we tried structuring our agreements in the different manner is it basically because we have been able to get good orders where in mobilization advance would have come in and as when we start executing there could be some increase in debt number again?

Manoj Tulsian So, Prem if you remember at the beginning of the year we had given a guidance that for this year with a growth of 15% and with the various initiatives which we have taken on the working capital management side, our debt at standalone level may increase around Rs 50 crores. If you see between Q1 and Q2 it had already gone up by more than 100 crores and that also we were apprehending because of GST, right and in the last call we mentioned that once the GST issue starts getting settling in some of the hold money will start coming back. So, which has happened in Q3 and there is still a portion of that left in Q4, right. So and that is why in the first query we answered that the debt level we further see to come down by around Rs 50 crores-60 crores in this quarter, Q4.

Prem Khurana: So, essentially, we stick to as original guidance of around Rs. 50 odd crores of increase on a yearly basis?

Manoj Tulsian Yes, I think it should be around that number.

Prem Khurana: So, if you could help us with the break-even level for BOT both on cash as well as PAT basis and second when you say the number required next year would be around Rs. 15 odd crores. So the number would be down because you would have refinance all your asset or is it because you see significant uptick in your traffic numbers and if you could share what is the thought process on traffic numbers next year?

Manoj Tulsian So, if you remember in the last call we mention that there are some significant developments which has happened on the BOT projects this year. One of course on the revenue side and traffic growth this year 9 months has been more than 10%, only the traffic growth. Second thing interest rates came down

significantly in 2 or 3 projects which got renegotiated very well during the year, right. And the third thing is of course the 5 by 25 which we are trying to do in 2 of our large projects, right. So because of all these developments my next year operating cash breakeven will come down to around Rs 52 lakhs and we are already at Rs 50 lakhs. So next year whatever this Rs 50 crores guidance has been given is mostly towards repayments.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: My questions relate to Kalpataru. First question which I had was on working capital or let say debt levels at Kalpataru standalone which appeared to have increased substantially through the quarter and even if one compares to March level. Just want to check whether this is more a function of last year being more PGICL driven and this year execution driven by states and the international business. Are there any one-off in this?

Manish Mohnot: No, I do not think we have any one-off in this, right. It is definitely driven by a mixture of orders which are happening so if you look at infrastructure which is railway and pipeline their execution, so their working capital is slightly more intense than the international order book which you were executing significantly in the previous year. So, it is not going to do with one-off. It is just a mix of orders and that is why we had guided at the beginning of the year itself when our debt levels, net debt levels were at a level of around Rs 500 crores seeing that in the year we would be around Rs 800 odd crores. So that guidance we had given at the beginning of the year itself. So, I think from a guidance perspective what we had expected we are very close to those numbers.

Aditya Mongia: Just one related question at the start of the year you had talked about certain improvements in the return ratios preferably ROCE. Do you stand by them in context of this slight deterioration in working capital?

Manish Mohnot: Yes we still stand with that, with the improved performance on margins as well as with exit on Thane, which we had said in our opening remarks. The Thane asset which we had planned to and we are now at a final stage of exiting. With these 2 events we definitely see a good improvement coming on return ratios.

Aditya Mongia: The second question was more related to these divestments that you are planning and then Shubham is showing slightly better numbers. Is there a thought process that the standalone entity given where we are in terms of BOT projects that are remaining on the T&D side. Is that thought process that debt levels can diminish materially over the next 2 to 3 years from this quantum of Rs 800 crores that you talking about net debt.

Manish Mohnot: So, on our BOT projects whether it is on transmission or roads any of them. We do not see significant debt coming down in the next couple of years. We definitely will see an improvement given that the individual assets will take care of the cash flows when it comes to debts. There will be no pressure on the parent company whether it is KPTL or JMC. So at a SPV level we see debt coming down but is it going to be very significant number, no. Because this is all long terms debts and the payment is over period of 10 to 15 years.

- Aditya Mongia:** Sir, I was talking about the standalone KPTL whenever is referring to the diminishing of debt whether it will happen materially even in the next 3 years.
- Manish Mohnot:** So, if from the current levels where we are targeted Rs 800 crores-900 crores, right. I do not see debt going up significantly and either do I see that coming down significantly. Because we are still targeting a growth of 15%-20% year-on-year at least for the next few years given the order book. With that growth we will also needed additional CAPEX and we will also need to fund the working capital. So I do not see the debt coming down from here whether at a standalone or console levels. There could be some improvement, but they are not going to be very significant on this.
- Aditya Mongia:** But that should not grow on an absolute basis what you are saying even if in the growth happens at a revenue level?
- Manish Mohnot:** So not in similar to the growth in revenue, it would definitely grow to the extent of CAPEX and working capital requirements but not in the same way the revenue would grow. You have seen the last 2 years also while revenue has grown our debt has remain stable. In last year also, we had a similar growth as compared to current year. But our debt levels have been constant in the last 2 years.
- Moderator:** Thank you. The next question is from the line of Karan Rathod from ICICI securities. Please go ahead.
- Karan Rathod:** Just a quick question on the guidance. So, sir, for FY18 we already seen good growth. So, on the Kalpataru, so what would be the revenue guidance? Would you be maintaining it? Would you like to increase it?
- Manish Mohnot:** So we definitely would be maintaining a minimum of 15% for next year and as I indicated earlier we still finalizing the budgets for next year. So minimum of 15% has given and we would be able to give a lot more clarity in March, April for the next year.
- Karan Rathod:** And with our current order book that we have and execution that we are witnessing, do we expect an increase in margins in Q4?
- Manish Mohnot:** So, we still guiding in a margin levels of around 11% EBITDA for the annualized year.
- Karan Rathod:** That is for Kalpataru, right sir?
- Manish Mohnot:** Yes, that is for Kalpataru and I think we will stick to those guidance only given the volatility in commodity price and all of that. So, we still stick to the guidance of around 11% EBITDA levels for the current year.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, I wanted to know for JMC Projects what is the total equity invested as on date and the total debt outstanding on all the 4 BOT projects?

- Manoj Tulsian** Total equity investment is Rs 685 crores as on date and total debt is close to around Rs1,300 crores.
- Ankita Shah:** And sir what would in our order book be the mix of domestic and international projects?
- Manoj Tulsian** In JMC?
- Ankita Shah:** In JMC.
- Manoj Tulsian** International is only around 7% of the total order book. But in the L1 position we have a large international order.
- Ankita Shah:** And which is that project?
- Manoj Tulsian** Will let you know.
- Ankita Shah:** So, out of Rs 1,400 crores can we expect like more than 75% would be from international?
- Manoj Tulsian** No, not that much but it is a large enough for us. So, which is in line with our thought process.
- Ankita Shah:** And this is same from Africa, African market?
- Manoj Tulsian** Yes.
- Ankita Shah:** And on a blended basis, public and private projects in the order book?
- Manoj Tulsian** Public is around 39% and private is 61%.
- Ankita Shah:** And sir one last thing, I wanted to know what is the pipeline or what are the projects that are coming in the private segment in the factories and building segment? So, is there a huge opportunity there?
- Manoj Tulsian** Buildings continue to do well whatever we may say we have seen so much of slowdown in the last 3-4 years but because of our quality of execution, relationship we have been getting continuous orders. Our focus in the last 2 years also shifted more towards commercial where the risk of delay in execution from the developer side also comes down significantly and the revenue visibility and working capital management is also much better and we have built up a sizeable amount of commercial order book within the F&B segment. So, which is also helping us in terms of better working capital management at this point of time, right and in terms of the factory side we are seeing some visibility now. In fact, last quarter we have declared one order which we have got and we see a lot of traction further to build up on the same order maybe next 2-3 years based on our execution. Even on the government side we are seeing some amount of traction now on the industrial segment and I think things will start happening now.
- Ankita Shah:** Sir, precisely why I was asking on the private side was because we have seen that the private sector CAPEX is not picked up so significantly. So, that is why key reason I was wanting to know that are we really seeing lot of projects coming in with private sector.

- Manoj Tulsian:** Not lot of, as I told you but a few good houses , they have already started working on expansion projects.
- Moderator:** Thank you. The next question is from the line of Sandeep Baid from Crest Investment. Please go ahead.
- Sandeep Baid:** Manish, the question was on the pipeline business, we understand that GAIL is planning a Rs 17,000 crores-18,000 crores investment over the next 3 years, especially on the Jagdishpur-Haldia belt. So, what kind of opportunity are we looking at on the pipeline side over the next 2-3 years?
- Manish Mohnot:** See, if you look at our current year order inflow of pipeline division right, for the 9 months including the 2 orders which we have declared in the last month or so the order inflow has been very healthy. We already have clarity of orders of approximately Rs 2,000 crores in the current year and we have bid for a lot of tenders which are expected to open soon. We are also L1 in one big tender. So, from a perspective of the next couple of years whether it is GAIL whether it is IOCL, whether it is ONGC or some of the private players we see a lot of tenders coming up. Given that we believe that this is the business which can give us a good upside in revenue as well as profitability. Historically you have seen if go back to '13-14 to '15-16 this is the business which was lagging in terms of both revenue and profit numbers. But now they have got up and so that is the business which definitely should be growing at 25%-30% if not more at least for the next couple of years.
- Sandeep Baid:** And how is the competition intensity in this segment?
- Manish Mohnot:** I think we have competition we have 5-6-7 players which continued to compete in that. So, contracting by nature every segment has competition but clearly, we have an edge of being in this business for now closer to a decade and having equipment's and qualifications and the team which provides us the base to make sure that we can deliver within the budgeted cost and with the margins which we are targeted.
- Sandeep Baid:** And my second question was also on the pipeline on the water side for JMC. So Manoj, if you can may be talk about the opportunity that you are seeing on the water pipeline side for JMC over the next 2-3 years?
- Manoj Tulsian:** Well, that is one segment clearly now we are focusing also to ensure that we have a good mix of CAPEX based business and non-CAPEX based business, right. So, we are very hopeful that this order book will improve further. Our last 2-3 years whatever projects around 3 projects on which we have been working also has given us satisfactorily results.
- Sandeep Baid:** So, how large is the current order book on the pipeline side for JMC?
- Manoj Tulsian:** Well, right now the order book is close to around (+800) crores and we see this significantly building up in the next 2 years.
- Sandeep Baid:** And which are the geographies where you are seeing more action?

- Manoj Tulsian:** Well, more of it is in central India. You can see MP, Chhattisgarh and even towards Bihar and we are also looking at international on water projects. So, Sri Lanka already we have and one is under bid right now and then we are looking at many more territories in Africa.
- Moderator:** Thank you. Next question is from the line of Varun Agarwal from BOI Axa Mutual Funds. Please go ahead.
- Varun Agarwal:** Sir, my question is on Kalpataru, if you can help me with the domestic T&D how is the competition how is the PGCIL ordering and in the states do you see the ordering expected to be picking up from the state SEBs?
- Manish Mohnot:** So Varun, on a domestic front we do not see the traction as strong as our other segments and we have indicated that in the past also. We do see some traction coming from PGCIL and from a few select states whether it is West Bengal, Karnataka, Tamil Nadu, Jharkhand, Orissa some of them but it not across the country. So, that is why our guidance for the domestic business is a growth of only around 10% for the next few years. Compared to the past the traction is much lower as of today.
- Varun Agarwal:** And in terms of any BOOT projects which are in pipeline for bidding?
- Manish Mohnot:** So, we continue to bid for selective BOOT projects right, provided we get the kind of returns we have budgeted. So, anything in this quarter, I do not think so but definitely getting into the new year we will have some projects on which we will focus and try and bid and try and see if we can win at a reasonable return.
- Varun Agarwal:** Sir, one last question on existing portfolio of T&D BOOT assets. So, we said we might exit going forward any update on that or you are looking to exit any of them?
- Manish Mohnot:** No, as of today we have no updates on exiting any of the portfolios as we have mentioned in the past also we will be open to strategic partnership whenever required. Today we have 2 assets and 2 of them are under construction the third one should be done by March 2019 and the fourth one in FY 2021. Our focus continues to make sure that whatever we have in our hand today is delivered on time. So, we can start accruing revenue on that.
- Varun Agarwal:** Sir, one last question on our Indore and Thane, so how much inflow are you looking from these 2 in terms of monetization how much money can come in from these two projects?
- Manish Mohnot:** So, Thane as mentioned earlier the deal is nearly done for the balance portions. So, we should expect around (+140) crores to come in on Thane, which should all come in hopefully before March end. As far as Indore is concerned we still have 80% of the portfolio or 75 to 80% which is not sold, so those cash flow should come in the next few years and it would be anywhere in the range of Rs200 crores- Rs 250 crores.
- Moderator:** Thank you. The next question is from the line of Alok Deora from IIFL Wealth. Please go ahead.

- Alok Deora:** My question is on JMC. So, just wanted to understand this L1 order pipeline, when it is expected to get converted like around 2 months-3 months' time?
- Manoj Tulsian** See, it is a continuous process. So, we have been winning a few also which is outside the L1 in this entire year and then something getting converted from L1, right. So, we surely expect that out of Rs 1,400 crores most of this should get converted. There is one international order which we feel that it should get converted within March or it may spill over to may be April.
- Alok Deora:** And what would be our order inflow guidance for next year any broad number on that?
- Manoj Tulsian** For sure we would be looking at around Rs 4500 crore.
- Alok Deora:** Just one last question, see we have seen significant bid pipeline in the road segment, so are we looking to aggressively bid in that space or factories and building would be the primary area where we will be focusing on?
- Manoj Tulsian** No, factories and buildings continue to be a strong area. It is also because of relationship that we keep getting the repeat orders. But in terms of bidding side for sure we are also bidding on the road side all EPC, right. But there is severe competition at this point of time, but we clearly want to see that our margin is protected. So, we feel that since there is so much of traction which is there even in the road sector we would be able to have one or two wins call in the next 6 months to 8 months.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Sir, can you throw more light on railway opportunity in domestic as well as on international side?
- Manish Mohnot:** So, on the domestic side we see a lot of opportunities coming on all the segment of railways whether it is electrification, whether it is track expansion, whether it is station modernization, whether it is the metro part. Lot of opportunities coming and you see tenders coming from RVNL, CORE, PGCIL, on all these aspects. We expect this to grow further as indicated in the budget also and that could be a big growth driver for us in the future.
- Bharat Sheth:** How do we see, I mean railway which we have done say around 300 crores in 9 months you said, correct?
- Manish Mohnot:** Yes.
- Bharat Sheth:** And where do we see your next 2-3 years this contribution?
- Manish Mohnot:** So, we expect this business to at least grow at minimum of 50% per annum and end the year at 550 to 600 next year there should be 900 to 1000 and from there at least 1,500. Even with the current visibility this business next 2-3 years should grow at a minimum of 50% if not higher than that.
- Bharat Sheth:** And international side are we looking any geography for railway?

- Manish Mohnot:** So, we continue to look at opportunities in the international front primarily in the African geography. We have seen a few tenders come up there and we are focused on bidding for them. We will continue to look at opportunities in the overseas market also and hopefully getting it into the new year we should have some good news on that.
- Bharat Sheth:** And T&D side are we expanded any or added new geography in current year or some of the geography which earlier were not active and we have seen them becoming active?
- Manish Mohnot:** So, we have added a lot of countries in the Western Africa continent in the current year as well as in the previous year. So, our foot print now has gone beyond 50 countries as far our international market is concerned, and I think we still continued to focus on Africa as a key continent of growth for us.
- Bharat Sheth:** And Middle East side are we seeing any kind of a revival or?
- Manish Mohnot:** So, we have seen some activity happening in terms of consultants being appointed and RFQs being circulated. So, in the Middle East markets also at least in a few countries our belief is that getting into 2018-2019 or maybe later part of 2018-2019 you should see a lot of tenders coming out from Middle East.
- Bharat Sheth:** And now second question for Manoj Ji. Manoj Ji, sectorally we have expanded say from earlier factory building to like metro and water pipeline so are we also heading any new sector in our portfolio?
- Manoj Tulsian:** No, not at this point of time.
- Bharat Sheth:** And I mean Goa shipyard that was an additional thing we are doing that can be view some pre-qualification on which side?
- Manoj Tulsian:** It is more of an industrial project, yes.
- Moderator:** Thank you. The next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.
- Jaikant Kasturi:** Sir, my question is regarding Kalpataru. If you could provide me the breakup of the revenues for railway pipeline and T&D also the order intake for railway, pipeline and T&D 9 months?
- Manish Mohnot:** Sure, so if you look at our order position Railways and pipeline are around 26% as of 31st December. Railway is 13%, pipeline 13%, transmission and substation domestic is around 28% and transmission and substation overseas is around 46%. If you look at the breakup in terms of revenue, so for 6 months around 20% revenue would be from railways and pipelines and 80% would be from transmission.
- Jaikant Kasturi:** Sir, I was talking about order intake, not the total order. Order intake 9-month period railway and pipeline?
- Manish Mohnot:** So, order intake for the 9-month period, railways and pipelines would be closer to 45% of our order intake. So, if you look at the numbers for and I am including the orders which we have declared in the

last 2 months also. So out of the orders declared till date of around 8,500 crores, railways and pipelines put together as around 3,600 crores. Which is approximately 40%.

- Moderator:** Thank you. The next question is from the line of Karan Rathod from ICICI Securities. Please go ahead.
- Karan Rathod:** Sir, repeat on the railway EPC, so you have mentioned that railway EPC we had done about 350 crores in 9 months, am I correct in that?
- Manish Mohnot:** Yes, should be around that number, approximately.
- Karan Rathod:** So, ideally how much we expect to reach by like FY18?
- Manish Mohnot:** So we expect to be around Rs 600 crores by the end of the year. So, quarter 4 we expect railways to be anywhere in the range of Rs 220 crores to Rs 250 crores.
- Karan Rathod:** And then as per sir's commentary this should approximately be about Rs 850 to 900 crores in FY19?
- Manish Mohnot:** Rs 900 to 1,000 crores in FY19.
- Karan Rathod:** And with regards to the margins in railways, are we inching up towards the T&D margins?
- Manish Mohnot:** So there is a significant improvement of the past, so T&D margins continue to be in the range of 10% to 12%, railways would be anywhere in the range of 8 to 10%. But the new orders are more closer to the T&D margins.
- Karan Rathod:** So new orders are more around 10% to 11% margin. And what about the margins in the pipeline?
- Manish Mohnot:** So the margins in the pipeline division are already at the T&D level or at the company's order pipeline levels of 10% to 12%. As of today, it is already there, and we expect that to continue.
- Karan Rathod:** So we can expect the pipeline margins to be around 10% approximately?
- Manish Mohnot:** Yes, should be double-digit, 10% to 12%.
- Moderator:** Thank you. We have the next question from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** Sir, would you like to give some color on the L1 order of 1,400 crores in terms of sectors from where we are?
- Manoj Tulsian:** For JMC?
- Subramaniam Yadav:** Yes.

- Manoj Tulsian:** Yes, so out of this, some proportion is international infra and rest is residential and commercial.
- Subramanium Yadav:** Sir, in terms of percentage if you can share how much would be infra in that?
- Manoj Tulsian:** Well more than 50%.
- Subramanium Yadav:** And infra basically means the road asset, road project, right?
- Manoj Tulsian:** See, international we are only looking at road and water.
- Subramanium Yadav:** And sir, if I understand rightly we are also bidding for HAM project. If yes, then what is the strategy there and what kind of equity commitment annually we would like to put it in there?
- Manoj Tulsian:** No, we are not looking at HAM project at this point of time. Focus is clearly on improving ROCE.
- Moderator:** Thank you. Next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.
- Charanjit Singh:** Sir, actually if you look at the railway side opportunity is pretty large and may be the ordering in the electrification in the next fiscal year is expected to pick up in a big way as government is targeting much more bigger size of the contracts. So what are the limiting factors for us in the railway sector, we are talking what achieving and what we could achieve further beyond this because of this large opportunity?
- Manish Mohnot:** So Charanjit 2 or 3 things, one we would like to make sure that we protect the margins when we take projects. So we are not getting into bidding at levels which make us reduce some margins. Second clearly is the availability of man power and workforce to work on these projects. So if you go back to the history of railways, what is plan for the next 3 years is what we might have done in the last 30 years-40 years. So availability of man power skilled as well as unskilled as well as workforce at all levels is not something which is easily available. So we have to train people, we have to make sure that they delivered the quality which we need and that is something which is a continuous process. That does not happen overnight. And third also the limitations on railways is also that sometimes the suppliers, the list of suppliers who were approved in terms of delivering products that the list needs to be further exhaustive and which I think that the railways is working on and with that with the large base of suppliers, things should be much better. But the largest challenge if you ask me today is work force both skilled, unskilled as well as supervisory staff.
- Charanjit Singh:** And sir on the pipeline business nos. we have seen some pickup in the momentum. Do we see like FY19 also this momentum sustaining and how is the competitive intensity in this segment, if you can highlight that?
- Manish Mohnot:** As indicated earlier in the call, I think we are seeing a lot of tenders coming from all the large oil and gas PSUs whether it is GAIL, IOCL, ONGC or a private sector and we personally believe that this momentum should continue for the next few years. From a competition perspective it still continues to be competitive sector, but we have an edge given that we have been into this business for now 8 years

to 10 years, this is again a business we should grow at least 30-40 if not higher than that in the next couple of years.

Charanjit Singh: And sir, last question from my side is on the substation business. Now we had got pre-qualifications and we have also done quite a lot of projects in the substation side how do you see that market evolving for Kalpataru Power going forward and what could be the quantum of business which you can see in FY19 from substation segment?

Manish Mohnot: So, our substation business today has an order book of around 1,000 crores domestic and international put together. So, we have built a lot of **PQ** and we continued to build further **PQs** on that. That is segment which would definitely be a big driver for us if not in 2018-2019 definitely 2019-2020 onwards. We have rebuilt the entire team and there is a big focus on growth maybe not in the next year but beyond that.

Charanjit Singh: Sir, you mentioned about you are building further PQs, so if you can highlight like which KVA segment or any particular specific areas where we are building these PQs?

Manish Mohnot: So, it is a continuous exercise. This is something whether it is a KVA segment or what category of substation it is. It is a continuous exercise given that we have late entrance and we entered this business only 3-4 years ago. This is a continuous exercise which will happen over the next couple of years.

Moderator: Thank you. Next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: From Kalpataru what is the equity infusion we expect in the transmission BOOTs in 2018 and 2019?

Manish Mohnot: So, as committed in the past we expect, we have around 300 odd crores to be infused in the BOOT of transmission in the next 2018-2019 and 2019-2020. Approximately 150 odd crores should go into 2018-2019 and balance in 2019-2020.

Abhineet Anand: And the CAPEX in KPTL for 2018-2019?

Manish Mohnot: We still not finalize the numbers, but it should be in the same range of 100 crores to 125 crores.

Abhineet Anand: And one on JMC, I think the interest cost reduction part was to start from 1H of this year and that was to improve our consol earnings, has that already started or we are still ...

Manoj Tulsian: Interest cost reduction?

Abhineet Anand: Yes, we were actually talking, I think renegotiation of interest in 1-2-3 ...

Manoj Tulsian: Yes, which has happened and that is why we mentioned that my next year's cash breakeven levels have come down by almost 6% to 7% from this year.

Abhineet Anand: So, that 52 lakh that you said was earlier may be 55 or something of that?

- Manoj Tulsian:** This year was 55 lakhs.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** My question pertains to JMC. This is mainly related to when we say we are looking at road EPC and where the competition is high. So, does that mean the competition is high in 400-500 below projects and if that then how many players are, are we looking at 10-12 players bidding?
- Manoj Tulsian:** So, we are not even looking at the segment below 350 crores to 400 crores. We are only looking at above that and there also we are seeing minimum 10 to 12 players. Especially the players who are only into road business, we see severe competition on the pricing side also from their side.
- Shravan Shah:** So, then when we say we will not go for the HAM, so that is just because we are not committed for fresh equity investment in BOT despite the fact that may be few or may they 2-3 HAM projects for you can give a better ROCE over a longer period and better EPC margin for the construction segment?
- Manoj Tulsian:** Well, if you really look at road sector for us today is even less than 6% to 7% of our total order book. So, we are not the company which is dependent on road sector only, right. And second thing we will see lot many opportunities coming on the EPC. So, at this point of time we do not want to look at further equity commitments.
- Shravan Shah:** Any number in terms of the current EPC bid pipeline from Ministry and NHAI, what would be the number any idea?
- Manoj Tulsian:** The visibility what we have itself is close to more than Rs 15,000 crores of at this point of time. So, there is lot of possibility of bidding.
- Moderator:** Thank you. The next question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.
- Bhalchandra Shinde:** Sir, regarding oil and gas opportunity, wanted to know how much will be the pipeline in total CAPEX cost in any refinery?
- Manish Mohnot:** No, this question you cannot have a kind of pipeline at a refinery stage. It is very different depending upon the capacity upon what kind of products they want a lot of it. But from a perspective of tenders which we have, which are visible to be bid over the next 3 months we have tenders of approximately 3000 to 3500 crores which we are going to bid in the next 2 months in the oil and gas side.
- Bhalchandra Shinde:** But if we consider say around 10,000 crores CAPEX cost, how much will be the percentage for the pipeline business?
- Manish Mohnot:** It could be anywhere ranging from 10% to 30% depending upon where the refinery is coming what all they wanted to connect. So, it could be a number which could be as highest 30% and as low as 10%. There is no specific rule for that it is saying that it is going to be x percentage or y or z.

- Bhalchandra Shinde:** And sir in this pipeline business where we procure this pipes to Maharashtra Seamless means like which will be our major vendors?
- Manish Mohnot:** So, there are 5 or 6 vendors we continuously buy from. So, whether it is Essar or Welspun or Maharashtra Seamless or Jindal and lot of time pipes are also supplied by the clients. So, few of our projects pipes are supplied by the client itself including some of the large oil and gas companies. So, we buy pipes from actually all the vendors across the country and as I said 5-6 of them primarily supply pipes for us.
- Moderator:** Thank you. The next question is from the line of Girish Raj from Quest Investments. Please go ahead.
- Girish Raj:** So, broadly your guidance on interest as percentage of revenue in FY19 for both KPTL and JMC?
- Manish Mohnot:** So, on a totality basis I think as per the KPTL is concerned we should be below 2% of our revenue target. We definitely should be below 2% which is where we are today. For JMC we have already reached, slightly above 3 now but we should target to be below 3% getting into next year.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Bhoomika Nair for closing comments. Thank you and over to you, ma'am.
- Bhoomika Nair:** Thank you, everyone for being on the call particularly to the management for giving us an opportunity to host the call and answering all the participants' queries. Thank you very much sir and all the best!
- Manish Mohnot:** Thank you Bhoomika. Thank you
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.