



JMC PROJECTS (INDIA) LTD.
A Kalpataru Group Enterprise

“Kalpataru Power Transmission Limited and
JMC Projects (India) Limited
Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 earnings conference call of Kalpataru Power Transmission Limited & JMC Projects, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you Madam!

Bhoomika Nair: Thank you Rutuja. Good morning everyone. Welcome to the Kalpataru Power Transmission and JMC Projects 1Q FY2022 earnings call. 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 – 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. Welcome everyone and very good day to all of you. I am thankful to you for attending this earnings call of KPTL and JMC. Before I move into details of financial performance for Q1, I will quickly share an update on our business operations and status of long term assets.

Both KPTL and JMC have reported year-on-year revenue and profitability growth despite the challenges post the lockdown in many states due to emergence of second wave of COVID. We were able to record much better business growth compared to similar period last year. Our business continuity plan and technology backed systems & processes have helped us to ensure execution across all our projects.

The current business environment continues to remain difficult with unprecedented increase in international freight charges and rising commodity prices. Additionally, the supply chain issues are leading to pressure on margins and delays in tower and other material dispatches. However, we remain confident to navigate the volatile environment by diligently managing our cash flows, optimizing our cost and improving our working capital cycle.

We have received record order inflows of Rs.5,524 Crores at consolidated level till date in FY2022. Our business outlook for all of our businesses remains robust and we remain confident to achieve targeted order inflows for the full year at consolidated level.

We have made considerable progress on restructuring of road BOT assets. We are at the advance stages of restructuring for Kurukshetra and Waiganga Road assets and expect the process to get completed by end of Q2 itself. We are progressing well on completing the sale of Vindhyachal Road BOT asset and expect the sale to be completed in Q3 of the current year.

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The closure of Kohima-Mariani transaction was affected due to COVID. We expect deal closure in second half of FY22. We have already received major approvals pertaining to the deal.

Coming now to the financial performance first at KPTL consolidated level, our consolidated revenue grew by 38% Y-o-Y to Rs.3204 Crores on back of strong execution in T&D, B&F, Water, Railways and Oil & Gas business. Our EBITDA in absolute terms grew by 10% to Rs.297 Crores. Our EBITDA the same quarter last year included Rs.40 Crores related to Alipurduar Transmission Assets which was finally sold out. Excluding the onetime impact of this T&D SPV, EBITDA went from Rs.229 Crores to Rs.297 Crores a growth of 30% year-on-year. Our corresponding EBITDA margin contracted by 50 basis points from 9.8% to 9.3%; our EBITDA margin was marginally lower compared to Q1 FY2021 given the impact of higher commodity prices, supply chain issues and COVID related cost. However, we remain confident to maintain double-digit margin in the range of 10% plus for the full year FY2022 at a consolidated level.

Our PBT grew by 135% to Rs.127 Crores and PAT grew by 179% to Rs.78 Crores. Our consolidated net debt is at Rs.2,946 Crores which is a decline of Rs.428 Crores compared to same period last year. We recorded order inflows of Rs.5,524 Crores till date at consolidated level and additionally have L1 position of over Rs.5,000 Crores. We have a strong and well diversified order book of Rs. 29,313 Crores at the end of June excluding the L1 numbers as of today.

Now at standalone level, at KPTL revenue for Q1 FY2022 grew by 9% year-on-year to Rs.1,586 Crores. Our T&D revenues including Linjemontage and Fasttel grew by around 12%. Oil & Gas grew by 28% and railways grew by 23% in Q1 FY2022. Our Swedish subsidiary Linjemontage reported revenue growth of 15% to Rs.312 Crores with EBITDA margins in the range of 7%.

Our Brazilian subsidiary Fasttel recorded revenue of Rs.95 Crores in Q1 FY2022. Our PBT grew by 15% to 116 Crores and PAT grew by 10% to Rs. 76 Crores. We continue to maintain double-digit EBITDA margin of 10.2% despite increase in commodity price and rise in logistics cost. Our net debt increased to Rs. 1,222 Crores on account of lower collections due to COVID; however, with relaxations of travel restrictions and resumption of business, collections have started to improve from July 2021 onwards and debt has reduced at the end of July 2021.

We are targeting to reduce our standalone debt substantially with the help of inflows from the sale of Kohima transmission asset, our collections in Indore project, our focused efforts for project closure and optimizing our working capital. At KPTL we received orders of Rs.865 Crores till date in FY2022. Additionally, we have L1 of Rs.2,550 Crores. We have witnessed delays in tendering activity and finalization of order; however, we expect ordering to pickup in the next few months. Our standalone order book at the end of June 2021 was Rs. 13,397 Crores.

At JMC standalone level, our revenue grew by 139% driven by robust execution across all segments.

JMCs EBITDA margin improved compared to last year but was impacted due to job mix, rising raw material cost and COVID related expenses. Most of the contracts in JMC have pass-through clause and will be billed to the client during the year.

Our PBT and PAT improved by 163% and 173% respectively. Our net debt at JMC is Rs.717 Crores at the end of June 2021. Our debt level remains in line with business growth; however for the year end, we are targeting to maintain JMC debt at similar levels as at the end of March 2021, approximately Rs.500 Crores. At JMC, we received order inflows of Rs.4,659 Crores till date in FY2022, this includes two large orders that we received in Africa. Additionally, JMC has L1 position of Rs.2,500 Crores mainly in water and international B&F projects. Our JMC order book was at an all-time high of Rs.15,916 Crores at the end of June 2021.

The performance of road BOT projects was affected due to regional lockdowns and travel restrictions. Our average daily revenue of all four road assets was Rs.45.5 lakhs per day in Q1 FY2022. Our toll collections in Kurukshetra road project continue to remain affected due to farmers' agitation. In Q1 FY2022, we have made an additional investment of around Rs.53 Crores in our road projects taking the total investment to Rs.926 Crores at the end of June 2021 in all our four road projects put together.

At Shubham Logistics revenue was Rs.38 Crores, with a growth of 15%, with EBITDA of around Rs.8 Crores and PAT of Rs.1.2 Crores. As guided earlier, we continue to maintain profitability in Shubham Logistics.

Our well diversified current order book provides good visibility for growth in FY2022. We are confident to deliver consolidated revenue in excess of 15% for full year FY2022 while we navigate the near-term challenges and continue our hard work to scale to double digit margins.

With that we can open up the call for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My first question is on the asset business, so you highlighted that VEPL and KEPL will see some kind of restructuring or finalization of funds realistically, by this quarter, so, just wanted to know why did we infuse 63 Crores before the completion of restructuring, and for the rest of the year, how much funds will be required for the transaction to happen?

S.K Tripathi: Good morning, SKT here. As we have said VEPL and KEPL restructuring is moving ahead but this infusion of the money is retrospective with respect to the cutoff date and when the restructuring gets implemented there will be a reversal of these investments which the company will get. So, our cutoff dates are about a year old or eight months behind and restructuring will get implemented in Q2 or Q3,

out of these Rs.53 Crores about Rs.28 Crores there will be reversal in the books. So, this is one part. The second part is our revenue has come down from Rs. 60 lakh per day to Rs. 45 lakh per day due to COVID and locking down of one of the toll plazas due to farmers' agitation and overall due to COVID there has been revenue reduction so Rs.60 lakh has come down to Rs.45 lakh, so that has impact of about Rs.15 Crores. So, if we take these two, out of Rs.53 that answers how much is the tangible investment which has gone into this and as we complete the process towards the Q2 end some more infusion may be required depending on the traffic and how the situation unfolds on the ground, so we cannot give exact figure that how much it will be but it should be minimal going forward if the situation improves but if the COVID and the lockdown they continue across those areas particularly in KEPL where there was total lockdown from six seven months, so there could be further infusion required in KEPL. Similar situation will be there in VEPL, but there also traffic has come down, but the only silver lining is that since we have done non-binding offer with the respective buyers, whenever the sale happens, there will be a reversal in the books.

Parikshit Kandpal: My second question was on Kohima, so we were expecting the amount during this quarter and major approvals are not coming, so why is it that in second half I mean is the deal done with the investor or are we waiting for other investors to come in?

Manish Mohnot: On Kohima, as we mentioned earlier also in my call for Q4, we have received major approvals, the transmission line is fully functioning and 100% operational. There are few approvals which are pending, few approvals at the banking level which are pending and few approvals from regulatory side which are pending. We continue to be committed in making sure that the deal gets completed in Q2. We have been chasing the respective teams for approvals, but last few months were difficult because some of the employees in those respective organizations were not working. We are pretty confident that in Q2 we should be able to close this deal. As of now we stand committed and looks like we will be able to receive inflows itself in Q2.

Parikshit Kandpal: Last question on commodities, especially really not mean past in the KPTL standalone, so was there any reversal of remissions taken earlier in this quarter also to offset than that of commodity prices, and lastly if you can touch upon the ramp up of Fasttel, so how are you seeing margins there and integration ramp up in Fasttel?

Manish Mohnot: On commodities, we have taken a significant hit in Q4. Our CTC losses are approximately 140 Crores. We have not seen significant reversal out of that coming in Q1, some reversals would have come but commodity prices have slightly gone up, so to that extent we still continue to hold the CTC provision in our book, so that is on commodities. As far as Fasttel is concerned, their EBITDA margins were in the range of around 4% to be precise and on the current order book we are confident that they will have an EBITDA margin of 4% to 5%. We are cautious on growth in that market as of today. As of today, plan is to make sure that we integrate the team fully. Our senior people are already at Brazil, three or four resources already there for the last three months or four months including the

senior finance resource, so our aim for the current year is to make sure that one we integrate with them, second, we ensure that we clearly bring out the benefits of synergy when we look at supply chain, bought out materials for all of them and grow slowly in the current environment.

- Parikshit Kandpal:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Good morning. If you can update on the order inflow prospects for FY2022 and how much will come from domestic and which all geographies you are seeing traction and what is the scenario do you think presents and also the non-T&D, railways and pipeline?
- Manish Mohnot:** Our order intake for the current year will continue to be in the range of Rs.16,000 plus Crores as we have targeted at the beginning of the year at consolidated level. At a standalone level, we expect KPTL to be in the range of Rs.9,000 Crores and JMC to be in the range of Rs.7,500 Crores to Rs.8,000 Crores. Out of the Rs.9,000 Crores we expect railways and Oil & Gas to be having respective order book inflows of around Rs.2,000 Crores each and Rs.5000 to come from T&D overall. Out of T&D, significant portion we expect to come from TLI. TLI order inflow target is around \$400+ million and we are pretty confident that we should be able to get that during the year.
- Renjith Sivaram:** Okay and regarding railways and pipeline?
- Manish Mohnot:** I mentioned that earlier. Railways and Oil and Gas have order inflow target for the current year around Rs.2,000 Crores, out of which as of today we have visibility for Railways, we have already got orders of Rs.500 odd Crores, and Pipeline we are L1 in approximately Rs.500 Crores as of now.
- Renjith Sivaram:** Regarding Kohima-Mariani, there were some issues with CLP not getting qualified and we have to look for some other, so what issues with that?
- Manish Mohnot:** No, I am not aware of any issue on Kohima-Mariani. We are committed to doing the deal with CLP, they have got the relevant approvals from the government including the FIFP and all the approvals, so we had this issue at ATL earlier which was last year and that is why we have to sell it to some other organization but as far as KMTL is concerned I am not aware of any such issues, we are on track to going ahead and doing this deal with CLP.
- Renjith Sivaram:** Okay, so there is no issue in terms of CLP in this particular transaction?
- Manish Mohnot:** No, there are no such issues.
- Renjith Sivaram:** So what is our target debt for this year or the net cash level, how are we looking at for KPTL now?

- Manish Mohnot:** We continue to say committed to a target of negligible debt at the year end because we expect the cash flows out of KMTL and Indore to come significantly in the current year, so we continue to see targeted at negligible debt stood at zero level at KPTL standalone level.
- Renjith Sivaram:** Any more capital commitments which we have taken for Shubham or any of the subsidiaries from KPTL standalone or is all the subsidiary will be able to take care of themselves?
- Manish Mohnot:** As of today, we have no capital commitment for any of our subsidiaries including Shubham, I think they are now moving in a right direction of profitable growth, so we do not see any capital commitments to any of the subsidiaries in the near future.
- Renjith Sivaram:** I will join for further questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Good morning Sir. My first question is when we look at the core KPTL portfolio, we have seen increased competition coming across Oil and Gas pipeline and T&D market also after easing of government requirements for advances as well as BGs, so how are you looking at the competitive environment and will that have a bearing in terms of other margin profiles also given the fact that you have significant international order pipeline now with steel prices at elevated levels, does the relative attractiveness of international T&D business significantly improve?
- Manish Mohnot:** Okay, so Renu I think we have been associated with this industry for long, so having competitive pressure is actually something which we have seen regularly, this is not something new for us. The good part is that competitive pressure is lot more realistic, we are not seeing unrealistic competitive pressure, so unlike those days which we are seeing 7 years to 8 years ago where people used to bid at a 20%-25%-30% difference to L1, now it is a lot more realistic and a realistic competitive pressure as you know I think we will continue to do well given the advantage on costs, given our focus on delivery and given a rise in scale. So, from a competitive pressure perspective, I am not too much worried at least on transmission international, T&D domestic as well as Oil and Gas. Yes, at Railways we have seen some unprecedented competitive pressures coming from a lot of road contractors but again I said it is not something new. We have seen this four years ago, you see people who really do well, continue being in that business and others not being in the business over the period of time. We continue to stay focused on a profitable growth, that is more important for us. The one common thing for KPTL over the last 10-15 years is making sure that we have profitable growth and making sure that we focus on working capital. So with that I do not see much pressure coming in and even if it comes in, I am very clear we do not compromise on profits for growth that is one. On the international front, yes you are right, Oil and Gas now seems to have a lot of traction over the last few months or over the last quarter. We submitted tenders in five or six countries, a few of them we just missed it, one of them I know we missed it with 0.5% in one of the Middle East geographies. We

continue to remain focused on that. I am pretty confident that in the current year, we should at least have a few international projects in Oil and Gas. As far as international transmission opportunities are concerned, we had some set back, all of you are aware of the World Bank debacle which happened last year. We should be getting out of that very, very soon, it is hardly any time left and from that time onwards, our opportunity will increase a lot more, so we continue to remain bullish on international T&D and I am confident that we are looking at 15%+ growth for that business for the current year.

Renu Baid:

Sure, the second question would be to understand in JMC given that there are some weakness owing to cost issues in this quarter. Broadly how should we look at the margin profile for the current year and from a next two years to three years perspective also from the backdrop of improving mix and order backlog volume?

S.K Tripathi:

Yes, JMC as we said in the beginning of the call, we will remain on a double digit margin, this current quarter is primarily due to the job mix which we are handling as well as some pressure on the prices of the materials for which the escalation will get realized in the later quarters because 90% of our contracts are pass-through and hence we should not be looking at this quarter in isolation. As far as the next two year to three years horizon is concerned, things look much better because of the water order book as well as international order book and we should be on the double digit journey going ahead.

Manish Mohnot:

Just to add Renu, what SKT said clearly, the focus for the entire organization on the consolidated level is a double-digit EBITDA margin on an annualized basis. Quarterly we would have challenges depending upon the environment, depending upon this kind of project and a lot of other things. On an annualized basis, for both KPTL and JMC double digit margin is a given, that is something which is not compromisable, as far as the entire organization is concerned.

Renu Baid:

Right. The next question is, if you look today JMCs order backlog has exceeded that of Kalpataru standalone given the diverse markets in which it is present and the high growth category, so as a portfolio by when do you see JMC actually surpassing Kalpataru standalone in terms of revenue as well as profitability?

Manish Mohnot:

I would love that to happen , remember we own 67% of JMC, so we will be happy if it happens but realistically see, JMCs growth would be obviously much faster than KPTL and we have been very, very clearly communicating that, JMC growing at 20% flat it should not be a challenge at all, so realistically a 20% flat growth for JMC is visible on topline, bottomline also they would continue to be a double digit margin on a quarter basis so from that perspective, I do not think we need to look at such things. wherever they come, this because it is not a race kind of thing. It is important that each of the organizations continue to grow to the best potential, so JMC growing 20% flat is not a challenge at all, KPTL growing at 10% to 15% should not be a challenge.

- Renu Baid:** My last question, if I can ask, given the backdrop that we have seen significant investments in the infrastructure investment planned by the US, which of KPTL subsidiaries will be able to benefit especially both the Brazilian as well as LMG, can there be a play to benefit from those investments in the region or you think it would be too early for those entities to participate?
- S.K Tripathi:** No, I am reasonably sure that both these entities will not be able to participate in the US market. I do not have any doubts in my mind, they will not be able to, so that is the area which is something which as of now we would be looking from India itself. We have been supplying towers to that part of the world for the last ten years. On a larger EPC that is something which might take us a lot more time to get in. We continue to explore opportunities of acquiring a smaller company there, but nothing is on the radar as of now and I do not see anything happening in the current year.
- Renu Baid:** Got it Sir. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Good morning Manish and SKT. Manish, first on these KPTL on Railway international, so what stage we are and how really, we are evaluating getting a better order?
- Manish Mohnot:** So, Bharat, our philosophy for international growth is a very simple one, we have 65+ countries where in transmission line we had footprints for the last ten years, seven years, and eight years. We are utilizing that footprint to grow all the other segments, whether it is Railways, Oil & Gas, Roads or Buildings and Factories and you have seen that across the group. You have seen significant growth in international order book at JMC in the last six months. We have already communicated Oil & Gas we have submitted 6 tenders to 7 tenders in six to seven countries, we have not been lucky till now but that is nature of our business, you will need to be trying hard to make sure that you succeed, even for Railways we have a similar strategy. We have shortlisted a few countries in Africa without getting into specific details where we are focused as of now. Also, we continue to be looking at opportunities in the neighboring countries Bangladesh, Sri Lanka for railway projects, I am confident that over the next six months to nine months, we should be getting one order at least in Railways in the international business.
- Bharat Sheth:** Okay and Sir you said reduction in this KPTL standalone debt, how much are we really building in cash inflow from the Indore project and what is the status of that project?
- Manish Mohnot:** We are targeting cash inflow of approximately Rs.150+ Crores in the current year as far as Indore project is concerned. Q1 we were not able to do much primarily because of issues of COVID, the project is nearly completed except one building, all buildings have got OC, the last building also we expect OC to come sometime in Q3. We expect a lot of sales to happen from the current quarter itself and I am aware that in July itself we have seen six-seven flats getting sold, so we expect cashflow of

minimum of Rs.150 Crores coming in in the current year on Indore.

Bharat Sheth: Okay. Last question on KPTL, are we really looking at Linjemontage position in African markets where we currently have sanction or temporary imposition of not bidding in African market, so are we really evaluating that opportunity?

Manish Mohnot: No, not at all Bharat. In KPTL no transmission projects would be allowed to be bid till October wherever World Bank opportunities are available. So till October we are not utilizing this at all. As far as Linjemontage is concerned the focus of Linjemontage is more in Nordic market and that is clearly what is going to drive growth for them and nothing beyond Nordic market as of today.

Bharat Sheth: I mean in Nordic market lots of solar projects are coming and they are going very aggressively on renewables so, how one really looks at over a period of two three years' timeframe on Linjemontage position?

Manish Mohnot: So, you are right, a lot of renewable focus in the Nordic market will also entail a lot of opportunities on power transmission, distribution, and cabling jobs. Right, and we have seen last two years that business has grown by closer to 100% from the time we acquired to where we are today, we have doubled ourselves on every aspect. We expect this business to continue growing by 15% - 20% at the minimum from the Sweden market itself, beyond that we continue to explore opportunities in the neighbouring countries that could be additional growth but as of today we will not be able to give you a targeted number for that.

Bharat Sheth: Okay, Sir now coming to JMC, we have already till June plus L1 is around Rs.6,000 Crores, so why we are giving target of around Rs.7,000 Crores only order inflow. If you can say more thought process or really, we expect to re-visit our post-Q2?

S.K. Tripathi: So, Bharat Bhai we will definitely relook but at the same time we will remain cautious in terms of the order booking keeping quality in mind. With good order book in hand, we will be very selective going forward and we will be more focusing on delivery which is paramount in this business. So, yes there is an opportunity, but we will be very selective and hence we will be cautious, yes the Rs.6,000 Crores may become plus- minus another 5% -10% but we are not looking forward for big leap jump on those numbers.

Manish Mohnot: So, just to add to that Bharat Bhai, it is important and as SKT rightly said, it is important to make sure that delivery catches up in the same speed. We have built a team, who we are confident will deliver, because today if you look at numbers, we have four-year visibility on order book and that is not only healthy in some form but also is challenging in some form. So, our aim is yes, we will continue to take good orders as SKT has clearly said, but it is not that we are going to make that Rs.7,000 Crores become Rs.15,000 Crores something like that, plus- minus Rs.1,000 Crores can happen but nothing beyond that.

- Bharat Sheth:** Sir, on asset side, this Kurukshetra is really problematic since last couple of years plus earlier also some kind of agitation was always there. So, is there any other way, we are really evaluating for whether surrendering these assets or if you can give some colour on that?
- S.K. Tripathi:** Bharat Bhai, currently we are pushing the restructuring as we said in the last quarter, and it has been cleared by the lead banker and we are looking at clearing that asset first. As far as the other options are concerned, we are evaluating those options. We have not closed those doors but first we will focus what is really tangible in terms of reducing our cash outflow as well as bringing sanity in the numbers. So, other options will be kept open, but we are currently focusing on completing one task in the hand.
- Bharat Sheth:** Thank you very much Sir. Thank you. That is all.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Sir, good morning to all of you. I have two questions both related to JMC. First one, given that we have L1 plus order book of close to Rs.18,000 Crores and as you highlighted four years of order book. So, why are we still guiding at only 20% kind of growth because I believe large number of these projects have to get executed in next three years' timeframe so, have we been too conservative or are we seeing any challenges which deter us to look for a higher aggregation growth, that is point number one?
- S.K. Tripathi:** Right, Rakesh good morning. See Rs.18,500 Crores order book including L1, I will not say that we will be completely conservative, but we will be cautious. As I replied earlier that we will be focusing more on the delivery because that what will matter and if the delivery is right, I am sure order book will not be an issue even going forward. We are not looking for an explosive growth of 25% and all that, because it has its own pros and cons. We will be cautiously moving in the range of 15% to 20% which is well manageable, and our verticals have a good visibility for next five to seven years. So, business is not going to runaway anywhere if we are there in a right health we will catch up with the business.
- Manish Mohnot:** Rakesh just to add to what SKT said, a lot of our international projects have a lot of components of design and approvals which takes six months to nine months. Since a lot of ours are international orders, significant revenue would start from the next year and that is why I think you will see much better growth going into the next year as compared to the current year, but yes 20% plus is minimum.
- Rakesh Vyas:** That helps. Second, is just extension to the earlier question that was asked on the asset, so essentially given this farmer agitation has been continuing for more than six months now and I think in concession agreement there is a provision that if there is a lack of toll collection during this timeframe there is an opportunity to terminate the project in which case, we can get our equity investment and

the debt outstanding due. So, I am just trying to understand even post the financial restructuring that we are planning is there a possibility that we can avail this option, because this window could probably be limited?

S.K. Tripathi: So, Rakesh you are right and as I said earlier, we will first complete the restructuring part so that the bankers and the investors in that SPV they are on board. Once that part is aligned, this option as we said we will be evaluating and since it will be a contractual entitlement at a right point of time, we will look at that.

Rakesh Vyas: Great Sir. Thank you so much.

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

Swarnim Maheshwari: Sir, good morning, and congratulations for riding for this volatile commodity prices. Sir, two set of questions, first what happened on the working capital side there is a sharp jump both quarter-on-quarter, year-on-year. So, is that more related to some sort of our vendor support or there is some collection issue there?

Manish Mohnot: So, Swarnim there are no issues on collection, slight delay because of some clients not being available across Q1. But that has been a typical trend if you look at the history for the last five years excluding the previous year. Right, previous year was a COVID year. At Q1 debt, always goes up by Rs.200 Crores, Rs.300 Crores, Rs.400 Crores because this is the quarter where we really push up payments to all the vendors and make sure things are in line to achieve our annual target. So, that is a trend, I would not say that anywhere, there could be some delay in collections, but it is not that there is a significant delay in collections which can happen. We are confident that getting into Q2 this debt should start coming down and by the end of the year we will be on targeted numbers of KPTL at negligible debt and JMC of closer to Rs.500 Crores plus at a net debt level.

Swarnim Maheshwari: So, essentially this is due to vendor support?

Manish Mohnot: Sorry?

Swarnim Maheshwari: Essentially this high working capital is due to vendor's support which should actually come down gradually.

Manish Mohnot: Yes. It is also vendor support, a few other aspects but yes, significant payment has gone to vendors.

Swarnim Maheshwari: Got it. Sir, secondly, you did mention about KPTL targeted order inflow of about Rs.9,000 Crores odd, so just wanted to understand what is the total opportunity size over here, the ordering pie over here and what is our canvass?

- Manish Mohnot:** So, you know the opportunities we have is very different for different business, Swarnim. If you ask me on the transmission domestic side, we can see tenders of approximately Rs.10,000 Crores plus coming over the next six months from a lot of SEBs and PowerGrid which is on the BoT project. On the international front, the opportunity will be very different few months from now, you are aware that till October we have some restrictions. But after that we believe that the opportunity is much higher, this could be Africa, which continues to be a core focus, could be much, much higher, we are talking of maybe \$500 million to \$600 million worth of opportunity to be bid over the next two quarters itself. As far as Oil and Gas is concerned, we have seen a lot of traction on the domestic front also with a lot of tenders coming in from GAIL, from IOCL, from GSPC and we are pretty confident that achieving Rs.2,000 Crores plus of order inflow would not be a challenge. As far as Railways is concerned, again tenders have started coming in both electrification, widening as well as for metro projects, we have been slightly cautious given the intense competition in that sector but pretty confident that we should be able to achieve the Rs.2,000 Crores that we are targeting.
- Swarnim Maheshwari:** Right, so overall I can say that the overall pipeline for you, is close to about Rs.40,000 Crores – Rs.45,000 Crores taking everything into consideration?
- Manish Mohnot:** Yes, I think for KPTL easily where the next six months to nine months we will have tenders of Rs.40,000 Crores to Rs.45,000 Crores to be bid.
- Swarnim Maheshwari:** Great and what could be the similar number for JMC Sir?
- S.K. Tripathi:** For JMC, if I go sector wise the opportunity scale will be plus Rs.50,000 Crores in every sector, let it be Water or let it be Urban Infra, as well as International. So, it will be plus Rs.50,000 Crores in each sector.
- Swarnim Maheshwari:** Thank you so much. I will come back in the queue and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Sir, just wanted to check regarding any thoughts on the strategic divestment of Shubham which we have been planning for long. Any progress on that and what are the thought process regarding Shubham? What we like to do?
- Manish Mohnot:** On Shubham as we have communicated earlier, we had appointed advisors to look at the opportunity of getting either a strategic player or even a large player who would like to have a significant majority. Based on the evaluation done by our advisors, we believe that it might not happen very soon because the market for agri-logistics is not as bullish as some of the other markets, but we continue to do well on operational front, so my own assessment is that this will get delayed for some time and in the next couple of years there might not be disinvestment which will happen at Shubham. But at the

same time, we are pretty confident that Shubham in the current environment with leverage ratios and with the capital that they have, we will continue to grow one way on topline as well as on profitability and we might not have to infuse any further equity in Shubham.

Renjith Sivaram: Sir if we wanted to get an update on the promoter pledge and what is the progress on that as per the last discussion. So, what is the overall sense on the promoter pledge and how do they plan to reduce, if you can update on that?

Manish Mohnot: I think we can give you an update which all of us have. So, promoters' pledge has continuously come down over the last three quarters. In the previous quarter also, we saw reduction of more than 5%, as of today promoters' pledge is around 45% of their holding. We had a commitment from the promoters that will come down to 40% odd by December. So, I think we have seen continuous reduction in promoter's pledge, and we are pretty confident that this will be at normal levels before the year end.

Renjith Sivaram: Thanks and all the best. That is all from my side.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: Good morning Sir. I had just couple of questions; first one is that contract being pass-through, so we believe that not most of the commodity price hike like steel, cement is aptly visible in terms of escalation in this pass-through. So, how confident are you that you would be able to pass-through the impact of pricing steel, cement, and other commodities prices, because this must be linked through WPI which do not factor in the proportionate rise in the materials?

S.K. Tripathi: Right, so you are partially right. See, in case of the commodity price rise and escalation there is a lag of three to four months and normally depending on project to project and the way WPI indices rise in those areas, about 10% to 15% remains uncompensated. But at the same time when the cycle reverses it works other way. So, that is why there will be some incremental loss due to escalation, but majority of it will get covered. This is what historically happened and our almost 90% to 95% contracts are covered under the escalation formula or pass-through the developers directly. So, we are okay with that price escalation and coverage wise escalation. I am reasonable okay with this part, as this question is for JMC.

Ronald Siyoni: Yes, right. The majority you think be able to pass-through.

S.K. Tripathi: Yes.

Ronald Siyoni: Second thing is that what kind of difference is there in terms of margins with respect to domestic and international projects in JMC?

S.K. Tripathi: Can you repeat your question?

- Ronald Siyoni:** The operating margin difference in domestic and international projects for JMC?
- S.K. Tripathi:** International projects will be 2.5-basis points to 3-basis points higher than the domestic in overall performance when we look at the job end incrementally there will be wide variations, but historically this is the trend, we will be able to watch and see.
- Ronald Siyoni:** 2.5-basis point to 3-basis points difference or percentage point of view?
- S.K. Tripathi:** Sorry 250-basis point to 300-basis points.
- Ronald Siyoni:** Okay, 250-basis points to 300-basis points higher margins there?
- S.K. Tripathi:** Yes, higher.
- Ronald Siyoni:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Good morning Sir, and congratulations on a decent set of numbers given the current environment. Sir, just one question that is on the JMC pursuit of Maldives project. We have declared L1 way back in March, that has been quite some time and now any particular challenges we are facing to convert that into a firm order, or is just COVID related thing that are sort of deferring the entire decision-making process?
- S.K. Tripathi:** No, there is no challenge as such since it is a debt funding from the Government of India to EXIM there are formalities at the government level, which are getting into place and once the debt agreement between the both the countries is signed, the credit lines will be opened for disbursement of the advances. So, I think that is the process and of course there was a COVID drag because Maldives was closed almost for three months, there was no in and out flight there. So, I think it should get into shape in next one and a half month to two months' time. So, no as such issues, except the government level formalities.
- Jonas Bhutta:** My second question was really trying to understand the upcoming opportunities in Railways beyond say the one or two years for which still will have some backlogs of orders coming in on the OHE side or the electrification side. What really would drive this business vertical going forward? Is it just the new line kind of construction business that is the civil part, or we believe that over the next two years and beyond that the Railway opportunity should actually take off? That will be my last question? Thank you.
- Manish Mohnot:** On the Railway opportunity, even today our order book consists of more than 50% which is more EPC projects which is all expansion of lines. So, our belief is while electrification opportunities could

come down to normal levels in two years, there has been a big push over the last three years and will continue next two years, but the opportunity and expansion of lines, on modernization, on electrification, on metro projects all of that will continue to be very big. So, from that perspective at least for the next five to seven years, I do not see that business contracting in any form. Besides, that as I said earlier for us the international opportunities on Railways also continue to be a big area of expansion and we continue to remain focused on that. So, getting into the next few years while you see electrification slightly coming down, but expansion of lines and the internationals will help us grow that business further.

- Jonas Bhutta:** Understood. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhineet Anand from Emkay Global. Please go ahead.
- Abhineet Anand:** Thanks for the opportunity. So, first is that in JMC we have done a great job over the last if I say, four five years in ramping up the margin to double-digit. Now, my question is that with 15% - 20% sales growth for the next three four years what are the probabilities of JMC margin moving up maybe by 100 basis point – 200 basis points higher, do you see that happening in the medium-term?
- S.K. Tripathi:** To answer you, our overall international basket will improve, but seeing the overall situation the way the commodity price and all, we remain committed to double-digit margin, but we are not looking at any significant movement there. But yes, it will remain range bound within double-digit.
- Abhineet Anand:** No, I am saying if we just ignore the commodity rise that is happening now because that will happen let us assume in this year, next year obviously everybody will factor the new commodity price. So, that should be a part of the bid for everybody, so I am looking more from the fact that your volumes are increasing drastically over the next three-four years from where you are now. So, there should be some lever in terms of efficiency, where you can have a better margin that is what I am trying to understand?
- S.K. Tripathi:** As I said overall it will be a positive journey. It will be difficult to quantify at this stage, but you are right, there will be a positive movement.
- Manish Mohnot:** Just to add to what SKT said, that growth also brings in additional cost at all levels. So, today even after assuming that growth we believe that the entire order book has margins which continue in the range of 10% to 11% and which is a very good margin. Our focus will be a lot more on generating free cash flows that would be a bigger focus rather than focusing only on getting into that margin situation. But as of today 10% to 11% is visible, free cash flows would continue to improve significantly at JMC over the next two years to three years.

- Abhineet Anand:** The second question is; I think you talked about competition rising in the Railway side from road EPC guys, if you can just elaborate a bit more in which segment, and are they really bidding very low etc., if you can just give some more finer details on that?
- Manish Mohnot:** So, over the last three four months, in at least six – seven electrification projects we have seen competition in the range of 15 to 20 players, and a few of them have bid aggressively, which was not seen earlier in the Railways side, but otherwise majority of them are plus – minus 2%-3% but the few of them have gone aggressive. I would not like to get into specifying the names of them, but a few of them have gone very aggressive and this we have seen over the six months only.
- Abhineet Anand:** But there would be some PQ related stuff which would hinder them from maybe bidding for large projects or something, because they have not got much experience in that field?
- Manish Mohnot:** You know on the Railways side, the PQ is very diluted, for larger projects. They come for the smaller projects of Rs.100 Crores to Rs.200 Crores. For larger projects above Rs.500 Crores which are more EPC in nature, you are right, you still see only 5– 6 players. But the smaller projects where the PQ is not so stringent, you are seeing a lot many more players.
- Abhineet Anand:** Okay, my last question and more on strategic. Both KPTL and JMC are now fairly large companies with anywhere between Rs.15,000 Crores and Rs. 20,000 Crores of order book. If you combine, it is a very significant number in the Indian EPC space. How do you extract synergies between the two companies to bid large projects in India and abroad?
- Manish Mohnot:** As of today extracting synergy is a teamwork which happens between different business units and we do not have a challenge in that, so you would have seen a lot of projects in Railways which JMC wins and where KPTL works and vice versa, and even on the international footprint, whatever JMC has done over the last one year has been primarily taken with bids on the footprints of the transmission division. So, we do not have any problems in terms of working together. At the same time, we continue to work on standardizing processes, systems within the two organizations to see if at an appropriate time, we could explore opportunities on merging the two. But this would be completely dependent on the senior management approval.
- Abhineet Anand:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Thank you for the opportunity. If you could give us an outlook on specifically the Building and Factory segment of JMC in terms of order flows, the opportunity varying between residential, airport and other industrial related aspects?

- S.K. Tripathi:** Opportunities across all the three segments are there, residential, commercial as well as factory. Factory side always the volume has been less, and which continue to be slow, and residential in select markets there is good opportunity but in certain markets opportunities are low and there we are not focusing also. But as an overall strategy, we will be navigating at the end more towards commercial. So, there are more opportunities in residential compared to commercial, but we are very selective because the gestation period of residential projects becomes very high and that is something which is not good for us. So, that is how currently the outlook is on the overall B&F sector.
- Bhavin Vithlani:** Okay, just a clarification, commercial will also include data centre projects?
- S.K. Tripathi:** Right, they include data centre.
- Bhavin Vithlani:** Second part is on T&D domestic, if Manish, you could give us an outlook. Couple of equipment manufacturers have highlighted three to four large HVDC projects expected over the next two years. So, does Kalpataru get an opportunity on the transmission line segment over a next two-year basis. What is the kind of landscape that you are seeing on an annualized basis on the T&D domestic total addressable market for Kalpataru?
- Manish Mohnot:** So, Bhavin let me divide this into two or three segments. First to answer your question on large HVDC lines, yes, we expect those lines to come in the next six months to nine months and that is the big opportunity. But getting into the details, as of today on the TBCB side there are around 12 projects which are up for bid over the next three months to four months and that could be a size of around Rs.8,000 Crores to Rs.10,000 Crores for both TL and substation. So, on this we would be bidding along with any of the large guys as an EPC player, whether it is going to PGCIL or any of the private players. So, that is one market, and that market we would continue to be seeing at levels of Rs.10,000 Crores to Rs.15,000 Crores on an annualized basis. Besides that we are seeing a lot of opportunities coming from state level projects. So, in Southern states, we see a lot of projects coming up whether it is Karnataka, Tamil Nadu and even the North-Eastern states, that opportunity to us looks like a Rs.5,000 Crores to Rs.10,000 Crores easy opportunity. Only in these six-seven states without even getting into the North and West where we do not see too many opportunities coming up at the current environment. With these two, I believe Rs.20,000 Crores to Rs.25,000 Crores worth of bids on T&D should not be a challenge at all. Besides this in the neighbouring SAARC countries, which is run by transmission domestic team, is also a good opportunity, whether it is Bangladesh, Nepal, or Sri Lanka and that itself could be an opportunity of Rs.3,000 Crores to Rs.5,000 Crores on an annualized basis. So, if I look at all of this together, which the T&D teams looks at, Rs.25,000 Crores – Rs.30,000 Crores worth of tenders on an annualized basis should not be a challenge.
- Bhavin Vithlani:** Sir and how large could be the HVDC opportunity which we expected over the next year or two years?

- Manish Mohnot:** Which one the HVDC?
- Bhavin Vithlani:** Yes, please.
- Manish Mohnot:** HVDC opportunity out of the Rs.10,000 Crores could as be high as Rs.6,000 Crores to Rs.7,000 Crores in totality. Out of this, equipments could be only 20% or 25% but the total opportunity could be in the range of Rs.6,000 Crores to Rs.7,000 Crores.
- Bhavin Vithlani:** Sure. Thank you so much for taking my questions.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** In previous participant question you replied about the merger of KPTL and JMC subject to senior management approval, so are we really evaluating if you can throw some light if really this is a possible scenario in coming quarters?
- Manish Mohnot:** Bharat Bhai, as I have mentioned earlier our focus is right now a lot more on standardizing processes, systems, risk management, culture across the two organizations and we have done a lot in that. If you look at the numbers of JMC versus KPTL in the last four years you will see everywhere that focus has come in. We are on the common platform of SAP, our processes are nearly same, our SOPs are very well detailed and very similar to each other and the teams, the culture of getting things done at any cost with the particular margin is what has driven across the organization. So, we are working on that, at the same time, we continue to explore this opportunity and at the right time I am sure we would be presenting this to the Board and depending upon how the Board reacts to it we will take it further.
- Bharat Sheth:** One last bookkeeping question on KPTL other expenses has shot up substantially is there any one off?
- Manish Mohnot:** Yes, and then I was expecting this to come up, yes there is a significant increase in the freight cost and closer to a \$3 million impact has come in freight in Q1 on some of our international deliveries in some of our projects. So, for the current year at the current freight levels we expect a hit of around \$6 million out of which \$3 million we have already taken in Q1 and that is the significant increase which has come in.
- Bharat Sheth:** That is the only thing otherwise rest are normal?
- Manish Mohnot:** Rest, are normal.
- Bharat Sheth:** Thank you. That is all from my side.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would like to hand the conference over to Ms. Bhoomika Nair, for closing comments.

Bhoomika Nair: I would like to thank everyone for being on the call and the management giving us the opportunity to host you and wishing you all the very best. Thank you very much Sir.

Manish Mohnot: Thank you Bhoomika. Thank you everyone.

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