



“Kalpataru Power & JMC Projects Q2 FY 2016
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Kalpataru Power & JMC Projects Q2 FY16 Earnings Conference Call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity to ask question at the end of the presentation. 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 IDFC Securities. Thank you and over to you Ms. Nair!

Bhoomika Nair: Good morning everyone. Welcome to the Q2 FY16 earnings call of Kalpataru Power and JMC Projects. We have the management being represented with Mr. Manish Mohnot, Managing Director, Mr. Kamal Jain, Director Finance and the CFO, and from JMC, Mr. Manoj Tulsian, Director (Finance) and CFO. I now handover the call to Mr. Manish Mohnot for his initial remarks, post which we will open up the floor for Q&A, Over to you Sir!

Manish Mohnot: Thank you Bhoomika. Good morning everyone. We have declared the Q2 results of both KPT and JMC. A copy of results, press release and presentations have been sent to you, and also uploaded on the website.

Before proceeding with the Q&A session, I would like to take you through the key highlights of the results and the recent developments. In KPTL, we have achieved operating margins in excess of 11% mainly due to softening of commodity prices and mainly due to improvement in some of our businesses, which were doing, losses in the previous year.

Revenues have declined mainly due to lower order book, at the beginning of the year, seasonal impact of domestic execution and impact of commodity prices. We are revising our visibility for the current year in terms of revenue of 5 to 7 % instead of 10 to 12%, which were earlier. But we believe, we will have margins of 10.5% for the year as a whole.

Going forward, from the next year onwards, we have a better revenue inflow visibility due to the recent order inflow of around Rs 3500 Crores which we have already received and we are L1 in orders in excess of Rs 3000 Crores as of now which should materialise in three to six months.

Recently we have also secured a third transmission line BOT project, it is a tariff based competitive bidding project for evacuation of power from Bhutan’s hydropower projects. The projects are mainly in West Bengal and Bihar. This project would support in our plan to develop one more line in our portfolio of transmission BOT projects.

In JMC, we are on track on our plans of consolidating topline with margin improvements; we are achieving our long-term plan to maintain margin profile of 8% to 9% in the last three quarters. We

believe that our topline growth will be in the range of 5% to 7% for JMC also with improved margins in the next few quarters. In JMC the order inflows till date have been Rs 1150 Crores, we are L1 in around Rs 1000 Crores. So, there is a good visibility of order book in JMC also. On our road BOT projects portfolio, all of our road BOT projects are operational, expect Reva project all are operating on full length and full toll basis. Reva project is expected to receive the final COD in the next few months.

On our real estate two projects, one is Thana and Indore, in Thana we have leased out around 40% and sold 30% and the balance 30% might be either sold or leased soon. In Indore, we have received all the approvals for residential and commercial projects, and we should be launching it soon and we believe that our investment should be coming back in the next two to three quarters.

As most of you are aware, we have filed the DRHP for Shri Shivam logistics with SEBI. We are constraint to discuss about the performance and other plans at this stage. My request is to bear with us on this matter. With this update, I request to open the floor for Q&A session.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first line of question from Sandeep Baid from Crest investments. Please go ahead.

Sandeep Baid: Good morning Sir. If you can give some color on your African business, how is the environment there, how is the pipeline looking, or is there any challenges, or how is the margin there compared to the overall company margins for the transmission business?

Manish Mohnot: So, if you look at today our order booked is around Rs 6100 Crores, 55% of our order book is from international businesses. In that 55%, approximately 30% would be Africa today. Looking at it from order book perspective, today closer to 30% of our order book of KPTL comes from Africa. In Africa, we have active projects in eight to nine countries as of now. As of now, all of them are active. I do not see any issues in terms of completing the projects on time. Some of our big projects like Congo and Zambia were just completed in the last quarter. From a project completion perspective, I think we are on track of majority of our projects. We also see traction in terms of new tenders coming up there. We have bid for lot of tenders on which results we should see coming up in the next few quarters. As far as margins are concerned, we normally bid in that same range at which we achieve the margins, but different countries, we have different strategies of bidding, looking at the risk perspective, looking at our presence, looking at who the funding agency is, difficulty of the project all of that. So, margins are different for different projects, but blended margins, we always aim at 10% to 11%.

Sandeep Baid: I assume that the projects there would be on a fixed price basis, right?

Manish Mohnot: A lot of them, yes.

- Sandeep Baid:** How do you see the growth in Africa in the next two to three years vis-à-vis India?
- Manish Mohnot:** I think India will still continue to be our biggest market. India will still continue to be the biggest market in which so much traction coming up, whether it is through PCGIL, whether it is through BOT projects or all of them, India will still continue to be the biggest project. As far as Africa is concerned, yes, we have seen a lot of traction and I think, growth will continue similar to what we have seen in the past. We can easily assume 10% to 15 % growth going forward and the African markets also.
- Sandeep Baid:** Sir, my second question is on your road projects. What kind of net cash situation do you see in FY 2017 post servicing of debt?
- Manish Mohnot:** I will just request my colleague Manoj to answer this question.
- Manoj Tulsian:** Good morning. FY 2017 also we were looking at net negative cash of Rs 15 to 20 Crores.
- Sandeep Baid:** All put together, after debt servicing?
- Manoj Tulsian:** Yes.
- Sandeep Baid:** From FY 2018 you expect to turn cash positive?
- Manoj Tulsian:** Yes.
- Sandeep Baid:** Thank you so much.
- Moderator:** Thank you Mr. Baid. We have our next question from Mr. Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity Sir. My question pertains to JMC projects. In the first half of FY 2016, our revenue has been slacked on a YOY basis and earlier we have given guidance for 5% to 10% growth in FY 2016. So, does that mean in the second half we are looking at 10% to 20% growth in our revenue? Is that the fair thing to assume?
- Manoj Tulsian:** As we just said in the opening speech, for the full year we estimate to achieve a growth of 5% to 8%. Yes, you are right, all the growth has to come in the H2. So, yes, your interpretation of 10% growth in H2 should be possible. It has to be anything between 10% and 15% not less than that.
- Deepak Poddar:** I understood that. Secondly on the margin front, I think, this second quarter is supposedly the weakest quarter and we still achieved 8.5% EBITDA margins. So, full year, I think we have given 8% target for FY 2016. Is there any upward revision in margins also that you want to share?

- Manoj Tulsian:** I think we would be able to do the Q2 margins going forward in the next two quarters. It should be around the same margin. So the blended margin for the full year would be slightly better.
- Deepak Poddar:** Any kind of debt outlook that you want to share, given that we have also issue planned that we have already kind of informed?
- Manoj Tulsian:** You are talking about the rights issue?
- Deepak Poddar:** Yes.
- Manoj Tulsian:** That is still in the DLOF stage, we have filed a DLOF with SEBI, so keeping that aside, we are still looking at an incremental debt of around Rs 35 to 40 Crores in H2.
- Deepak Poddar:** If we keep the right issue aside, standalone debt at JMC would be about Rs 750 to 760 Crores by year-end?
- Manoj Tulsian:** Should be 760, 770 maximum.
- Deepak Poddar:** In case, we are planning to raise Rs 150 Crores that we are planning to right issue, so, by that amount our debt will kind of get reduced.
- Manoj Tulsian:** Yes, almost, yes.
- Deepak Poddar:** Where would you be paying the debt from the issue right? Or is there any other plan for that?
- Manoj Tulsian:** Most of that would go for that only.
- Deepak Poddar:** Thank you very much. That is it from my side.
- Moderator:** Thank you Mr. Poddar. We have our next question from the line of Utsav Mehta from Ambit Capital. Please go ahead.
- Utsav Mehta:** Good morning. Thanks for answering my questions. A couple of your peers have said that there has been a step up in tendering by PGCIL, are you seeing something similar?
- Manish Mohnot:** Yes we are. We have seen a step up in terms of expression of interest, RFQ and all of that, we believe that in the next 3 to 6 months we could see some good order inflow from PowerGrid.
- Utsav Mehta:** Could you elaborate on the type of orders that is coming in, in terms of off the work profile?

- Manish Mohnot:** It is a combination of, you know, as far as PowerGrid is concerned, it is either order that have turnkey, in terms of entire construction, tower supply or there are also orders which they have divided the orders into tower supply only or construction only. It is a combination of both, depending upon the strategy of PowerGrid, the tenders have divided, it is a combination of either turnkey including construction and tower supply are divided into each one of them.
- Utsav Mehta:** Any sort of color that you can provide on what is happening in the SEB front, which particular states are being aggressive in terms of spends, and how do you expect, you know, now that there is some talk of restructuring going on, how do you expect that to impact spending going ahead?
- Manish Mohnot:** We see a lot of traction in the SEBs, a lot of, visibility of tenders has come a lot of SEBs like from MP, UP, Bihar, West Bengal, Karnataka, a lot of them are either funded by PFC or REC or any of the funding agencies or even their own funding. The current announcement today on discoms and distribution sector, I think we have to analyse further to see how does it impact the transmission sector in the short run and the long run.
- Utsav Mehta:** I am assuming that the kind of orders that are coming maybe higher KV side and so forth, would that be a fair assumption?
- Manish Mohnot:** It is a combination of both lower kV and higher kV, but at Kalpataru we are more focussed on higher KV orders.
- Utsav Mehta:** Do you think that going ahead, the higher kV would increase in proportion or are you seeing any clear interest in those lines?
- Manish Mohnot:** I think today also in terms of proportion higher kV is more than 70% of the transmission order booked. I think it will continue to be like that only.
- Utsav Mehta:** Thank you so much.
- Moderator:** Thank you Mr. Mehta. We have the next question from the line of Ankit Shah from Vallum Capital. Please go ahead.
- Ankit Shah:** My question is regarding the situation on the orders book regarding railways and oil and gas sector, we have been witnessing a lot on that side, it is Rs 47 Crores in the EBIT level for the two years, what I would like to know is, is it of because of contract problem or wrongly fit contracts? And when do you see this business turning profitable?
- Manish Mohnot:** I think there is a significant improvement in terms of profitability for these two businesses. The earlier losses were because of few reasons, one was, you know railways was a new division which we

had formed and there were some challenges in the first few orders, you know which you always it is a learning curve where you typically get into such loss making situation. We have got out of it. We have now built a team. So, improvement in margins is already visible while we talk. If you look at the numbers in these two quarters as compared to previous years it is much better, Our order of infrastructure division which was railways and pipeline put together is closer to Rs 1200 Crores today. I think going forward they will have better margins compared to the past, although not in the range of 10% to 11% which transmission does, but definitely expecting them in the range of 6% to 8% as operating margin level.

Ankit Shah: Earlier what was the main reason?

Manish Mohnot: It is a combination of as I said both right, one was aggression to get into the market. It was a new segment we had diversified. Second was understanding of the contract, being that, you know, given that, it was a new team, which we had built, and third were external reasons also, in terms of delay from clients and all of that.

Ankit Shah: My second question is regarding the steel prices we are seeing the prices having bottomed out, and bottom of those prices, so going forward if we say steel prices do go up does this affect our T&D business? How would it impact?

Manish Mohnot: Today if you look at our steel order book or visibility on steel order book is approximately 35% to 40% of our order book are fixed as far as steel towers are concerned. The balance is variable in terms of price variation. 30% to 40% typically we would have loaded some contingencies because we know steel is at lowest level so there could be some impact on profitability, but it depends, on which project at what time, but there will definitely be some impact on profitability whenever this happens. Today when we bid for fixed price projects, we load that contingency assuming that things it will go up from here.

Ankit Shah: Last question is on the IRRs for the BOT project? So what will be the IRRs on BOT project based on your assessment as of this year?

Manish Mohnot: Typically, as an organization on transmission BOT, we have been bidding in the range of 13% to 15% post tax equity IRR, we have been bidding at those levels and, we have achieved this in our first two projects, Haryana and MP and the third project is also bid in those levels only.

Ankit Shah: And by when this project would be commissioned?

Manish Mohnot: This is a project, which needs to be commissioned in 36 months.

Ankit Shah: Thank you. That is from my side.

- Moderator:** Thank you Mr. Shah. We have our next question from the line on Sanjeev Panda from Sharekhan. Please go ahead.
- Sanjeev Panda:** Sir, I missed the initial commentary as I joined a little late. Just to understand, what is the issue in this quarter that is adding to the T&D revenue decline?
- Manish Mohnot:** Sanjeev, the key issue was low order book at the beginning of the year which all of us was aware of and second the seasonal factor. The key issue was low order book with some reduced commodity prices as compared to the previous year whether it was aluminium or steel or combination of all of them.
- Sanjeev Panda:** So, are you saying that the raw material price got transferred to the realisation part of it? Some part is there also?
- Manish Mohnot:** Revenue has come down because prices have come down. To that extent, profitability has also improved slightly, but at least on fixed price projects, we have made that incremental margin.
- Sanjeev Panda:** Going forward, on annual basis, our guidance remains intact or we need to taper it down?
- Manish Mohnot:** I have already indicated in the opening call, that the guidance we have already put it down to 5% to 7% for the current year with one more Q3 we might also see some reduced QOQ topline, Q4 should be better given all these orders have come in the last two quarters. But for the year we are only looking at 5% to 7% growth.
- Sanjeev Panda:** Sir, if you could throw some light on the working capital scenario and the cash that we have generated in this first half?
- Manish Mohnot:** On a working capital scenario, I think our debtors have slightly gone up for the first six months, the debtors have gone up for 210 days as compared to 180 - 190 which is our internal benchmark, primarily because there are few large clients delayed the payment at the end of September, and that payment has come in October and we are back in the range of 180 to 190 days. As far as the cash generation is concerned, I think given the debt levels continue to be in the range of Rs 800 to 850 Crores.
- Kamal Jain:** There is reduction in the debt by Rs 100 Crores.
- Ankit Shah:** So, I am saying that, what kind of cash that we have generated from operations, cash flow from operations in this first half?
- Manish Mohnot:** I will have to come back to you on the exact number on cash flow from operations. So, just give us some time and we will comeback to you.

- Ankit Shah:** That is it from my side Sir. In case, anything comes Sir, I will come back to you.
- Moderator:** Thank you Mr. Panda. We have the next question from the line of Ranjith Shivram from B&K Securities. Please go ahead.
- Ranjith Shivram:** Good morning Sir. In the revenue decline part, as you had explained, there was a proportion of revenue, which had come down because of lower commodity price. Is it possible to help us like how much would have been the revenue decline if that part was not there? Would it be something around for the T&D sector, which has declined around 23%, would it be something around 15% or 10%, just to get an idea how much was because of that?
- Manish Mohnot:** I think 50% of our decline, on a totality basis, approximately 10% to 12% decline is because of lower prices and balance stands for lower order book and seasonal factors.
- Ranjith Shivram:** This has largely to do with orders, which had fixed price contracts, right?
- Manish Mohnot:** It is a combination of both, fixed price as well as variable price. Mainly revenue would be out of variable price and margin will be on fixed price.
- Ranjith Shivram:** What portion of current order book do we have is fixed price and in new order intake we are seeing more of fixed price contracts, anything, any color there?
- Manish Mohnot:** Today on our order book, 70% is approximately variable price and 30% is fixed price. International, going forward, continues to be a lot more on fixed price projects, and domestic, majority of orders are variable priced.
- Ranjith Shivram:** So, going forward, if the commodity prices are lower than we will see this impact in the forthcoming third quarter and fourth quarter and hence?
- Manish Mohnot:** If commodity price continues to come down you will see improvement in profitability, but there could be impact on revenues also.
- Ranjith Shivram:** How about this infra? Any legacy orders still left or are they completely done with most of our legacy projects under the infra segment?
- Manish Mohnot:** We still have a couple of projects in the railways division which would all get over in the next two quarters, but majority of the revenue is booked, I do not think it is more than Rs 25 to 30 Crores of revenue which is to be booked on those projects, otherwise, all new projects.
- Ranjith Shivram:** So, infra will come to around good profitability around the fourth quarter?

- Manish Mohnot:** We should see some improvement by the end of fourth quarter.
- Ranjith Shivram:** Sir, in terms of PGCIL tenders, you had mentioned that like they split into towers of construction and turnkeys. Do we participate in tower supply only contracts or we only participate in turnkey orders? And are the margins in tower supply contracts more compared to the turnkey contract?
- Manish Mohnot:** To answer your first question, we participate in all projects whether it is turnkey, tower supply or construction, depending upon which state it is and our view on the project and site visit and all of that. Typically, only tower supply projects would have higher margin than projects in totality because towers supply to a great extent your risk is very minimal.
- Ranjith Shivram:** Thanks. That answers my question.
- Moderator:** Thank you Mr. Shivram. We have next question from the line of Ankita Bora from B&K Securities. Please go ahead.
- Ankita Bora:** My question is regarding JMC Projects. In this quarter, in the first half how much of toll revenues have we achieved from the BOT projects and what is the number to be expected for the full year for FY16 and FY17?
- Manoj Tulsian:** Right now we have running rate around Rs 53 to 54 lakhs per day basis, we have one project where we will be going on our second plaza tolling from January. It will add up another Rs.3 to Rs.4 lakh that is what we presume. Next year you can target around 58 lakhs is what we will reach in Q4. Assuming that it will go to around Rs 63 to 64 lakhs per day basis.
- Ankita Bora:** 4 lakhs in FY17 and what would be our breakeven level for these projects?
- Manoj Tulsian:** Another Rs.7 lakh, around Rs.71 to Rs.72 lakh.
- Ankita Bora:** This number was earlier expected at Rs.65 lakhs per day?
- Manoj Tulsian:** The reason for that is, the number I am talking is for four projects, including 49% of SREI. So that might be the difference.
- Ankita Bora:** Sir with the healthy order inflows in this quarter, almost Rs 11 billion of projects. Could you let us know the breakup of these orders inflows? And in which segment have we got these orders?
- Manoj Tulsian:** We got a few orders in infra and the rest of it is again the southern part of the territory which is on the real estate commercial and also one order from the I & P side, which is our industrial and power side.
- Ankita Bora:** Would you have the break up in terms of percentage?

- Manoj Tulsian:** In terms of percentage almost 60% of this is from the southern territory and 30% is approximately from the infra side and around 10% from the industrial power side.
- Ankita Bora:** Sir, with this slowdown seen in the real estate segment going forward, what is your outlook in terms of you know factories and building segment and are there any plans to diversify into other segments and if yes what is the pipeline there?
- Manoj Tulsian:** Few things, I think we have spoken this during the year also, except in southern territory we are extremely cautious and careful in terms of booking new orders from the western side or from the northern division and unless and until it comes from some of the very creditable players in the market where we know that cash flow for sure should not be a challenge and fully tied up. So, we do see that there is a slowdown in the last almost three quarters. That is where our order book is more balanced by taking some more government orders. Today if you see our proportion of government order book against total order, the government order is around 40%, which used to be around 31% to 32% two quarters back. That is helping us. In terms of focus for sure, we are looking at international business based on the success of Kalpataru Power and the knowledge base of Kalpataru Power. Our first project in Ethiopia has been doing well so far. So our experience in doing an international project there has been good. We are trying to build up. While we are talking, we are already in the bid stage of two or three large orders in Ethiopia itself, which are yet to open. We have a fair chance possibly to get at least one order there.
- Ankita Bora:** What would be the size of these projects put together?
- Manoj Tulsian:** These are all in the range of around 300 Crores to 600 Crores individual bid.
- Ankita Bora:** In your balance sheet, I am seeing that your receivables have improved as on September 30. However, working capital seems to have deteriorated, reason for the same?
- Manoj Tulsian:** I do not know. The way we calculate, I am only seeing a difference of two days. The detailed can be discussed later on with the balance sheet figures, but from the MIS figure you know we are better off.
- Ankita Bora:** Thank you Sir. That is from my side.
- Moderator:** Thank you Ms. Bora. We have our next question from the line of Aditya Mungya from Kotak Securities. Please go ahead.
- Aditya Mungya:** Good morning. Congratulations on winning the third transition line order. The question was more related to this order, which you have gotten as far as I understand, it is a Rs 1200 Crores order. Just thought I can check up with you on the equity requirement for this project, whether or not we are partnering with another entity and accentually how do intend to take care of this equity requirement?

- Manish Mohnot:** I think we had discussed this last time also in the call we are looking at partnering with a strategic partner who comes in with financial backing from a long-term perspective on all BOT projects. Our discussions are at advanced stage with that partner. While the discussions are on, whatever equity we need to put on to the project will come from three places. One is from internal cash flows, second is a lot of capital will be released from two real estate projects in Indore and Thana, that we had mentioned earlier on the call. So, with the combination of these two things we should be able to put in the relevant required equity from our side over the next two years because this is a project, which would require equity over the next 30 to 36 months. So, with these three combinations, we should be able to be in a position to put in the relevant equity.
- Aditya Mungya:** Would you then be thinking of bidding for more such projects because obviously the opportunity is there right?
- Manish Mohnot:** Yes, with this strategic partner yes, definitely.
- Aditya Mungya:** We will be having a minority stake is the way we had understood it last time around?
- Manish Mohnot:** It would be kind of an equal stake may be with a small minority kind of position. So, it would be more about being equal as far as the ownership is concerned. As far as the EPC is concerned we would be focused on doing the entire EPC throughout the project.
- Aditya Mungya:** Will this be a partner who let say a financial investor in the sense a PE investor or would this be a person who has essentially business presence as well?
- Manish Mohnot:** I think it will be an institution, not an individual, institution who comes with a strong financial backing.
- Aditya Mungya:** The second question was more related to the competitive intensity on the T&D side. Let us say, let us focus on the segment wherein competition is the most, let us say, PGCIL. There, over the past two three years let us say a discerning PGCIL has amended let us say top four players have a sizeable combined share of all the wards. A) Has that benefited you in terms of margins and b) do you think PGCIL would want to make competition slightly more broad-based and hence maybe going for let us say pure supply contracts apart from kind of combining them as turnkey contracts?
- Manish Mohnot:** I can easily answer the first one, has it benefited in margin? Yes, it is definitely because the focus on execution has improved significantly given that you had a lot of orders. The second question does PGCIL has a strategy, which would change? I would not be able to comment on that all.
- Aditya Mungya:** The fact that now they are essentially ordering two kinds of contracts where you were suggesting one being pure supply should not be interpreted in that way?

- Manish Mohnot:** I do not think so.
- Aditya Mungya:** Sir, lastly on the 10.5% EBITDA margin number that you are seeing for the full year which is let see lower than what you have achieved in 1H what is the thinking behind that guidance being lower?
- Manish Mohnot:** The thinking is linked to the current order book which we have in hand and the belief that may be commodity prices would not go down further from here. It is just a belief, but if they go down further you could see the margins being different or if they go up significantly again the margins would have some impact but based on the current order book which we have we believe that on an annualized basis, we should be more in the range of 10.5%.
- Aditya Mungya:** Sure, and the revenue guideline is now achieved or let us say further decline in commodity prices would keep that at risk also?
- Manish Mohnot:** For sure, I think if it further declines some revenue guidelines could also change depending upon how much is the decline.
- Aditya Mungya:** Thank you Sir. Those were the questions from my side and all the best for the future.
- Moderator:** Thank you. Mr. Mungya. We have a next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** Thank you for the opportunity. My question was in JMC. Sorry I missed your opening remarks if could just tell us what is the order inflow and order book is at the end of the quarter?
- Manoj Tulsian:** The order inflow in Q2 is around Rs 1100 Crores, so which makes for the H1 around Rs 5,700 odd Crores, what was a next question.
- Dhruv Bhatia:** The order backlog you said is Rs 1170 Crores right?
- Manoj Tulsian:** Rs 5700 Crores is the order book as of September end.
- Dhruv Bhatia:** Sir, second question was last quarter you talked about some private equity investment or monetization of your four BOT projects in JMC if any new update on that if you can share the that?
- Manish Mohnot:** Well the process is on, so as and when something will happen, will definitely come back to you.
- Dhruv Bhatia:** Thank you Sir. That is all for my side.
- Moderator:** Thank you Mr. Bhatia. We have our next question from the line of Bharat Sheth from Quest Investment. Please go ahead.

- Bharat Sheth:** Manish Ji, you said that our L1 is around Rs 3000 Crores so just can you give some color like how this is bifurcated, I mean composition on this L1 and when do you expect I mean this thing to get turning in order?
- Manish Mohnot:** L1 is 50% of it is international, 50% is domestic and domestic we have one order, which is for pipeline, and balance is transmission domestic. So I expect orders at least four of the seven L1s to be materialized in the month of November latest by December 15. There are couple of them which we you know which are international projects which they follow their own process that might take sometime that will happen by December, January, but not beyond that.
- Bharat Sheth:** Earlier you were findings some delay in decision so all that is over or still those processes is going on delay in decision making in international side?
- Manish Mohnot:** It is not as much about delay it is process which they follow because these are all funded agencies, so there is a full process there where you know there is a consultant who will evaluate, there is a country which values, then there is a funding agency and so it is full process so more than the delay it is typically a process which takes anywhere between three and six months once you are L1 in any of the international projects.
- Bharat Sheth:** With this we have already booked the order book first half order book is 3500 Crores if this is converted, can you give some sense year end how much order inflow that we are expecting because whatever other bidding pipeline is there?
- Manish Mohnot:** Our plan for the year in terms of order inflow is more in the range of Rs 7500 Crores and I think that is visible now given that lot of PowerGrid tenders are also coming. So I think we will continue with target of order inflow in the current year of KPTL of around Rs 7500 Crores.
- Bharat Sheth:** What is your outlook on infra side new order inflow?
- Manish Mohnot:** We are seeing a lot of tenders coming in both pipeline division as well as railway division, so while we are selective in terms of bidding because we have just strengthened the team and we have just come out of bad phase for the last eight quarters so while we are selective in tenders, but there is lot of opportunities and I think this division should grow at least at 20% plus in terms of topline revenue for the next few years.
- Bharat Sheth:** My next question is for Manoj Ji. Manoj Ji, our L1 is around Rs 1000 Crores plus so there are also can you give some color how is the infra, building, and INP as well as domestic and as international?

- Manoj Tulsian:** So, out of Rs 1000 Crores we have around Rs 450 odd Crores, which is infra, and that also around Rs 150 odd Crores, which is international, and rest is all domestic, which is mainly towards factories and buildings.
- Bharat Sheth:** When do you expect that to be converted?
- Manoj Tulsian:** The infra international order, actually is in L1 position almost since the last three months and we expect that possibly in another month and half it should get converted. Most of the other orders we are just waiting for the LOI to come, so another 15 to 20 days or 25 days most of them will get converted.
- Bharat Sheth:** Based on the bidding pipeline so where do we expect full year, I mean order inflow?
- Manoj Tulsian:** So, we are looking at around anything between Rs 3000 and 3200 Crores for the full year.
- Bharat Sheth:** This year you said the margin in second half will be like Q2, what is guidance I mean for next year, I mean topline growth and margin that we are expecting?
- Manoj Tulsian:** This year we are already doing better than what we had given as guidance at the beginning so slightly early to say, but if we are able to achieve 8.5 % in the next two quarters, we will again target minimum increase of around 50 basis points for next year.
- Bharat Sheth:** With the right issue, money coming in there will a reduction in the interest cost also correct?
- Manoj Tulsian:** Yes, to some extent yes.
- Bharat Sheth:** How much capex up to we plan for this year plus invest into this cash flow putting into our BOT project?
- Manoj Tulsian:** In the next six months we are looking at the capex plus BOT of close to around Rs 75 to 80 Crores.
- Bharat Sheth:** Next year?
- Manoj Tulsian:** Next year BOT investments will come down because the operating cash what we have to put is may be around Rs 15 to 20 odd Crores and they will be around other Rs 20 to 25 Crores of repayments so Rs 40 to 45 Crores on the BOT side and another Rs 60 to 70 Crores in the capex sides so another Rs 100 Crores in next year.
- Bharat Sheth:** Almost 100 to 100 this year and next year correct?

- Manoj Tulsian:** Yes, this year it will be more if you take the full year number. This year it will be close to around Rs 150 to 160 odd Crores including BOT and capex for the full year next year it would be close around Rs 100 to 110 Crores.
- Bharat Sheth:** Manish Ji, with infra margin improving next year, so what is your take on margin on next year and topline growth that we are anticipating because this year we begin in the year with poor order intake now, next year order inflows will be is very strong?
- Manish Mohnot:** I think on the current order book which still have visibility which is more in the range of 10.5% given the community prices where they are, I think that volatility could have plus minus of easily 100 basis point, and that something which we would not be able to forecast for the next year as of today, but the current order book we have visibility of margin in the range of 10.5%.
- Bharat Sheth:** Topline?
- Manish Mohnot:** Next year definitely we should see some improvement in topline growth but it would be early for me to comment on that may be three or more months and will have better visibility on that.
- Bharat Sheth:** Thanks. Wish you happy Diwali and New Year.
- Moderator:** Thank you Mr. Sheth. We have next question from the line of Devang Patel from IL&FS. Please go ahead.
- Devang Patel:** My question is on the JMC again on the margins we have done better this quarter in the first half, is this all the tailwinds because of lower commodity prices or are we doing better than we had expected on legacy book?
- Manoj Tulsian:** The first question is not that much strongly applicable in our case, because in our case, in most of these projects we get actually a basic price orders so we know the effect of change in commodity prices is passed on or it remains with builders and the developers so it is mainly on account of new order book which we have been able to build up in the last two and half years and also other initiatives which we have been talking for last 24 to 30 months in terms of strengthening all processes, cost reduction initiatives so it is culmination of many of those things.
- Devang Patel:** What is the fixed price or variable price percentage of the order book then?
- Manoj Tulsian:** So, if you really speak in our case, we have almost around 80% to 85%, which is on variable mode so only 10 to 15% is something, which is on the fixed prices basis.
- Devang Patel:** Sir on toll collection side if you given the aggregate for the four projects, can you also break it down for each of the four projects because of the data we have is quite dated now from the annual numbers?

- Manoj Tulsian:** That we can share separately maybe Gautam will help on that giving individual project data.
- Devang Patel:** Sir, we are going ahead with this rights issue to bring down the debt it will come down below 1:1 debt/equity how much difference would it make in our borrowing cost?
- Manoj Tulsian:** Prima-facie we do not see that it will have impact, are you saying in terms of average borrowing cost, I do not think, that it will have major impact in terms of average borrowing cost.
- Devang Patel:** Sir, and on the premium rescheduling for the two projects if you can share just a broad outline what is the in terms of the deal?
- Manoj Tulsian:** The term is simple whatever premium deferment we get finally we have pay up the premium before the project ends or reaches its termination and than there is monitoring system every year by NHAI so they look at what is the projections we have given and accordingly whether we are going as per the projections or not and based on that this deferment value also on year-to-year basis can undergo a change so if you are doing better than the projections they will call for larger amount of the premium for that particular year and vice versa.
- Devang Patel:** Sir, in the initial years is there any premium to be paid or is deferred for there is no premium to paid for at leastin Rohtak?
- Manoj Tulsian:** No, we are paying, so even when we have gone for deferment it is not that 100% deferment, so there is methodology which NHAI has come out with so every year that number will be different for every project so there is some amount which we have to pay during the year and the rest goes for deferment that is all related to the projections for that particular year.
- Devang Patel:** Sir, lastly on the working capital you mentioned earlier it has come down by two days, but if I look at over period of two years the debtors seem to have gone up from about 45 days to 60 days. Are you seeing incrementally some stress in some pockets in terms of receivables because we hear from other players that the real estate players are in bad shape, are we quite protected because of being cautious on booking orders earlier?
- Manoj Tulsian:** We have been cautious in the last two years, if you really see we have not booked any order on the real estate side in our western territory, northern territory and also eastern territory and whatever orders we have built up is all from very creditable institutions like Mahindra's and Tata's so which has not put any additional pressure on our receivables. There are few receivables which has slightly become slow, but these are something where we have to pick up orders three to four years back and we are working out some strategy along with them to see how fast they can liquidate the same.
- Devang Patel:** That is all for my side. Thank you so much.

- Moderator:** Thank You Mr. Patel. We have next question from the line of Sagar Parekh from Deep Finance. Please go ahead Sir.
- Sagar Parekh:** Thank you for taking my question. My question on JMC can you give me the broad break up between how much equity have been put in all four BOT projects put together how much is the total debt and in terms of project cost do you have to invest more or everything is over?
- Manoj Tulsian:** I think while we are talking we have invested close to around Rs 530 odd Crores in all the BOT projects taken together.
- Sagar Parekh:** That is equity right?
- Manoj Tulsian:** Yes, the debt side is close around Rs 1400 Crores, so our initial estimation on these four projects were close to around Rs 420 odd Crores so we have invested Rs 100 extra Crores in the same which has gone towards funding operating loss some cost overruns and also some debt repayments which has already started in all the projects.
- Sagar Parekh:** Apart from this then probably another Rs 20 to 25 odd Crores of this year's cash loss would also we invested?
- Manoj Tulsian:** Cash flow for this year plus some repayments also which is there in H2 and some cost overruns, which also we are doing at this point of time so all together that will come to around for Rs 40 odd Crores this year and next year again we are targeting to fund around another Rs 40 Crores.
- Sagar Parekh:** So about Rs 80 odd Crores of additional equity we will have to put into these four BOT projects?
- Manoj Tulsian:** Yes next 18 months I think so.
- Sagar Parekh:** Sure, about Rs 600 Crores of equity investment are we looking at in these four projects put together right?
- Manoj Tulsian:** Yes, it will cross 600, I think by the next year, but anyway it also depends on, how the traffic grows and all those, so 600 is fairly reasonable.
- Sagar Parekh:** I mean two projects, we are having premium payment right, how much is the premium that we are paying is it on percentage of sales basis or it is fixed prices and then growth price?
- Manoj Tulsian:** It is a fixed price, which has an escalation clause every year, 5%, there are two projects mainly where we are paying the premium which adds to around Rs 40 odd Crores.

- Sagar Parekh:** Sir, on the JMC side when we say that we are looking at international markets those kind of projects would be largely fixed price, right, the Ethiopia one that we are doing is fixed price right?
- Manoj Tulsian:** No, it is not a fixed price.
- Sagar Parekh:** When we look for international orders those are will also be variable price?
- Manoj Tulsian:** Yes.
- Sagar Parekh:** So, only on the transmission side international markets are largely fixed price. I am right?
- Manish Mohnot:** Yes.
- Sagar Parekh:** That is it from my side. All the best. Thank you.
- Moderator:** Thank you. We have next question is from the line of Ranjit Shivram from B&K Securities. Please go ahead.
- Ranjit Shivram:** Just wanted to touch upon this Shubham listing. Has it been postponed or any progress there some color on that?
- Manish Mohnot:** We are received our final advice or final inputs from SEBI. We have still not decided on the timing and pricing of it and so I will not able to comment on the exact timing of the issue.
- Ranjit Shivram:** But will it happen this year?
- Manish Mohnot:** I will not be able to comment on the timeline.
- Ranjit Shivram:** Thanks.
- Moderator:** Thank you Mr. Shivram. We have a next question from the line of Karthikeyan from Suyash Advisors. Please go ahead.
- Kartikeyan:** Yes, good morning gentlemen. My question is on JMC just wanted to clarify the answer you gave to the previous question so if the equity goes to about Rs 610 Crores versus the original estimate of Rs 420, what kind of IRRs would these projects achieve?
- Manoj Tulsian:** Well see we are also not looking at what type traffic growth, which we may see in the next three to four years. So it is very difficult honestly at this point of time to put IRR number and confuse everyone. Let us wait for 12 to 18 months because we are very pessimistic right now on the traffic

growth itself when we are talking of these numbers and if the growth is much better than what we speak, than the numbers can change drastically.

Kartikeyan: True, but as things stand today, what numbers do you get, do you at least get a high single digit kind of number or is it worse than that?

Manoj Tulsian: Yes, if you tell me actually it is still lower of double digit.

Kartikeyan: Double digits, just one quick clarification the overruns besides the funding aspect that have happened, funding requirements that were there because of lower traffic growth, what would have led to the cost overruns?

Manoj Tulsian: Mainly the reason is that when we had bid for these projects we had taken interest cost, interest rate on most of these projects, which only went northwards during our execution of most of these projects. So IDC has become a big hit in almost all the projects and which has eaten up otherwise these are all fixed price contracts given to the EPC contractors. So there was no hit on account of that and then there were a few things which while we went for getting our final COD where NHAI pressed upon to do a few things for which we are they did not compensate us.

Kartikeyan: Do you want break up the components?

Manoj Tulsian: I do not have the numbers at this point of time, but mainly it is IDC.

Kartikeyan: Not problem. Thanks for the clarification and best wishes.

Manish Mohnot: Thank You.

Moderator: Thank You Sir. We have next question follow on question from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Just a quick question I would be looking at bidding for more BOT projects going forward or we are done?

Manoj Tulsian: No we are talking about the road BOT?

Sagar Parekh: Yes, road BOT.

Manoj Tulsian: No, we are not looking at any BOT projects in JMC.

Sagar Parekh: When we say that we are looking at private equity we will probably sell of the entire assets put together or we individual SPV level we are looking at different private equity.

- Manoj Tulsian:** Well, it will all depend on the investor, because every investor has a very different mindset when they want to look at BOT investments. So we would certainly try to look at something, which is a win-win for both sides.
- Sagar Parekh:** Thanks.
- Moderator:** Thank you Sir. We have next question follow on question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much Sir. Sir, you mentioned earlier that in the current order is it about 10.5 % margin so that order book we are talking JMC order book right?
- Manish Mohnot:** No, I think Kalpataru order book.
- Deepak Poddar:** That is for Kalpataru order. Any kind of plans is to monetize BOT projects as of now or is too premature?
- Manish Mohnot:** On the transmission side or on the road BOT?
- Deepak Poddar:** Road BOT?
- Manoj Tulsian:** Road BOT we have already appointed some banks and they are working with us and we will have all the options whether he is going to be a strategic investor or existing or depending upon what is the requirement from the long term perspective so bankers have been appointed and let us see where the process goes.
- Deepak Poddar:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. We would now like to hand the floor back Ms. Bhoomika Nair from IDFC Securities Limited. Over to you madam!
- Bhoomika Nair:** Thank you. I would just like to thank the management for taking timeout and answering all our queries very patiently and also all the participants for attending to call. Thank you very much Sir.
- Manish Mohnot:** Thank You Bhoomika. Thank you everyone.
- Moderator:** Thank you Sir. Ladies and gentlemen, on behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.