



JMC PROJECTS (INDIA) LTD.
A Kalpataru Group Enterprise

“Kalpataru Power Transmission Limited &
JMC Projects (India) Ltd.
Q4 FY2020 Earnings Conference Call”

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ANALYST: MS. BHOOMIKA NAIR – IDFC SECURITIES LIMITED

MANAGEMENT: MR. MANISH MOHNOT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – KALPATARU POWER TRANSMISSION LIMITED
MR. RAM PATODIA – PRESIDENT & CHIEF FINANCIAL OFFICER - KALPATARU POWER TRANSMISSION LIMITED
MR. KAMAL JAIN – DIRECTOR - KALPATARU POWER TRANSMISSION LIMITED
MR. S. K. TRIPATHI - DEPUTY MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - JMC PROJECTS
MR. VARDHAN DHARKAR – PRESIDENT & CHIEF FINANCIAL OFFICER - JMC PROJECTS

Moderator: Ladies and Gentlemen, good day and welcome to the Kalpataru Power Transmission Limited Q4 FY2020 Earnings Conference Call hosted by IDFC Securities 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 IDFC Securities. Thank you and over to you Madam!

Bhoomika Nair: Thank you. Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q4 FY2020 earnings call of Kalpataru Power Transmission Limited and JMC Projects. We have the management today being represented by Mr. Manish Mohnot – Managing Director and CEO; Mr. Ram Patodia – President and CFO; Mr. Kamal Jain – Director; Mr. S. K. Tripathi - Deputy Managing Director and CEO, JMC Projects; Mr. Vardhan Dharkar – President and CFO, JMC Projects. I will now hand over the call to Mr. Mohnot for his initial remarks post, which we will open up the floor for Q&A. Over to you Sir!

Manish Mohnot: Thank you Bhoomika. Good morning everyone. I trust each of you and our loved ones are safe in this unprecedented time. I am thankful to you for your continued interest and attending this earnings call of KPTL and JMC. I will start with a quick overview of our financial performance for Q4 and FY2020 before moving to key updates on recent events, asset divestment plans and how we are preparing to secure our future.

Revenue and profitability for both KPTL and JMC were significantly impacted in Q4 due to COVID-19 lockdown. On basis of estimate of sales loss due to lockdown KPTL and JMC would have delivered strong growth in Q4 2020 and would have easily reached the targeted growth for the full year 2020. While on all of the parameters related to EBITDA margin, net debt and working capital KPTL and JMC have performed satisfactorily and delivered better than guidance.

At KPTL on a standalone basis revenue for Q4 declined by 7% to Rs 2,303 Crores, for full year 2020 revenue grew up 11% to reach Rs 7,904 Crores. In FY2020 our railways business grew by about 100% while growth in T&D and oil & gas remained flat. Our growth in T&D business including Linjemontage has been close to 10% in FY2020. Our EBITDA margins improved by 30 basis points to reach 11% in Q4 2020 largely on account of project mix. For the full year FY2020 our EBITDA grew by 11% to reach Rs 860 Crores with margin of 10.9%. Our net borrowing at the end of March 2020 was Rs. 969 Crores, which is within our guided range of Rs 500 to Rs 1,000 Crores as indicated at the start of the year. We are putting considerable focus on collections, project closure and reduction in capital employed. Our finance cost has increased in Q4 and full year 2020 because of rise in debt and high utilization of working capital limits; however, we have been able to maintain our net working capital at desired levels of 90 to 95 days. Out PBT for Q4 is Rs 185 Crores a drop of 15% on YoY basis and PAT of Rs 107 Crores a decline of 22% on YoY. For the full year, PBT grew by 3% to Rs 642 Crores and PAT grew by 15% to Rs 463 Crores. Our order book as on March 31, 2020 was Rs 13,288 Crores; our order inflow in FY2020 was Rs 6,523 Crores out of which we received orders worth Rs 605 Crores

only in Q4 2020. We have received orders of Rs 909 Crores till date in FY2021, which we have declared yesterday. Incrementally we have L1 position of approximately 2,000 Crores as on date largely in our T&D business across both domestic and international markets. Our orders declared yesterday of Rs 900 Crores are all in the transmission and international segment.

Coming to guidance for KPTL on a standalone basis, our plans as of now is to focus at a growth of around 10% in the current year even with a disruption in the first two months given the backlog coming in from the previous year and the order visibility. We will target order inflows of around Rs 10,000 to Rs 11,000 Crores on the current year. On a net cash basis, we will continue our target to be debt free by end of March 2021. At JMC revenue for Q4 2020 remain flat at Rs 939 Crores due to stoppage of works during the lockdown. For full year FY2020 revenue growth was 14% to Rs 3713 Crores. Our core EBITDA for Q4 is Rs 106 Crores; EBITDA margin has improved by 90 basis points to reach 11.3% given favorable business in project mix.

For full year FY2020 EBITDA was Rs 411 Crores with margin at an all-time high of 11.1%, which is growth of 70 basis points. We made ECL provision of Rs 79.5 Crores in Q4 2020 for loan advances given to Kurukshetra Express Private Limited our road BOOT subsidiary. PBT excluding the impact of ECL provision for 2020 declined by 25% to Rs 48 Crores, for full year PBT grew by 4% to Rs 196 Crores. ECL provision had led to loss after tax in Q4 2020 of Rs 34 Crores, similarly PAT for full year declined by 44% to reach Rs 79 Crores. Our standalone debt at JMC was Rs 735 Crores at the end of March 2020, which is significantly lower as compared to a guidance of Rs 800 to Rs 900 Crores. Our focus on better collection from clients across both B&F and infra business help us to maintain the working capital at desirable levels. Our finance cost at JMC for Q4 and 2020 has increased given higher utilization of working capital. At JMC, our order book was Rs 9,546 Crores at the end of March 2020. Our order inflow in FY2020 was Rs 3,364 Crores largely driven by B&F projects. In FY2021 till date, we have received orders of Rs 1,131 Crores and we have L1 position of around Rs 1,800 Crores. In our road BOOT projects average daily revenue was Rs 53.4 lakhs per day in Q4 as compared to Rs 57.9 lakhs per day achieved in Q4 2019.

Coming to guidance for JMC in a standalone basis, we expect revenue growth of up to 5% in FY2021 with EBITDA margins around 10.75% to 11%. We will target order inflows of around Rs 5,000 Crores and we expect debt levels to remain at around Rs 800 Crores. On a KPTL consolidated basis, our revenue for Q4 remains flat at Rs 3,527 Crores, for full year FY2020; our consolidated revenues have reached Rs 12,676 Crores with a YoY growth of 17%. Our Q4 consolidated EBITDA was Rs 386 Crores with a margin of 10.9% similarly for FY2020 our EBITDA grew by 16% to reach Rs 1,540 Crores with a margin of 12.1%. Our one-off items at consolidated level includes gain on sale of KSTPL of Rs 12 Crores, impairment of fixed assets of subsidiary company is Rs 7 Crores, higher impairment provision made towards loan advances given to KEPL of Rs 79 Crores. Our PAT for Q4 declined to Rs 13 Crores compared to Rs 166 Crores in corresponding quarter of last year. For FY2020 PAT declined by 20% to Rs 390 Crores. Our consolidated order book is Rs 22,834 Crores, which is well diversified across T&D, B&F; infra business and a right mix of international and domestic. At consolidated level, we have achieved order inflow of around Rs 9,900 Crores in the current year, but

below our targeted order inflow of Rs 12,000 to Rs 13,000 Crores.

At Shubham, revenue in Q4 was Rs 37 Crores a growth of 43% with EBITDA of Rs 12.5 Crores and PBT of Rs 1.7 Crores. For full year FY2020 revenue grew by 7% to Rs 132 Crores, EBITDA increased by 20% to Rs 44 Crores and loss before tax reduced to Rs 6 Crores in FY2020 compared to Rs 11 Crores in 2019. We believe SSL will be PBT positive in 2021.

Now I would like to take you through the key updates on the strategic initiatives and recent developments. We tackle COVID-19 with two main objectives, first and foremost to ensure health and safety of our employees and labor, and second deliver exceptional service to customers throughout the crisis. We are pleased to inform you that activities at both our plants have started with all three shifts working and most of our construction sites have resumed with different productivity levels. To give you a number perspective, out of our 103 sites, closer to 90 sites have started operations. As of today, most of our sites have resumed activities and we believe things to return to normalcy quickly. We made significant progress on a strategy to divest T&D assets, restructure road assets and sell noncore business. We successfully transferred the Satpura Transmission asset to CLP India and received all cash proceeds in FY2020. Our Alipurduar Transmission asset achieved complete COD in FY2020; we have received interest from new parties post termination of agreement with CLP. We expect to sign exclusivity with one of the parties in the next few days and the final closure by end of June 2020. In case of Kohima Transmission asset, we are confident to receive COD by July, August and our deal with CLP is in place to transfer the asset post achievement of COD, which we expect should happen in the current year itself. We have initiated talks with bankers for restructuring of Kurukshetra and Wainganga road BOOT assets. We are confident that this will result in significant reduction in cash outflow for funding BOOT assets. We have completed sale of 25% units in our Indore Real Estate project and we believe we will be able to complete this project in the next 12 months.

For Shree Shubham we have been able to reduce losses and expect we will reach profitability in 2021, we have also appointed advisors to look for strategic partners or buyers for SSL.

In addition to our focus on strengthening balance sheet and improving return ratios, we are now rigorously focusing on improving our working capital cycles including receivable and stuck cash. Second area of focus will be agility in operations, leveraging digitalization and technology and improving our competitiveness.

KPTL Board yesterday approved a share buyback program to return Rs 200 Crores plus to the shareholders following our plans to divest our T&D BOOT assets and noncore businesses. The share buyback further reinforces our commitment to our shareholders. We believe that with a consolidated EBITDA of Rs 1,500 Crores the valuation is too attractive to return value to shareholders. We have confidence on company's long-term business plan and prospects and believe there is considerable value in the business. We will continue to focus on our discipline in balance capital allocation strategy for driving profitable growth, strengthening our balance sheet and creating sustainable value for shareholders. We of course anticipate some challenges in the business environment given the lasting

impact of lockdown; however, given our order book and the team we are confident that our capabilities, proximity to clients, experienced team and opportunities present in the current market landscape will enable us to weather the storm. Thank you everyone and with that, we can open up the call for questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Renu Baid from India Infoline. Please go ahead.

Renu Baid: Sir my first question is pertaining to the guidance, which we have mentioned for the core business standalone probably I missed on the margin side, if you could share what is the margin guidance and this along with the backdrop of the cost implications for COVID-19. I think post COVID-19 a) there have been certain fixed overheads and cost involved because of the social distancing norms and lower availability of labor on the sites, so if you can give a perspective on both labor as well as the cost implications and you would be bearing this cost whether you or the customer or how will that workout and its implication on the margins?

Manish Mohnot: Sure Renu. So we have guided for a closer to 10% growth on standalone given that a lot of revenue that previously will also come in now and we have a visibility on order book with margins continuing to be in the range of 10.75% to 11% at EBITDA level. These margins do not include the gains coming out of sale of our transmission BOOT assets. As far as the impact of COVID is concerned, I would divide this into three areas, one is the entire thing to do with labor, and I think that is our biggest challenge today, retaining labor at sites, making sure that they are productive. The good part is that we have retained approximately 85% of our labor at our sites in Indian operations; international anyway did not have a big impact of this. Our plants always had local labors, so Gandhi Nagar had people from the vicinity and Raipur had people from the vicinity, so there is no impact of labor shortages at the plant level. As far as the cost of labor is concerned, yes that is a cost, which we have borne right now or we have assumed right now in a cost while we go ahead with some claims coming in from clients, but the savings coming out of the commodity price reduction primarily on steel, aluminium, zinc, all of that, given that 50% to 60% of our order book is fixed would be much higher than the cost, which we are incurring for these two months. So on an overall basis, if you ask me, would there be an impact on margins, my view is yes at a site level could be, but at an overall level looks very unlikely because the savings out of commodities looks like lasting for much longer period. That is our assumption as of today and that is why we believe that this should not be an impact coming out on margins because of the COVID impact.

Renu Baid: Sir just on the labor availability, you mentioned the labor attrition for you under norms only been 15%, but now the kind of migration that we have seen over the last few weeks do you believe that you will be able to broadly retain this 85% for the rest of the year or there could be further 20%, 25% knock somewhat is the source that you are having currently?

Manish Mohnot: So for the current quarter we are very confident that by June we should be able to retain a lot of labor because all of them are seeing this one-month window and then there will be monsoon so they will anyway be going home. So there will be earning for this entire 90 days and then they will be going

home. So for the current quarter yes anyway for Q2 our labor projections are always at the level of 50% to 60% only given monsoons. So current quarter we believe we should be able to retain what we have as of now plus minus 5% actually minus 5%, plus looks difficult as of now at the moment.

Renu Baid: Overall in terms of the performance of the segment results if you can just highlight what was the individual segment wise growth numbers for the fourth quarter and full year. Full year though you mentioned T&D including Linjemontage grew by 10%, but segment wise if you can just share briefly the growth for fourth quarter and full year as well as the outlook?

Manish Mohnot: So fourth quarter if you look at segment wise growth T&D including Linjemontage was flattish, railways grew at more than 75% and oil and gas pipeline business grew by around 20%. On an annualized basis, I have already said that three of our businesses were flattish, if I include Linjemontage than T&D grew by 10% and railways grew by 100%.

Renu Baid: The last leg of my question has two parts a) what was the overall performance in domestic and international sales given the domestic had been impacted because of COVID and the other leg is you have also announced and taken board permission for Rs 300 Crores of NCDs so would that be largely towards debt repayment or refinancing anyway by end of the year we were looking to be debt free so how does that fit in, in the entire stream of things? Thank you and that is it from my side Sir.

Manish Mohnot: Let me first answer the second question. Our NCDs primarily approval from the board is to replace existing NCDs which we have, we just repaid Rs 100 Crores of NCD last week and we have some more repayments coming up, so Rs 200 Crores out of this is just to replace the repayment of existing NCDs with new NCDs and Rs 100 Crores is just something, which we have kept for that if we get attractive rates.

Renu Baid: The international and the domestic?

Manish Mohnot: Yes so today if you look at our international order book on a consolidated basis KPTL and Linjemontage it is 40% to 45% is international, 55% to 60% is domestic. International also we have had some impact on our business operations in a few African countries not as much in Sweden because Swedish continue to work all throughout the lockdown, but not as high as domestic, but I think everyone has recovered now and operations has started fully. So should not be any bigger impact on international or domestic in any way from here onwards. Keeping fingers crossed let us just wait and watch.

Renu Baid: In terms of revenue performance overall for the year?

Manish Mohnot: For 2020-2021?

Renu Baid: 2020.

Manish Mohnot: 2019-2020 I gave you the number so as I said TL was flattish, so you need absolute numbers?

- Renu Baid:** No, I was asking what was the growth or performance for international T&D revenues?
- Manish Mohnot:** So international T&D revenues in the previous year was slightly sluggish it was lower than the previous year closer to 10% if I exclude Linjemontage if I include Linjemontage it was flattish.
- Renu Baid:** Alright Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Sir a couple of things like we saw your working capital going up so what led to that and your interest cost also was higher in fourth quarter, so where do you see that for the next year and also what are your strategies to continue working capital and your subcontracting cost is going up, so is that a reflection of your migrant labor impact or is there something to worry about in a trend basis moving forward?
- Manish Mohnot:** Alright. So, let me first focus on the working capital cycle. As I said earlier on my call I think we are very happy with the working capital cycle, our debt levels have been within what we had projected at the beginning of the year. It looks higher at the yearend primarily because there is inventory of Rs 100 plus Crores, which we are not able to bill, this last seven, eight days could have given us revenue of Rs 300 Crores and collections also, so imagine if that would have happened the debt would have been much lower. So it looks higher as of March, it might continue to be higher as of June, but otherwise it is in control as far as my working capital base and cycle is concerned. As far as subcontracting expense is concerned, I do not think a seven day impact could have any impact on because of this migration policy or any of that, it is primarily because of the railways revenue proportion increasing significantly. You know a lot of work is done through subcontracting needs, so if you see railways and oil & gas it is a lot of more subcontracting than materials, materials in transmission is much higher whether it is transmission towers have bought out, it is much lower in the railways and oil & gas pipeline. So given the change in proportion mix the subcontracting expenses have gone up, so just driven by the revenue mix nothing beyond that.
- Renjith Sivaram:** Regarding your order intake guidance for the next year where are the major order opportunity that you are looking out in terms of, I think you are looking at around Rs 10,000 Crores of order intake for standalone that is what you have mentioned?
- Manish Mohnot:** Yes, so our actual guidance is Rs 10,000 to Rs 11,000 Crores we might say it is not on the lower end of Rs 10,000 but more on the higher end of Rs 10,000. To give you a perspective today we are L1 in around Rs 3,000 and this entire Rs 3,000 is transmission, significant portion I would say 70% international and 30% domestic. So from a guidance perspective I believe that 60% to 65% of our order book should come out of transmission given that last two years has been lackluster and there are lot of tenders, which have come out now. Power grid itself has come out with tenders of around Rs 15,000 Crores getting us started and in the next one week all the bids will be completed. Even international some countries we are seeing some traction. Railways should be around Rs 2,000 Crores and oil & gas

in a similar range of Rs 2,000 crores, so 60% to 65% transmission, 20% railways and 20% to 25% oil & gas.

Renjith Sivaram: Lastly what is your debt guidance for the next year in this standalone entity?

Manish Mohnot: As an organization we are driving ourselves to a standalone zero debt target for next year. We are reasonably sure given that our transmission assets have achieved COD, second one is at the fag end of achieving COD will achieve it, so today our one goal is net debt free at the yearend including sale and proceeds of transmission assets.

Renjith Sivaram: Thank you and all the best I will join for further questions. Thanks.

Moderator: Thank you very much. The next question is from the line of Jonas Bhutta from Phillip Capital India Private Limited. Please go ahead.

Jonas Bhutta: Congratulations for the decent performance despite challenging times. Sir my first question was when do you expect to hit the 100% run rate, if you keep FY2020 quarterly revenues at the base when do you expect to at least achieve the 100% run rate that you achieved in FY2020 and FY2021, so will it be like Q2, Q3 or like end of Q1 itself you should expect that at least the Rs 2,000 Crores kind of revenues you did in Q2 last year could be achieved?

Manish Mohnot: If I had the answer for this trust me I would add a different name to myself, but anyway let me answer this based on what our estimate is at the ground level. So divide this into three or four, our Raipur plant 100% run rate achieved, Gandhi Nagar plant should achieved 100% run rate in the matter of less than a week, currently we are at 80%, 85% run rate, and why do I start some plant because that constitute significant portion of revenue. Our TLD projects we are already at around 85% to 90% run rate and I think we would be there in terms of run rate very, very soon because our focus has been 6, 7 large projects and we have been able to retain our people on those projects. In Oil & gas projects, it might take us some time, we are at 75%, 80% run rate and monsoons oil & gas gets much more impacted than any other business, so my view is to achieve that 100% run rate in oil & gas would be somewhere closer to Q3 or at the fag end of Q2. Railways I think different businesses, electrification business we have achieved more than 80% to 90% of our run rate, civil business is still taking sometime, but we are there. So on an overall basis I will give you perspective from a number perspective. Pre COVID we have targeted a revenue of closer to Rs 1,800 - Rs 1,900 Crores for Q1, right now looks like we might still be at Rs 1,400 Crores, Q2 we had targeted revenue of Rs 2,200 odd Crores because it is always a monsoon quarter we believe we should be at anywhere between Rs 1,800 to Rs 2,000 Crores. As of now given all what we have projection and Q3, Q4 would be normal growth period, so again these changes on a real time basis, but our attempt right now is to make sure that sooner we achieve productivity better it is for client delivery and better it is for our performance also.

Jonas Bhutta: Got it. Thanks a lot for delving into the numbers as well. My second question Sir was that given environment you are expecting a lot of corporate action and when I say corporate actions is divestments

largely to happen, it is difficult to assume at least as of now, so as far as Kohima is concerned sir you expect that to get COD by July, August so what is because of the lockdown that gets pushed out by a couple of months does that put the deal at risk like it did for the Alipurduar a slippage of one or two months could lead to the buyer walking away even in that case?

Manish Mohnot: So let me first give a perspective on our ability to sell assets, these all transmission assets are like a 35-year bond and there is a huge demand for it. So when a ATL deal got canceled we got three, four quick bids at a much higher value without getting into numbers our value is significantly higher and as I said earlier we would be signing an exclusivity in a day or two and we plan to close ATL in terms of a binding agreement in the next four to six weeks before June end. As far as KMTL if you look at the numbers the work left today is less than 5% we have around 30 kilometers stringing left around 20, 25 foundations and similar erections. So our belief today with the kind of efforts put in there with the kind of gangs it should not go beyond June, July and we have a six-month window after that. After achieving COD we have six months to complete the transfer it is not one, two months and the six months is extended based on both the parties agreeing to it. So it is not that we have a risk on that asset, we today are pretty confident plus minus one month should happen and a six-month window still gives me January. I still have two months after that so my own belief is we should not get into 2021-2022 this should definitely happen in the current year.

Jonas Bhutta: Lastly Sir I can squeeze one more maintenance kind of question, this Rs 1,100 odd Crores of JMC order inflows if you can give us the segments from which they came?

Manish Mohnot: I think it has been a mix of B&F as well as industrial, but I will ask Vardhan to give further details on that.

Vardhan Dharkar: Rs 876 Crores is B&F and about Rs 380 Crores is the water.

Jonas Bhutta: Thanks a lot and all the very best Sir.

Moderator: Thank you very much. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just two questions from my side. First is what kind of funding requirement we are seeing for this year for all the road projects put together Shubham Logistics as well as Indore projects and what kind of capex is there that is my first question and second question is given the current order book in JMC side are we seeing any reduction in the order book on the current book as well as slow moving order or because the client might be facing some issue on the COVID and the service might get delayed and all, so is there any issue in the current order book?

Manish Mohnot: Let me quickly answer of Shubham and then I will ask SKT to answer the JMC part. We do not expect any funding infusion in Indore as well as SSL in the current year maybe few Crores here and there and a significant funding for both the companies in the current year and the balance component. Capex

plans for Kalpataru Power is at around Rs 100 to Rs 125 Crores for the current year and for JMC is below Rs 100 Crores. So we should have a consolidated capex more in the range of Rs 200 to Rs 225 Crores. SKT you can answer the JMC led question.

S. K. Tripathi: To answer your last question in JMC we do not have any issue on the existing contracts. As far as your question of slow order moving, we also do not see that as for this year we have targeted an order booking of about Rs 5,000 Crores and today when we are talking we have already secured about Rs 1,100 and we are having L1 position is about another Rs 1,500 Crores, so we do not see the slower traction on the JMC order book rather we are bullish on the overseas as well as on the domestic front. Of course funding requirement for SPV as we have mentioned earlier that all the three projects we are taking further restructuring and this requirement will be minimal in fact and we have availed this current moratorium, which is going on I think it should be less than including some maintenance and all that it should be less than Rs 50 Crores during the year. Vardhan you can supplement the numbers.

Vardhan Dharkar: Yes, I think what we have done is that the discussion which was going on in FY2020 now we have started taking action in terms of resolving the issues related to SPVs so all the three SPVs now we are actively engaged with the lender for restructuring and resolving the problem over there and consequently we expect that our funding support from JMC in FY2020 will be significantly lower than what it was in FY2020. FY2020 we funded I think around Rs 75 Crores to all the SPVs. This year it should be in the region of around Rs 50 Crores or less than Rs 50 Crores.

Amber Singhania: Sir just one small thing is I believe Alipurduar got canceled because CLP was involved in that and government did not want to sign it am I correct and if that is the case how confident we are that Kohima will go through with the same partner?

Manish Mohnot: I am not sure that is a correct interpretation I think it got canceled because so the time lag which we have decided will finish the deal and the deal did not happen in the time lag because Alipurduar commissioning got delayed and all of us are aware that Alipurduar commissioning got delayed by 6 to 7 months in the second leg. So I do not think if I have got to do anything with the approval at the government level or anything like that, it got delayed by 6 to 7 months and we had a timeline to decide and at that point of time we decide that we might not be able to, mutually decided and continue this, it is got nothing to do with approvals.

Amber Singhania: Okay fine Sir that is all from my side. Thank you.

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

Ajay Sheth: Manishji I have only one question, leave aside full year 2021 let us not talk about whether it is a 5% growth or 10% growth, but do you expect that in order to create the employment government might put some kind of emphasis on the infrastructure development and we really believe that they have also the resources available in that kind of a scenario what kind of a growth do you expect in full year 2022 and

full year 2023?

Manish Mohnot: It would be difficult for me to answer at a government level I would try to focus more at the sectors where we are focused on and where we are in touch with clients in a big way. So if you look at the transmission sector as I said earlier Power Grid itself has come out with means the REC, PFC have come out with tenders of Rs 20,000 - 25,000 Crores all to be bid in the next six to eight weeks so there will be enough work for all EPC contractors. As far as oil & gas, we see a lot of clients coming in from IOCL and GAIL. They continue to focus on the LNG creation of lines from the second metro to the third metro and so on and there are lot of big tenders, which have come in. I know that for one large client their tenders was around Rs 10,000 Crores to be bid in the next two odd months. Railways not much traction we have seen in the last few weeks, but clearly there is a plan made out for electrification of the balance constituents and some new work, which will be enough for us. Despite that from KPTL perspective two major areas that we have focused and I think if everything, goes well will have some good news soon as international opportunities on oil & gas and railways. So that is one area where we have seen a lot of traction, our international team has worked very hard and we have submitted two, three big bids in the last month or so. I am very hopeful personally of succeeding in at least one of them so that is one more opportunity for us. So from an opportunity perspective right now current year I see that targeting that inflow, which we have missed last two years, we have missed last two years has been order inflow targets should not be a challenge, but beyond that how much would come in, would the government be able to spend this money, do they have the resources it is beyond me to answer those questions.

Ajay Sheth: So based on the current available information do you expect that full year 2022 and full year 2023 and beyond we can expect something like 15% to 20% kind of a topline growth?

Manish Mohnot: In a normal year if whatever would have happened would have not happened we would have seen that growth this year also because with visibility of Rs 15,000 Crores either we would have seen at least a 15% plus growth in the current year also. So I personally believe it is so much traction so much visibility growing at 15%, 20% should not be a challenge I am saying in a normal circumstances we do not know the impact of COVID how long will it last.

Ajay Sheth: No, I agree, nobody is taking a commitment from you it is just while you are filling that we have been asking and some small question is that the Rs 70 Crores write-off for our subsidiary or road project can somebody explain what is that about?

Manish Mohnot: Vardhan can you do that please.

Vardhan Dharkar: Sorry I missed part of the question there was some disturbance.

Manish Mohnot: Rs 70 Crores write-off, the explanation on the Rs 70 Crores write-off.

Vardhan Dharkar: As part of our annual accounts preparation we carry out impairment valuation for each of our assets

and as part of that evaluation we thought that there is a likelihood that the value that we will get total realization will be slightly lower than what the carrying value in the books is and accordingly we decided that we will make the provision for that impairment and around Rs 79-80 Crores is the value of impairment that we have provided in the books, it is on a conservative basis we thought that it is prudent and it is reasonable for us to do that.

Ajay Sheth: So in future also every year when you do this kind of a valuation this kind of write-offs may come in is not it?

Vardhan Dharkar: Yes, you have to do carryout the valuation but based on the valuation today we do not expect any other impairment to happen. Now in future if there are changes and there are deteriorations yes, what you say is possible like for example last one-and-a-half months there has been no toll revenue that has come in although it is expected that it will be fully compensated by NHAI, but this says that you carry out every year.

Ajay Sheth: Okay thank you very much.

Moderator: Thank you very much. The next question is from the line of Rohit from Vrddhi Capital Investments. Please go ahead.

Rohit: Sir just wanted to understand if you could provide any update or any outlook on the green corridor order book that was quite mammoth till last quarter how is that, how has that been impacted by COVID if you can just talk a bit about that?

Manish Mohnot: Sure so in green energy corridor, the transmission projects has been divided into two phases, one of the phases already was done and orders have already been placed last year by Power Grid as well as the private sector, a lot of other projects were announced by REC, PFC due for submission in March, April, they still continue to be due for submission in May end and June and this is that amount of approximately Rs 15,000 - Rs 20,000 Crores worth of tenders, which I was speaking about. Significant portion of it pertains to this the entire corridor in Rajasthan for exhibition of the solar projects so transmission lines for exhibition of renewables significant portion of that.

Rohit: I believe a lot of the completion of this project was with very stringent timelines and very short timelines and given this delay already has there any communication from either PFC or other from the government that this can get the completion dates can be delayed a bit or any communication on those lines?

Manish Mohnot: I am sure developers would be in touch with PFC, REC and CERC for this, we as EPC contractors obviously do not speak to them on this perspective. As far as we are concerned, we are pushing work as much as possible to see that it can get complete at the earliest. The clients as of now are aware that we have lost around four to six weeks in this process and they are cooperating in the biggest way to ensure that we can deliver this at the earliest. The developers would be in touch with PFC, REC

personally I do not have any knowledge of it as of now.

Rohit: Thank you very much. That is all from my side.

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

Swarnim: Sir two set of questions, first you mentioned on the call that you are now eyeing international opportunities in the oil & gas and the railways business, so if you can just actually throw some more light on this one and what could be the ticket size that we are looking at and the risk profile of these kind of projects?

Manish Mohnot: Our focus on both the divisions is to focus on projects in Africa where we are very strong on the transmission side. There are lot of projects, which are coming in, which are primarily for cross country pipeline, connectivity for LNG, LPG and railways electrification, so our focus is primarily in Africa. Average projects, which we are bidding right now is more in the range of \$50 to \$75 million to start with, but in countries where we have been there for long so our focus continues to be in those countries.

Swarnim: Sir the risk profile in these international projects would be, is it similar to that of transmission or like slightly on the higher side what is it?

Manish Mohnot: I think the risk profile would be exactly similar because we would be focused on funded projects only followed by any funding agency, which includes the EXIM and others, so our focus continues to be on funded projects as far as Africa is concerned and as far as Middle East is concerned our focus is with the client funding, which has not been such a big concern on projects, which they have awarded till now there could be some delays. So I think from a risk perspective it would be exactly similar from TLI similar to transmission except that on the execution front yes we are building the team, we will have to build the team and that would take some time it does not happen overnight. As far as transmission is concerned we have a team in place across 30, 35 odd countries, but for some of the new divisions we are building the team, the process is on and a lot more would happen once we have some wins.

Swarnim: So perhaps in the next two years or so we might actually see about Rs 1,000, Rs 1,500 odd Crores of incremental intake from these two international diversifications?

Manish Mohnot: Yes, I think for sure we definitely expect the two divisions to have at least 25% of the order book coming from international in the next couple of years.

Swarnim: Secondly, if you look at given your Q4 sequential jump in the interest cost despite the borrowings have been broadly flat at about Rs 980 odd Crores so what explains the 10%?

Manish Mohnot: There is one component of FX aspect also included in the interest cost, which is approximately Rs 10

to Rs 11 Crores for the entire year on interest and the 7 Crores out of it was only in Q4. You saw the volatility in Q4 while it is eventually a big gain for us because we still have a significant portion, which has to come in, in form of dollar revenues later on, but the interest cost includes approximately Rs 7 Crores of it coming out of FX in Q4 and on an annualized basis Rs 11 Crores, which was closer to zero in the previous year.

Swarnim: Right Sir that explains, thank you and Sir lastly what would be the average cost of debt for us right now?

Manish Mohnot: Our average cost of borrowing would continue to be in the range of 9% to 10%.

Swarnim: Okay got it Sir. Thank you so much and wish you all the best.

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

Bhavin Vithlani: This question is on JMC and if you can just help us on the buildings and factory side and this is what we understand that the challenges are slightly higher vis-à-vis transmission where you are working in a remote location it is more urban centric and if you could answer in two formats one the on ground challenges how are you mitigating it and second if you can just give us some flavor on the client mix and given the stress on the real estate sector that we are seeing currently?

S. K. Tripathi: On B&F if you look at our current order mix it is about 60% B&F and 40% infra and out of 60%, about 85% is from the SIO that is southern India. Even in these times, we have not seen any kind of distress with the real estate players in fact the groups with whom we have a large exposure they have been even prompt in the payments and they are discussing even launching new projects. So we are not too much concerned from the real estate side because our majority of basket lies in south. Also there we have picked up couple of government projects in south, which will further help this situation if in case any distress arises, which we do not foresee as of now. Going to the 40% infra what we have majority of this is water and just to give you the flavor the water projects they have been working or they have already reached to almost 80% of their normal course of work as when we are talking. These two sectors they will drive our current year and both of them they do not have much stress in fact water projects today we received the orders of about Rs 300 Crores. We are L1 position in about another Rs 1,300 Crores so we see that and large water projects are unaffected by this COVID because they work with the local labors. Coming to the B&F SIO there is a current disruption of the labor. We had about 18,000 workers there out of that about 7,000 to 8,000 have moved away, still there are 10,000 people on the job, but we are also getting the reverse inquiry. We are also have the contractors who want to come back with the labor, so we expect that by towards the middle of June and June 1, 2020 those 200 trains are started to reverse journey also will start so I see B&F, which will have marginal stress because of the labor. We should be there with the required extent towards the third week of June and if that happened then the partial damage will be limited to Q1 and Q2 then we can go almost at 85% to 90% level of our normal run rate. That answers your question?

- Bhavin Vithlani:** Yes thank you. The water projects are these from the state government entity?
- S. K. Tripathi:** Yes, so we are well diversified, we have project with MP, Odisha and Jharkhand and Bihar, these are the four states, where these projects spread.
- Bhavin Vithlani:** Just one last question will be on the SIO you mentioned and if you can just give us are the projects largely in the green, orange, red zone and what kind of revenue led projection that you would have currently or vis-à-vis FY2021?
- S. K. Tripathi:** As we have prepared the plan, in the overall JMC we have given guidance that we will have about 5% growth and SIO will have a growth factor of almost 5% to 10%. In that, large growth we expect from the water, which remains unaffected during the year and we have lot of inquiries so overall to achieve the 5% growth it will come from SIO and as well as water both. And to your first question the red zone so let me give you the flavor we have about 25 active projects in Bengaluru and about 20 projects are in the heart of the city, 5 projects are out of the city boundaries, but all the 20 projects are active because the current guideline or MHA guideline says where the workers are there on the campus those projects can go on, so even today when I am speaking to you 20 projects in the heart of the city the works are on irrespective of whether they are in red or green or yellow zone.
- Bhavin Vithlani:** Great. Thank you so much for taking my questions.
- Moderator:** Thank you very much. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Congratulations for a good set of numbers. Sir my question was more on Africa you obviously talked about that market when going to put sign in terms of incremental order inflows it will be useful of course if you could give us a sense of the size of the market over there in terms of the funded projects that you typically focus on and a second question that I had was that market was actually dominated a lot by Chinese competitors funding obviously is a big issue do you see any influence coming from EXIM bank that we believe that this market will open up even more for you incrementally?
- Manish Mohnot:** So I just answer the second question first. From a perspective of funding EXIM bank of India today is ready to fund 99% if not 100% of our projects in that geography and the process of getting approvals is very, very quick and it has been a big support to all the exporters of the country. As far as Chinese competition is concerned we do not see them across Africa we see them in some portions of Africa, but not as much in the segment. There are lot of labor is required, so you would not see them in a segment where you require a lot of labor to go from their own country and in Africa 90%, labors go from India to work on those projects. So yes, we see them I am not saying we do not see them, but it is like not more than 10% to 15% of the projects we see them competing against that, and whenever they compete they are either L1 or H1. They had a big advantage of funding, but today with EXIM Bank of India support, I think we are competing with them neck to neck. On your earlier question in terms of the African market see our focus perennially has been Africa and CIS countries always and lately European

after our Swedish entity and there I think today also if you look at my international order book more than 60% to 70% of my order book is from Africa. So it is not about a market share it is about that being a dominant player there so if you have a few tenders also your chances of winning is much, much higher because you have a focus, you have penetration and you have been there for some places decade, some places you have been there for more than 10 years, so we believe that our incremental order book still 60% to 70% if not more should come from Africa, some from CIS, some from Middle East and then the European operations.

Aditya Mongia: Sir just one more thing just to clarify today it is largely T&D that is earning revenues for you in Africa is there a medium-term target of let us say T&D, non-T&D, which that you have that we can go up and you have obviously started inching at other projects that you are focusing on, so that is what I kind of check with you?

Manish Mohnot: I think I have already answered this question earlier, but I have reset it clearly for the oil & gas and railways business and even my roads and B&F the JMC part of the businesses we are targeting an order book inflow of at least 20% to 25% in the next two years to come from international so we believe that today like transmission where it is close to 50:50 the other businesses are 100:0 we believe that this should move to 75:25 in terms of domestic and international in the next few years.

Aditya Mongia: Thank you Sir.

Moderator: Thank you. Next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

Vijay Karpe: Sir this question pertains to JMC. So you talked about the labor availability at JMC so what about the material availability and what is the EBITDA margin guidance for FY2021 and how much of the order book is fixed?

S. K. Tripathi: About the material availability, I think supply chain on all the projects can be restored that we are not seeing a big constraint coming back to the EBITDA profile for the next year it will be between 10.75 to 11%.

Vijay Karpe: How much was the order book fixed?

S. K. Tripathi: Fixed means?

Manish Mohnot: Fixed and PV projects.

S. K. Tripathi: We have no projects in the fixed all projects have the PV or they have the basic rate of material, so it is roughly 50:50, 50% projects are covered by the escalation clauses and 50% projects have basic rate of materials basically on the B&F side, so it will be compensated based on the actual.

Moderator: Thank you. Next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir my question pertains to your near term strategy on the road BOT projects in JMC and the pledged shares of Kalpataru Power since last couple of years both these things are impacting the valuations of the company they have taken the management bandwidth, so just wanted to have your views in the near term?

Manish Mohnot: As clearly articulated earlier on the road assets there is a clear plan of restructuring of three of our four assets. We have appointed advisors, we have reached to bankers and as Vardhan said earlier we are very hopeful whatever happens this year it will happen and we have started taking the hits also based on the recent valuation that is why you saw hit of Rs 80 Crores coming onto books. As far as the promoter pledge is concerned, I think yes the pledge increased during the year, but for the last six months we have not seen any movement, for the last five to six months the pledge has been constant at around 58% of their holding is placed around that number I am not exactly sure of that. On communication with the promoter is that they do not believe they will pledge any further and it is a very clear communication and a commitment from the promoters that this pledge will reduce over a period of time. Obviously we will have to wait and watch, but it is not going to increase further as a clear commitment from the promoters.

Ankit Babel: Why do not you get rid of these road BOT projects, I understand from the company point of view or from a promoter point of view the people will be taking some value for these projects so if I take an example suppose Rs 150 Crores is the value, which you would be taking that the buyers will be ready to pay even a 0 value or a Rs 50 Crores and what happened with the price, now that if the point is just for Rs 100 Crores or Rs 150 Crores now you can utilize that, gain from Rs 1000/ Rs 1500 Crores worth of quotation we have taken?

Manish Mohnot: Let me quickly interrupt and answer your question. Trust me our intent is to divest from them but also trust me that there are more than 100 - 200 road assets in the country, which are available for sale, we have gone to buyers, we have appointed advisors, the process has been done and we believe that the best way is to first restructure the project like Shubham we have huge losses coming to positive similarly we would do this year and at an appropriate time so we are not against it but we do not have buyers right now, it is not about value anymore.

Ankit Babel: What we need to understand from investor point of view is that how long we continue to fund these projects now this year we find it to be Rs 50 Crores so can be rest assured that this would be the last year of any infusion?

Manish Mohnot: So restructuring happens yes this would be the last year Vardhan correct me if I am wrong.

Vardhan Dharkar: Yes and I think we are on a right track and right road. We have already taken actions immediately while Manish has mentioned we have already appointed the advisors, we have reached out to the bankers, bankers are supportive of the process, so we expect that we will be making a good progress in current year and if that happens I am very sure that we will have buyer for these projects as well and then our goal is to divest from these assets and get out of the asset ownership business and stay focused on the

EPC part, but till that time there will be some amount of support that JMC has to keep providing simply to ensure that there is a value to these assets.

Ankit Babel: Thank you so much.

Moderator: Thank you very much. Next question is from the line of Prem Khurana from Anand Rathi Shares & Stock Brokers. Please go ahead.

Prem Khurana: My question is with respect to JMC, I think in your opening remarks you talk about 5% revenue growth for this year I was wondering if you could just help us better understand this number because as I see it April there was nothing I think currently at least in B&F segment we are operating around 30% to 40% kind of efficiency, so if you could help me understand on how do we see this number 5% to come through or it will break it down into what kind of growth do we see in first half, which tends to be almost 40%, 45% and what could be the number in second half and will we think to that, what was the mix in terms of B&F and non-B&F in this year and what is the way forward and how do you see it next year?

S. K. Tripathi: So the mix will be the same like the last year, we will be 60% will be coming from the B&F and about 40%, 45% will be coming from the infra, which will be the growth mix. Answering to your question on clarity on 5% growth if you look at our original business plan for the year given the order book on B&F as well as on the water side our actual growth plan is about 20% or so 15% to 20%, but due to the COVID and the loss of the Q1 we are still confident that we will be able to get about 5% to 7% growth during the year because we have the contractual commitment where we do not see the payment issue, we do not see the funding issue as well as the water projects the labor it is insulated from the labor crisis and south side we are seeing the traction of coming back of the lid. So these are two factors where we are confident that so as of now when I am talking to you taking two months impact yes Q1 is we will probably achieve only 50% of our targeted revenue, so if you were doing Rs 1,000 – Rs 1,100 Crores we may touch Rs 500 – Rs 550 Crores, but then the Q2 onwards we see a good traction.

Manish Mohnot: Actually none of our clients have asked us to go slow, all our top clients have paid during this crisis and are waiting for us and they have said that we can start the work and there is no slowdown on that part. So looking at that situation, we are very confident that given the current situation of work we should be able to achieve 5% growth even though first quarter is going to be severely impacted.

Prem Khurana: Thank you.

Moderator: Thank you very much. Next question is from the line of Debashish Majumdar from Edelweiss Asset Management. Please go ahead.

Debashish Majumdar: Congratulations on a reasonably resilient performance on both JMC and Kalpataru in this tough time. So my question pertains to JMC and pertains to the road assets so if I understand correctly in the Kalpataru you have taken Rs 70 - Rs 80 Crores around of provision from the loans and advances that

you have provided, so my question is incrementally you have a equity investment on this project, which would be around Rs 50 - 60 Crores what will happen to that and what is the update on the NHAI 6-laning going and what is the incremental money that you are expecting from that?

Manish Mohnot: Vardhan you will take this.

Vardhan Dharkar: I think as we have said that we are now actively engaged with the lenders for restructuring the assets. The impairment we have taken is essentially in KEPL not in any other asset and significant part of the support that we are saying will be required in current year maybe in the other assets rather than KEPL, but yes if KEPL also require small amount of support that we will provide because as I said that we have to preserve the value of the assets so when the restructuring activity is completely done then we should be able to find a buyer and sell the asset at a reasonable price. So to that extent there may be small support that we will provide.

Debashish Majumdar: Any update on NHAI termination of the project because of 6-laning?

Manish Mohnot: There is no such process of termination or the situation remains same and I can see that next three to four months there is no movement on that part is going to happen, but we are not lending on now to that 6-laning thing, we have moved ahead and we have gone for the restructuring process if it comes well and good otherwise we have started our own path to handle this.

Debashish Majumdar: One last question if I understand correctly whatever money, whatever equity that we have invested in the project and the deferred premium is almost equal to each other so even if the process goes on there is a lesser possibility that they will get incremental money from NHAI even after rendering those projects, so that project, so is it like we did not see a further write-off further provision going forward and on the top of that somebody the previous question queue ask about the asset sales and really what is because in the last four five years we are only listening of selling the asset, but I do not think there is any progress happening on that side so please guide us what is the exact timeline and what is the value that you are ready to take as a promoter entity to sell those assets?

S. K. Tripathi: I think this question has been answered by Manish that more than 200 road projects are in the market, the value is very opportunistic, and that is why we have not taken the call on that. But at the same time just to prevent the value erosion we have moved ahead with the restructuring because our two of the concessions they have got about instead of a typical concession period of 18 we have got a 30 year tail and this will help us into the restructuring and retain the value and at the right time if we get the buyers at a reasonable value so we are not looking for a greater side, but at the same time we are looking for a reasonable value instead of that. The third action which has been taken by for all the projects KEPL, Nagpur we have lost the revenue loss claim with NHAI to the tune of about Rs 900 Crores plus Rs 400 Crores plus another Rs 400 Crores so about Rs 1500 Crores worth clients have been lost and arbitration has been invoked. We will try to see that by the time as the situation moves and if we get a buyer, otherwise restructuring is the option one through which we get a relief on the cash flow and the maturing of the claims will be the another way to pull back the value into the project. These are the two or three

strong action, which has already happened, selling is definitely a option at a right time when we get a right buyer we will do it.

Manish Mohnot: So let me add on this one from a strategy perspective, we are very very clear that we are divesting all our noncore assets, transmission, road, real estate, as well as logistics. It is only about timing right so transmission is moving much faster, the others have also started the process, but from a larger strategy perspective we are not stopping this only because we are getting a equity value, which is let us say instead of 100 we are getting 50, 30, 40 it is also about not having enough buyers in the market, but strategically we are in the process of divesting all of them over a period of time.

Debashish Majumdar: Thank you very much for answering the question.

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

Bhoomika Nair: Yes, I just would like to thank everybody for taking time out and thanks for the management for giving us an opportunity to host the call and answering all the queries Sir. Thank you very much yet again Sir.

Manish Mohnot: Thank you Bhoomika. Thank you everyone.

Moderator: Thank you very much. On behalf of IDFC Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.