"Kalpataru Power Transmission and JMC Projects (India) Limited Q4 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY2021 Earnings Conference Call of KPTL & JMC hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital. Thank you, and over to you!

Bhoomika Nair: Thank you. Good morning, everyone, on behalf of DAM Capital, I would like to welcome you to Kalpataru Power Transmission and JMC Projects Q4 FY2021 Earnings Call. The management today is being represented by Mr. Manish Mohnot – Managing Director and CEO; Mr. Amit Uplenchwar – Director (Group Strategy & Subsidiary Operations); Mr. Ram Patodia – President (Finance) & CFO; and Mr. S.K Tripathi –Managing Director and CEO – JMC Projects. I will now handover the call to Mr. Manish Mohnot for his opening remarks post which we will open up the floor for Q&A. Over to you, Sir!

Manish Mohnot: Thanks, Bhoomika. Welcome, everyone and very good day to all of you. I trust each of you and your families are well and safe. I am thankful to you for attending this earnings call of KPTL and JMC. The year 2021 was a remarkable year for KPTL despite the challenging business environment laden with pandemic and volatility in commodity prices.

KPTL and group companies have delivered a resilient performance with highest ever consolidated revenue, profitability and order book for the year 2021. Our consolidated net debt as on March 2021 was at the lowest level in the recent past. Despite the pandemic, we were successful in closing transactions of Alipurduar and Jhajjar Transmission Assets. Simultaneously, we have scaled up the international business at KPTL and JMC and have entered five new countries including establishing local presence in Brazil. We now have global footprint in 62 countries. Additionally, we have made considerable progress on restructuring of road BOT asset.

Before I move into details of our financial and operational performance, I will share a quick update on key strategic initiatives particularly related to our long-term assets and subsidiaries.

We have received major approvals pertaining to the deal of Kohima-Mariani Transmission asset and expect the transition to close by end of June 2021, this quarter itself. We are at advance stage of restructuring for Kurukshetra and Wainganga Road BOOT assets and expect the process to get completed by end of June 2021 again this quarter itself. We have received active interest from large investors for our Vindhyachal Road BOOT asset and expect this sale to be completed in financial year 2022. We expect to have a nonbinding offer in the next few months for this asset.

JMC had reported highest ever order inflows and order book in financial year 2021. JMC entered in two new countries last year and have won a large international order in Ethiopia which was declared yesterday. JMC will continue to leverage KPTL's strengths to gain strong foothold in international markets and will continue to reinforce its leadership position in the focused businesses in India.

We have completed the acquisition of Fasttel in Brazil in April 2021 with an opening order book of around 670 Crores. Brazil is one of the largest T&D market and we are confident to make a strong presence there in the next few years.

Our Sweden subsidiary Linjemontage has reported strong numbers with revenue growth of 84% in financial year 2021 and 100 bps improvement in EBITDA margins. Since our acquisition in 2019 we have scaled up Linjemontage business with twofold growth in revenues and three times investment in profitability.

We have completed sale of 35% of total units from our Indore real-estate project. Due to COVID sales were affected in the last quarter; however, we expect the balance unit to be sold in the next 12 to 18 months.

In case of Shree Shubham Logistics we are getting good interest from large active players and P/E funds given the improvement in performance. We expect some concrete output during the current year.

All the steps have really demonstrates a clear focus to improve the core EPC business and build a strong financial position to invest in future growth. Additionally, we have put a lot of efforts on strengthening our organization by building a strong leadership team. We continue to be at the forefront of investing in digital technology and automation to bring efficiency in every sphere of our operations.

Coming now to the financial performance first at KPTL consolidated level; consolidated revenue for Q4 2021 grew by 16% on back of strong execution in T&D, B&F, Water and Urban Infra business. For full year 2021 our consolidated revenue have reached at a record level of Rs.12,949 Crores with a Y-o-Y growth of 2%.

We have sustained double EBTIDA margin of 10.9% in Q4 and 11.4% for the full year on a consolidated basis. Our EBITDA margins were impacted due to commodity price and COVID related cost, the details of which will come later on. However our consistent focus on cost has helped to limit the fall in market. Our exceptional item for 2021 is in relation to divestment of Alipurduar and Jhajjar Transmission Assets.

PBT after exceptional items grew by 199% in Q4 and 46% for the full year. PAT for the full year has improved by 70% to Rs.662 Crores. Our consolidated net debt is at one of the lowest in recent past at Rs.2,300 Crores which is a decline of Rs.1,154 Crores compared to last year.

Our financial year 2021 was one of the best years in terms of order inflows. We have received record orders of Rs.16,359 Crores in financial year 2021 with the year end order book of Rs.27,900 Crores and additionally L1 position of around Rs.2,300 Crores at a consolidated level.

Now the numbers at a standalone level, KPTL standalone. Our revenue grew to Rs.2,337 Crores for Q4 largely on back of good performance in T&D business. For full year 2021 revenue declined marginally to Rs.7,671 Crores due to disruptions caused by COVID pandemic and lower dispatches due to unavailability of container. For full year 2021, T&D revenues including Linjemontage grew by around 12%, Oil & Gas declined by 14% and Railways declined by 10%. We continue to maintain double EBITDA margin of 10.4% in Q4 and 10.5% for full year 2021.

PAT for Q4 has increased by 21% to Rs.130 Crores and for full year, it has improved by 33% to Rs.615 Crores. Our net debt is at Rs.776 Crores adjusted for interest free loan received for sale of ATL. Our finance cost is a percentage of sales at 1.4% for 2021 well below the guided range of 1.5%. Our order inflows for KPTL standalone was at Rs.8,443 Crores with year-end order book of Rs.13890 Crores. Our L1 as on date is around Rs.1,300 Crores.

JMC standalone we have recorded highest-ever quarterly revenue of Rs.1,349 Crores a growth of 44% compared to Q4 last year. Growth has been driven by robust execution in B&F, Water and Urban Infra business. Our full year revenue reached Rs.3,689 Crores with a marginal decline of 1% compared to last year even with that first quarter being written-off due to COVID. We have scaled back to double digit EBITDA margin of 10% in Q4 given persistent effort to control costs. Our full year EBITDA margin declined to 9% due to COVID related expenses and rise in material prices.

PBT grew by 67% in Q4 to Rs.80 Crores, full year PBT was Rs.102 Crores. Our PAT improved to Rs.60 Crores compared to a loss of Rs.34 Crores in Q4 last year. Net debt at JMC is lowest ever in past period of Rs.512 Crores at the end of March 2021. Focused efforts on collection and project closure has led to improvement in working capital.

JMC has received record of order inflows of Rs.7,916 Crores in 2021 taking its year end order book to Rs.14009 Crores at the end of March 2021. During the current year JMC received order of Rs.3,034 Crores including order of Rs.2,204 Crores declared yesterday. Our L1 at JMC as on date is around Rs.1,000 Crores.

In our road BOOT projects, average daily revenue was Rs.53.4 lakh per day. Toll collections in Kurukshetra Road Project was affected due to farmer agitation. In Q4 we made an additional investment of Rs.45 Crores in our road project taking the total investment of Rs.866 Crores at the end of March 2021.

At Shubham Logistics revenue in 2021 was Rs.149 Crores a growth of 13% with EBITDA of Rs.46 Crores and PAT of 5 Crores for the entire year. As guided earlier, we have achieved profitability for full year, we expect SSL to improve its profitability going forward.

Coming to guidance for year 2022 our well diversified current order book provides good visibility for growth in 2022. We expect KPTL standalone revenue to go in the range of 10% to 15% and JMC revenue to grow by 15% to 20%. Our consolidated revenue should be growing by more than 15% for year 2022. This is with the belief that the COVID pandemic will not continue to be more disruptive than what it is today.

Given the uncertain environment and emergence of second COVID wave it is difficult to provide for any order inflow guidance; however, it will be our endeavor to match order inflows at the same level as financial year 2020-2021. We will be happy to provide this guidance by the end of Q1 once we have a lot more clarity in the external environment.

KPTL & JMC will target to maintain double-digit EBITDA margin of 10.5%. We are actively working to reduce my debt at both standalone and consolidated level we remain committed to have significantly lower debt and be almost a debt free company at KPTL standalone level by the mid of 2021 itself.

We anticipate near term challenges in the businesses environment given the emergence of second wave of COVID; however, we are confident that our capabilities, proximity to our clients, our experienced team and share commitment of employees will enable us to navigate the storm.

With that we can open up the call for questions. Thank you everyone.

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

Parikshit Kandpal: Good morning. Congratulations on good set of numbers. Sir my first question is on the order book, since you see last year for order backlog of KPTL has not really moved, large part of order book growth in the combined entity is coming from JMC and JMC foray into international market. So, if you are still guiding for a 10% growth despite saying that the orders will largely remain muted Y-o-Y then flows will remain muted Y-o-Y. So what gives you confidence that we will be able to do 10% growth in Q2 and also if you can highlight on for both the companies how the orders happening looking right now, so you can touch upon that?

Manish Mohnot: If you look at the order inflow growth in the previous year and when we speak of KPTL standalone we also include Linjemontage that is our transmission business. If you look at 2019-2020 our entire order inflow was Rs.6,500-odd Crores and 2020-2021 is at Rs.8500-odd Crores. So, if you look at it today where we are closer to Rs.14000 Crores and to grow at 10% we are talking of Rs.8,500 Crores kind of number. Our typical order book is 18 to 21 months so from that perspective growing at 10% to 12% should not be a challenge with visibility on the order book. Second I think we see a lot of orders coming in into different segments of the business, the transmission line international I think we are focused a lot more, Railways we are L1 into large orders closer to Rs.900 Crores, one of them was at JMC which got declared and one at KPTL. Oil & Gas we bid for a lot of tenders. The issue was the delay suddenly in April-May we have not seen any movement in tenders for reasons known to all of us. So the problem is that given that we are not sure that whether things will start opening up at the client end and even in June or July we do not know that, but given last year April, May, June, last year was similar but still we were able to catch up and build the entire order book in nine months. With visibility in the sectors, with our reach and with our capability to execute, I think we should be comfortable on growth and I think we should be at least targeting more than what we have got in the current year, precise number is difficult just because of the delaying at the client side.

Parikshit Kandpal: Any impact on the execution because if you can just also touch upon the labor availability at the site and are we seeing any migration happening there so both the JMC and KPTL if you can touch upon that? That will be my second question.

Manish Mohnot: While the disruption has been very different this time as compared to what we saw in the previous year but the good part is we have not seen many labors disruptions at the site, people continue to stay at site unlike last time that the people moved back because people have been taken care, so majority of our sites are operational but it gets impacted because of the restrictions at the state level, there are some restrictions at Karnataka, some at Tamil Nadu, some at Maharashtra, but labor has not moved out, as of today we have more than 90% of the labors which we had at the end of March both at KPTL and JMC so that is not a challenge as of today.

Parikshit Kandpal: Just last question on the raw material Sir, so, if you can quantify the impact of raw material would have taken during this quarter, impact on margins and also on your entire order inflow since there anything which is unhedged or any one-off project where between the L1 and LOAs there has been a significant time lag and which could result a big hit going ahead so if you can just provide on your forward positions which there could be one offs or onetime write-offs which may come in because of certain volatility in the raw material prices?

Manish Mohnot: I think the volatility in commodity prices we see this quarter has completely taken us by surprise and I will be very honest about it that this company which none of us expected, while we speak, we have build a huge CTC provision in Q4 already in KPTL and JMC so we have done a huge CTC provision, fall in increase in raw materials and that is where EBITDA margins have slightly dropped in Q4. It is difficult for us to estimate that what could be the impact but we believe that even at current levels of raw material which would still be at double-digit margins beyond this if it continues to grow like this 10% or 15% every month then we will have to recast our margins and we will come back to you at the end of Q1 but even as of today we believe a double-digit margins should not be a challenge for us.

Parikshit Kandpal: What was the provision which you took this quarter on raw material cost?

Manish Mohnot: The CTC provisioning across all projects is in the range of Rs.150 Crores at a consolidated level.

Parikshit Kandpal: Thank you that is all from my side. I will join the queue.

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

Bhavin Vithlani: Thank you for the opportunity. Congratulations for good set of numbers. Just continue on the previous question, so on the input cost inflation, it will be useful if you could help us understand breaking up KPTL and JMC separately, percentage of project which have fixed price contracts, percentage of projects, which have variable price and how are we able to pass on the inflation? Also we have seen some cases to your companies where they have bid for projects, the order came in three, six months after that that has resulted in losses. So are we seeing any such situation it will be useful to understand on the input cost inflation in detail?

Manish Mohnot: Bhavin let me just divide this both of KPTL and JMC. So if you look at KPTLs order book today approximately 60% of our order book is fixed in nature, 40% is variable where there is the price variation clauses and to that extent I think we are covered at least on the commodity prices if you look at the JMC order book more than 90% of the order book has a price variation clause or has free supply of material from clients so there is minimal impact coming out of this. There is hardly 10% which would have an impact which is primarily the international projects. Now going to the second question that do we have any surprises? Yes, we also have contracts which we won last year for which we have done the CTC provisioning already on steel, on aluminum and copper, a lot of our exposure on aluminum, copper, FX we are hedged and we are not completely open on that but on steel we cannot hedge and that is an impact which is visible. Do we have any surprises? We have built in some provisions already in our costing but if this continues the way it is, a dent could be there but we have provisions which gives us a confidence that we should still be at double-digit margin. In terms of the biggest impact to us would come only from steel not as much from the other commodities and that is something which we are cautiously watching for KPTL. For JMC even that impact would be minimal because it is passed through to a great extent but for KPTL that is a biggest impact. If you were to quantify it we approximately have let us say 180000 tons of steel orders in hand and we would have inventory of 30,000 to 40,000 ton already at our plant. So 1,20,000 to 1,30,000 tons even if you want to put a number to it, you could put a number to it, but as of today looks like even with that we should be able to take care of our double digit margins.

Bhavin Vithlani: Second thing is on the working capital we have seen working capital of KPTL inching up, colours on that and secondly the customer advances that we have what percentage is interest bearing and what percentage is interest free?

Manish Mohnot: If you actually look at our customer advances as of now right and since you raised this question it has reduced by closer to Rs.400 Crores compared to where we were in the previous year so consciously during the current year and I said this in the last time also we raised customer advances because the interest rates are very, very high that is one. Second if more than 50% of the customer advances are interest bearing and interest ranging from 10% to 12% depending from client-to-client. Our advance from customer is closer to Rs.900 Crores and more than 50% will be from domestic which would have an interest cost which is 10% to 12%.

Bhavin Vithlani: But the working capital increase that we have seen how should one expect it going forward?

Manish Mohnot: Working capital increase for the current year if you really look at it has come from two components; one is our customer advances which we have reduced significantly and second is our creditor payments outflows which is much higher than what we have seen in the previous year because that was a conscious call of the management that whatever is outstanding should be paid at the earliest given this current environment of COVID. So if you look at it these were the two things which impacted. Our debtor days are at similar level if I have to give you a number third quarter 2021 our debtor days was 182 now we are at 178. That inventory days have slightly come down so networking capital days there is an increase of 14 days, 71 to 85 days primarily driven by this two components which is reduction in customer advances and increased payments to the creditors. I believe we should come back to this 75 day levels by the end of the current year.

Bhavin Vithlani: Thank you so much for taking my questions.

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

Renu Baid: Good morning Sir. Just wanted to understand one thing that on the margin side given that even we had only Rs.1,000 Crores plus of orders from TBCB projects so have just to reiterate the entire provisions related to the gap up on the costing side for steel and other materials have been fully provided for or there are some cushion for underrecoveries yet as we speak today?

Manish Mohnot: Renu, the CTC provisioning as on March 31, has been fully done beyond that volatility obviously inbuilt in the costing to a certain extent but if this volatility continues or if the increasing price continuous like the way it is then we might not be provided even till the end of the project, but a significant portion of the moment between the time we had bid to March 31 has to provided in our books of the accounts already.

Renu Baid: What is the value of this provision in Kalpataru books? You mentioned consolidated is Rs.150 Crores in 4Q for KPTL's standalone what is the value?

Manish Mohnot: Approximately Rs.140 Crores out of the Rs.150 Crores at KPTL standalone.

Renu Baid: Sir basically if broadly we look at that knocking of this impact that we see in the next year we are still guiding for double-digit margins so broadly how are we looking at the profitability in some of the non-T&D business portfolio for us both in Railway as well as Oil & Gas, how are we progressing on that side and subsequently as we are also looking at international T&D orders to what extent are we seeing a mix of supplies being met to domestic steel supplied or they have been made to international because there is steep difference between the prices to the international steel prices, if you can help us or get some perspective on that side?

Manish Mohnot: Let me first answer the first question. Our margins on Oil & Gas and Railway, so our margins on Oil & Gas have reached double-digit for the last year full year they were at double-digit. They are more in the range of 10% to 12% and they have delivered margins which were budgeted and I believe they will continue to be doing that for the next year also. Railway margin was slightly impacted one because of the reduction in revenues as well as because of all these disruptions so our Railway margins were at levels of 5% to 6% at a PBT level. These are the numbers I am giving you at the PBT level and not necessarily at EBITDA level. Railway we do not see significant improvement in the current year also given that there is an order book, which is historical order book and needs to be delivered but they are good order book so growth there will not be a challenge because as of now that is the only division which has order book which is beyond two years. On your second question international versus domestic, see our focus on the international biasness is lot more on EPC projects and on EPC projects the steel component impact is very, very minimal so typically international EPC projects steel would be and in that our component would not be more than 20%, 25% of the entire project and in that if you look at the steel component would further go down. So to us that is minimal impact and our focus continues to be on the international projects because at the current level obviously we are budgeting with the increased price in steel so today if we are budgeting for projects or bidding for projects we expect steel to go up and we are including that in our costing so whatever we have bid for the last three months or what we continue to bid, I hope that because I have a challenge in the steel prices there, but as of now I think we believe that with the current levels of steel if we start bidding from now we should not have challenges on maintaining our margins.

Renu Baid: Simultaneously when we look at business growth for the T&D orders have come through but execution has still been fairly weak so segment wise across the core portfolio how do we look at the execution mapping up especially growth coming in the Oil & Gas, Rail as well as the core T&D business for us?

Manish Mohnot: Let me divide this question to two, one is our order book inflow for the year. If you look at our order book inflow for the year 75% of the order book came in TL business including LMG, so there is 45% TLI, 23% TLD and 7% LNG so around 75% of our order inflow in the current year came from the TL business and the balance was railways and pipeline 13%, 13%. From an execution perspective if you look at it right if you look at the broad numbers from execution perspective the TL business right which includes Linjemontage also grew by around 11% for the year, last year we did around Rs.5,400 Crores, this year they did Rs.6,000 Crores. Railway and Oil & Gas business degrew primarily because they are very labor intensive right, first five months they had huge issue because they do not have as much supply as TL business had and TL business we did catch up on supply easily by breaking the plant run at double shifts and bought out and all of that but the Railway and Oil & Gas business degrew by 12% in the current year. The entire growth came from T&D and even next year our own assessment is that TL business will continue to grow at the range of 8% to 10% while Oil & Gas and Railways would be in the range of 10% to 12%.

Renu Baid: Now looking at the group level so how are we now that the JMC projects also started to see restructuring as well as the market sale movement there so how should we look at the broad framework of both these entities were growth structure any progress on that side or roadmap in terms of timeline that you have in your mind?

Manish Mohnot: Renu, I do not think, I have clarity on that in any form that is a call which the senior management has to take. Our focus right now is to make sure that operationally both the companies start doing very well, reduce the capital employed, reduce the debt, come back to that high double-digit EBITDA numbers and focus on utilizing the skills and strength of KPTL so that JMC can also grow at a much faster pace. Right now the focus on operational profitability and growth improvement for both the companies.

Renu Baid: Thanks a lot Sir. All the best. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Good morning Manish Ji and Tripati Ji. Congratulations on good set of number in challenging times. Sir I have a question on this JMC with new order and everything currently our order book is with L1 is around Rs.18,000 Crores so from medium-term perspective, three year can we double our JMC turnover and which segment vertical will drive that and that additional growth will be margin accretive or dilutive looking at the commodity cycle?

S.K Tripathi: Good morning. It is a good question with the order book Rs.18,000 Crores we are definitely looking at around 20% growth every year so within three to four years we should be doubling our number. That is getting crystallized. Coming to the question of margins yes the Rs.18,000 Crores the drivers in the growth will be the B&F, Water and International. B&F has been historically has a good margin. Water is definitely where our margins are going to improve and internationally also. So subject to how the COVID and the commodity prices pan out our two key businesses which will drive the growth they have definitely a potential for the higher margins, but we have to at the same time be cautious on the commodity prices.

Bharat Sheth: Sir what exactly JMC has done to strengthen its process, team and balance sheet to take such kind of a growth and second thing on how do we see the trend of interest as a percentage to sales I mean going ahead?

S.K Tripathi: We have been I think last one year during COVID period even before that the process strengthening has been on a full drive and in last one year lot of management bandwidth has been added at a senior level so all divisions have been carved out separately, number of people have been inducted, international division had been separated out, now we are very cautious this time that with the growth, there is a adequate management bandwidth at the same time on the processes side we have synergized our processes with KPTL the way they have been working and I think these two the management addition width last year as well as the focus on the processes we are sure that even we able to handle the growth. The second on the interest part, our international projects they have the decent advances as well as last one year we have squeezed every corner on the working capital, customer outstanding and that helped if you look at our interest cost has even marginally come down from the last year and going forward I see further improvement in the interest rates so we maybe lower by another 100 basis point or so going forward.

Bharat Sheth: Sir only one last question I mean on the tax rate I mean in JMC this year is around 30% so FY2022 what level and even sir Manish Ji for KPTL also Q4 we have seen a very high effective tax rate?

Manish Mohnot: No so Bharat bhai the tax rate has driven by a combination of some international projects where typically the tax rate are higher than what it is in India now and a lot of time those gets in build in this cost because till the last year we were different India was among the highest so we never had that issue but today lot of international countries have tax rates which are higher than what we pay in India and that additional tax we have to pay in those countries. So with that I think we normally have tax rates which is at least higher by 2% to 3% because that is something which will continue to be based on the regulations of those countries.

Bharat Sheth: JMC I mean tax rate is around 30% for full year so next year how do we see?

S.K Tripathi: It will be the same Bharat Bhai. It will be in the same range.

Bharat Sheth: Thank you very much Sir. That is all and if I have question I will come back.

Moderator: Thank you. The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Thank you for giving me the opportunity. Congratulations on good set of numbers. I wanted to know one thing Sir that I see that your order inflow for the year has grown up by 30%, last year it was somewhere around Rs.6,500 Crores and which has grown up to Rs.8,500 Crores this year and this year sales is also muted with a 3% decline but Sir order book has not grown up in that level like order book is only 5% up so I was wondering if you have canceled some ordering in the year or what?

Manish Mohnot: No, so to be precise if you look at the revenue growth, so the revenue growth was to around Rs.7,700 so if you look at from a differential perceptive your order increase is only around 1000 Crores. There could be a few hundred Crores of orders which get changed because of reduction in scope so typically that is the nature of our business. There has not been any significant order cancelation after it reached the order book. A few L1s got canceled during the year one L1 in the Middle East something is around $30 million got canceled but that was never taken into order and in fact there was some reduction in scope so when you do aligns typically if there is some reduction in scope which would be not even getting into beyond Rs.100 Crores, which would be double-digit number growth otherwise it should reconcile, what you need to also know is that this number includes the LMG order book also. Linjemontage also so you mean to add that also so if you reconcile that you will see that it would tally for few and maybe Rs.60 Crores to Rs.80 Crores that is basically reduction which could happen because of changes in scope nothing beyond that.

Deepak Narnolia: Linjemontage is somewhere around Rs.1,000 Crores?

Manish Mohnot: Yes.

Deepak Narnolia: In Rs.6500 Crores last year's order that order is not there?

Manish Mohnot: That order was much lower than compared to the current year, much lower. There was but it was much lower.

Deepak Narnolia: No, what I am saying that this year we have total absolute tax is somewhere around Rs.220 Crores so does it include the additional tax on your exceptional items or regulated to the gain on transmission assets?

Manish Mohnot: Yes, it does. It does include the additional tax on the exceptional item also both capital gains as well as the deferred tax asset created for the advance which we have got so it includes that also.

Deepak Narnolia: So if we exclude that then tax is in the normalized range of somewhere around 28% to 27% correct?

Manish Mohnot: Yes, for sure. I think we believe that tax rate still would continue in the range of 27% to 28%.

Deepak Narnolia: Sir next year growth you are talking of somewhere around 10% to 12% including T&D and this non T&D business correct?

Manish Mohnot: So for the T&D business the transmission business I expect growth to be in double-digit 10% to 12% and for the Oil & Gas and Railways which have not done so well in the previous year I expect growth could be in the range of 15%.

Deepak Narnolia: Sir I remember in the past your growth guidance for T&D was lower, you were not expecting any growth in T&D business?

Manish Mohnot: So that number which I gave you is for the TL business as a whole. You did not ask me for separate number the TLD business growth has not been very high both have come from TLI and international subsidiaries.

Deepak Narnolia: The T&D and TLD is separate of what you are saying.

Manish Mohnot: Yes, you know that I gave you growth. I will just explain this again. I gave you growth for TL business as a whole. If you provide this for T&D and TLI, I expect TLD business to grow only at the range of 5% to 7% for the current year and we expect the TLI business grow at the rate of 12% to 15% and hence the asset cost should be in the range of 10% to 12%.

Deepak Narnolia: So international we have a good growth but domestic we have very muted growth correct?

Manish Mohnot: Yes, domestic growth will be inflation driven much beyond that for me for the current year also.

Deepak Narnolia: Now what is the progress in that the road assets and SSL, the Shubham?

Manish Mohnot: On Shubham we have appointed advisors. We are still expecting some the final thing we are expecting maybe by June, July we should have all the inputs coming in post which we will take the final call what we need to do. As far as the road assets is concerned as I said earlier two of the road assets we are taking them to structuring with banks, which we expect to happen in the next 30 to 60 days it should have been done by now but last 30 days unfortunately there is a disruption because of people working from home one of the road asset we are looking some buyer who is keen to buy and that is also in discussion at advanced stage. We expect the nonbinding offer in the next 30 to 60 days and the fourth one we look at it once these three are clear, the fourth one still is not losing any cash.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir if you can give some color on the revenue breakup for FY2021 how much is still domestic how much is steel overseas, Railways and Oil & Gas?

Manish Mohnot: I think I just gave that breakup. I will repeat again. The total TL business the details will have take from the team is around Rs.6,000 Crores and the total infra business which is Railway and Oil & Gas is around the balance around Rs.2,600 Crores and okay that is, so if you look at total sorry because it includes consolidated so TL business standalone is around Rs.5,000 Crores and the infra business which is Railways and Oil & Gas is around Rs.2,700 Crores.

Ranjith Subramanian: The Rs.2,700 Crores is evenly divided between both?

Manish Mohnot: Railway is around Rs.1500 Crores and Oil & Gas is around Rs.1,200 Crores.

Ranjith Subramanian: Both this Railway and Oil & Gas we are confident of around 15% kind of growth given the low base this year.

Manish Mohnot: Yes, and plus have reasonably good order book which is visible right now.

Ranjith Subramanian: Shubham had posted some loss this quarter is that something to worry about how is the trend out there in Shubham?

Manish Mohnot: I think at an operational level, if you look at the operational numbers we did not have the loss. The loss primarily came in due to some provisioning because a few receivables which were historical and that was a requirement because of Ind-AS so otherwise we expect Shubham numbers to improve from here onwards. Their targets for the next year, is at least margins they would be doubling if not increasing beyond that at a PBT level.

Ranjith Subramanian: Regarding the sale of transmission assets what is the current status and will this net cash situation guidance of first half is that something which we can really look forward or you will see some risk in that guidance also?

Manish Mohnot: As of now we have received majority of the approvals on our sale which is planned to CLP. We had already signed binding offers with them. Majority of the regulatory approvals have come, majority of the banking approvals has also come, two or three approvals are pending which our team expect should come in the next two, three weeks. The process has already started in terms of transferring the asset to CLP. We are clearly confident that by June end we should be able to complete the transaction because majority of the approvals has come as of today and once that inflow comes in we are pretty confident that we will be closer to zero debt negligible debt at a KPTL standalone level.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: Good morning. You said you will be selling one of your road assets and could you please share the timeline for the sale of that asset?

Manish Mohnot: As I mentioned earlier we are expecting it to happen in the current year hopefully by Q2, Q3 but a nonbinding offer might happen as early as maybe in the next 60 to 90 days.

Rishikesh Oza: Also you will be restructuring two assets so if you can like give any number how much will you save in finance cost after the sale and the restructuring together?

Manish Mohnot: Unfortunately, the numbers are still confidential. I think we stick to our earlier guidance of saying that post the restructuring the cash requirement from JMC to the road assets would come closer to zero. That is the commitment we had done but unfortunate things got delayed so once the restructuring happens and the divestment happens we believe that at least in the next five years there will be no cash infusion on the road assets.

Rishikesh Oza: Thank you very much Sir.

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

Prem Khurana: Thank you for the opportunity. My question was on JMC, so eventually I mean this year we have done exceedingly well in terms of new order additions I mean of almost around Rs.7,900 Crores. If you could share your thoughts as in this kind of number has been, made possible, there is an improvement, I mean your success ratio has gone up or there were more tenders in the pipeline whichever we could benefit more. Why I want to understand it is essentially because I mean you spoke about some kind of uncertainty in FY2021 order addition so I mean if it is I said the FY2021 was essentially because of your success ratio going up with the similar kind of number of tenders that you bid for tender the high chance that you would still be able to make good in FY2022 with fewer tenders means there is any change way we approach these tenders now if it is I said I mean the success ratio has gone up

S.K. Tripathi: Yes, well this order book has been not by chance. The work has been going on, on this front from last couple of years whether it is in terms of identifying the market, building the capability, identifying the customer, building the execution strategy and then taking the job. So I will break it in two parts; on the domestic part it has been basically the water side business which we have been dealing from last five years. Of course there has been a spectrum of opportunity along with the capability so we decided to build on. Similarly on the international side, we have been working from last three to four years based on the KPTL footprint in various countries where we have worked on the projects, brought them the maturity and hence they got included in the order book and the B&F has been our traditional growth point where we have the capability and the market both. To answer your question, it has been built in a strategic way and going forward at least these two new areas, water as well as the international, there is a strategic plan and there is a visibility where the order book can be built and we have the delivery capability, at the same time, when I am saying this there are certain sectors where we are cautious and we will be cautious but we will be looking for the right opportunity to jump on if they are available.

Prem Khurana: Sir as I see it I mean order inflows that have been able to manage this year I mean FY2021 almost 54% base of B&F, private and surprisingly B&F, government is negligible so has there a conscious decision that we will go little slow on B&F government or again I mean I was by chance on that I mean there were more orders on B&F private I mean which is where we could make it have more success in B&F private price and if you could also give us the construct in terms of B&F private were include what residential or more of commercial this time around?

S.K. Tripathi: Really, if you look at our historical order book mix so within the B&F the private sector will be almost 70% and that is basically primarily comes from our south operations where we have built over last 15 years and there in spite of the COVID we have seen the growth in the revenue project launches as well as the liquidity and hence we have gone and built further order there. So this will be the B&F breakup. Government side there has been a very intense competition and we have taken a conscious call to keep away from there. As I said we will be looking for the right opportunity there and if that opportunity we think that is good enough and yielding to the good margin then only we will go there otherwise we are not running after the government projects. To answer your question yes it is by design and by conscious choice.

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

Parikshit Kandpal: Just a follow-up Sir on this Rs.140 Crores of provisioning which we have done so where is it reflecting because if I add it back, above EBITDA your margins will look at 15% so if you can just clarify on that?

Manish Mohnot: It is reflected in the respected head. Some would come in material, some would come in erection, depending upon it is a provisional whether it is for bought out or it is for raw material, so it is reflected in the respective head where the cost improves so it is primarily in material cost where it is already included.

Parikshit Kandpal: But then topline of the standalone Rs.2,300 Crores is Rs.140 Crores will be about 5% so the EBITDA margin which is still EBITDA margin would have been about 16% during this quarter?

Manish Mohnot: We also had a lot of closure of projects which happened in Q4 because of which a lot of provisions got released on all those projects which got closed so if we had not provided that definitely because of project closures we have got a lot of provisions which got released and that got adjusted against this, but if it is not provided it would have been at the level of 13% to 14% for sure.

Parikshit Kandpal: Just a last bit on the promoters pledge reduction plan so debt reduction plan which was like given a two quarters back so any update on that because I think by March we would have to reduce by Rs.150 Crores the promoters would have reduced against those pledges so any guidance on that? Are we on track and how much has happened and because even by next December we would have to reduce it by another Rs.150 Crores so that was the plan any update on that?

Manish Mohnot: Yes, I think as per the promoter pledge is concerned the promoters have targeted to reach to reduce the pledges to around 40%. When we spoke we were at around 58% of they were holding those pledge. Right now it is around 50% from whatever we have been given to understand from the promoters we are on track to make sure that by December this reaches levels of closer to 40%.

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

Swarnim Maheshwari: Good morning. Sir just one question on the real estate side what is happening at the Indore Real Estate project. I think we were expecting the OC very soon so what is the total inventory book over there and total monetization that we expect from the Indore Real Estate project.

Manish Mohnot: We had seen some sales in Q4. We had sold around 5 or 6 units in Q4 which we had informed at the call last time. So if you look at the total units which we have including shops and all of that, we have around total 129 units. We have sold till date 46 units. Again when I say sold, the cash flow is still not come for a lot of them because the cash flow is back-ended. We have had if you look at it from OC status we have five towers out of which we have received OC for three of them one of them is expected any time and one might get delayed. Our total investment is around Rs.390 Crores in that project and we believe that over the next 12 to 18 months the entire project should get sold. Clearly, we see some disruption in the last two months because of this new wave of COVID pandemic so last couple of months, we have not seen much sales at project and we would revisit what is the kind of value we have in this project maybe at Q1 or Q2.

Swarnim Maheshwari: So out of those 46 units what is the total cash flow we have received if you have that handy otherwise I can take that offline also.

Manish Mohnot: I do not have that handy you might have to take offline with the team.

Swarnim Maheshwari: No worry Sir, thank you so much and wish you all the best Sir.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Very good morning. Sir just wanted to understand you mentioned that at the JMC level the road BOT project so we will be able to monetize some of the road asset by second quarter or third quarter right?

Manish Mohnot: One of them not some, one.

Deepak Poddar: Sir what is your debt deleveraging target basically how do we see our debt by FY2022 and FY2023 so how do we see as a debt?

Manish Mohnot: Our debt target reduction at a consolidated level we are hoping to reduce our debt by anywhere in the range of Rs.800 plus Crores in the consolidated level. A significant portion coming from the sale of KMPL project at KPTL and some portion coming from the road act plus leveraging our existing balance sheet to make sure that we can further improve our working capital so on a consolidated basis we are targeting a reduction of closer to Rs.800 Crores of debt by March 31, 2022.

Deepak Poddar: At the standalone level?

Manish Mohnot: Standalone level as I said KPTL would go closer to negligible debt and JMC debt reduction, they have done significantly well so I do not see significant debt reduction at a standalone JMC level happening in the current year because with growth coming in I think they will need only further help in working capital perspective so significant debt reduction would happen out of KPTL sale of asset itself.

Deepak Poddar: So at the JMC like Rs.700 to 750 Crores what is the current level?

Manish Mohnot: It will continue at the same level I do not see that reducing significantly.

Deepak Poddar: Sir on the JMC level how do we see the margins in FY2022?

S.K Tripathi: We will be double-digit range between 10% and 10.5%.

Deepak Poddar: That is all Sir. Thank you.

Moderator: Thank you. The next question is from the line of Sandip Verma from Axis. Please go ahead.

Sandip Verma: Good morning Sir. I just wanted to know the current operational efficiency in JMC because of the current COVID situation and are we experiencing similar labor migration ratio which we had in last financial year?

Manish Mohnot: I had already responded to this question but I will respond again you might have missed it. As of today we have not seen huge labor migration happening. Labor continue to be at site but yes we have seen some disruption because of local shutdowns in a lot of states where because the material is not allowed and the movement of people is stalled, but we have not seen labor extrude us like the way we saw it last year.

Sandip Verma: So what would be the current operation which you have mentioned at what level is are operating compared to Q4 here?

Manish Mohnot: It would be very difficult to give you a number because it is very different at different projects so giving you a number is going to be difficult, but it is not as bad as what it was last year or something which I can say but it is very different at different projects. So for example if there were projects in Bombay the operational efficiency could be as low as 20% to 30% whereas projects in South India it would still be as high as 80% to 90% and the overall rural project is from 70%, to 100% so it is very different at a project level but as of today we do not see huge impact coming because of this COVID as for the current quarter. A larger impact would come on from containers availability and shipments so that is still a challenge for us so and that would be a lot more at KPTL and that is something which we are very closely watching because that could be larger impact then the impact of labor extruded for the current quarter.

Sandip Verma: Sir what is the liquidity that the company is maintaining in order to avoid the situation, if the COVID situation aggravates so is the company is maintaining its liquidity?

Manish Mohnot: I think you can see from our numbers our debt equity is at the lowest level in the history of both standalone and consolidated and we have good available limits with banks which we can utilize. We have hardly utilized a lot of our limits. So I do not think we will have any challenge in the liquidity front as far as KPTL or JMC as the consol growth is concerned.

Moderator: Thank you. The next question is from the line of Abhijit Anand from Emkay Global. Please go ahead.

Abhijit Anand: Thank you for the opportunity. A question for Manish Sir removing all the COVID things that are happening I want to have an understanding of here at two to three years perspective what could be an ideal growth for KPTL and what could be the drivers for that?

Manish Mohnot: I just missed one question. I heard the last time of what could be the ideal growth but the first part I missed.

Abhijit Anand: My question is like over the next two to three year perspective what our growth in KPTL's in growth prospects?

Manish Mohnot: From a KPTL perspective we believe that the current year 2021-2022 in terms of growth looking at our historic trend would not be very, very exciting because we had some challenges on world bank ban and we are not able to bid for a lot of international projects and that is where we are targeting growth would be at the level of 10% to 15%. From a long-term perspective three to five years you know we see huge opportunities on the following: We see our Oil & Gas business from the international side doing very well. As of today they have prequalified in more than ten to eleven countries and that is an opportunity we will capitalize, which would get into revenue in 2022-2023 and later on. We see Railways international again utilizing the skill set of transmission and growing on the international side in a big way which would be a second big driver for growth; third some of our international subsidiaries which are Linjemontage or Fasttel we believe that the growth can be much higher than what we have even seen in the last three years. Transmission international we have a challenge of which I said earlier hence we have not able to bid for a lot of projects we would be out of that challenge by hopefully by October and because that is the schedule date and then things should start improving there also. So from a three-year perspective growing in the range of 15% plus for KPTL including the international subsidiary should not be a challenge as of today without compromising on EBITDA and by improving growth so if you can see our return on capital employed in last four, five years has grown from 15% to 20% and the target is to take that to levels of 25% by 2025 and that is all the entire team is working on.

Abhijit Anand: Thanks a lot.

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

Bhoomika Nair: Thank you very much Sir and the entire team for giving us an opportunity to host the call and answering all the queries. I would like to thank all these participants as well for being on the call. Thank you very much Sir.

Manish Mohnot: Thank you very much. Thank you everyone.

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