"Kalpataru Power Transmission Ltd. and JMC Projects (India) Ltd.
Q2 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of Kalpataru Power Transmission Limited & 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 Advisors Limited. Thank you and over to you, Madam!

Bhoomika Nair: Thank you Rutuja. Good morning, everyone. I would like to welcome you to the Kalpataru Power Transmission Limited and JMC Projects Limited for Q2 FY2022 Earnings Call. We have the management today being represented by Mr. Manish Mohnot - Managing Director and CEO, Mr. Amit Uplenchwar – Director Group Strategy & Subsidiary Operations, Mr. Ram Patodia – President Finance & CFO and Mr. S.K Tripathi –Managing Director and CEO of JMC Projects (India) Ltd. I will now handover the floor to Mr. Manish Mohnot for his initial remarks post which we will open up the floor for Q&A. Over to you, Sir!

Manish Mohnot: Thank you Bhoomika, and very good morning to everyone. Thank you for joining us today for the KPTL and JMC Q2 Earnings Call. I have on the call with me S. K. Tripathi – MD & CEO JMC, Ram Patodia – CFO & President Finance, KPTL, Amit Uplenchwar – Director Group Strategy & Subsidiary Operations, Azad Shaw – CFO, JMC along with me on the call. I hope you and your near and dear ones are doing well and keeping safe. Before moving to the financial details let me first provide brief update on the key events of the quarter.

This was a challenging quarter from a cost perspective as steel and other commodity prices along with international freight continued to witness an upward trend. For instance between March 2021 and now steel prices have moved up by minimum 20% while aluminum has increased by almost 30%. Similarly, freight charges for different parts of Africa and Latin America have more than doubled. Given such a situation, while our margins have been under pressure, we have strategically realigned our dispatches as per the feasibility of the project execution cycle.

Despite challenges, we saw broad based topline growth led by strong execution in B&F, water, railways and the international T&D subsidiaries. Linjemontage, our Sweden subsidiary has reported YoY revenue growth of 28% in Q2 FY22 and 17% in H1 FY22.

Coming to an update on our road BOOT assets, as you may know toll collections from our Kurukshetra Road BOOT assets had been adversely impacted since the last six quarters due to the ongoing farmer agitation. As a result, in accordance with provisions of the concession agreement we have issued notice of termination for the asset during this quarter. With regards to Wainganga asset we have received consent from vendors for its restructuring and are in final stages of completing the required formalities. This quarter in our financials you will see that we have provided for expected credit loss with respect to loans given to KEPL and impairment in equity value of KEPL and equity / intangible assets of WEPL.

We have a lot of receivables from NHAI in terms on legal matters which we have not accounted in books. We will account claims only once the arbitration cases are in our favor.

Divestment of Vindhyachal Road asset is under progress. We plan to complete this transaction in the second half of this fiscal.

With respect to other assets, we are progressing well on closure of transaction of Kohima-Mariani transmission line. Our target is to close it in Q3 of FY22.

We have witnessed good sales traction in our Indore project and till date have completed sale of 40% in the total salable area. We are aiming to complete sale of the remaining units over the next ten to twelve months with significant cash flow coming in by December 2022.

On order inflow and order book our consolidated order book including L1 stands at an all time high of Rs.35,700 Crores and we have received orders worth Rs.9,800 Crores till date this year on a consolidated basis.

Restriction on KPTL for bidding for World Bank Group funded projects ended on 6th October 2021. Since then the company has started bidding for World Bank and other funded projects though we continue to be on the monitoring phase. Now that we are strategically focusing to take our non-T&D business to international markets, moving out of the ban phase should help us to strengthen our international order book further in the next few quarter.

Now, coming to the financial performance first at KPTL consolidated level, consolidated revenue grew by 17% to Rs.3,549 Crores. EBITDA margin in Q2 were 8.5%, our EBITDA margin was impacted mainly due to adverse commodity prices and higher freight cost as I mentioned earlier. Further the divestment of ATL adversely impacted our margins by almost 160 basis points.

During Q2 FY22 we have provided for expected credit loss of Rs.49 Crores towards loans /advances given to Kurukshetra Express Private Limited, and impairment of intangible assets in Wainganga Express Private Limited of Rs.15 Crores. Decline in EBITDA and exceptional items has led to fall in PBT and PAT.

Our consolidated net debt was Rs.2,810 Crores, which is a decline of 18% compared to the same time last year.

At KPTL standalone, revenue for Q2 was affected due to lower dispatches in T&D business and unseasonal and prolonged rains in certain areas impacting Oil & Gas business. Our T&D revenues including Linjemontage and Fasttel grew by around 15%, Oil & gas declined by around 50% and railways grew by 11% in Q2 FY22. Linjemontage Sweden reported revenue of Rs.268 Crores with growth of 28% and Fasttel Brazil recorded revenue of Rs.223 Crores in Q2 FY22.

Despite lower revenue growth and impact of commodity we were able to maintain EBITDA margin of 9.4% in Q2 FY22 and 9.8% in H1 FY22. In Q2 FY22 exceptional item is towards impairment of investment in relation to Indore real estate project of Rs.45 Crores. Lower revenue growth, fall in EBITDA margin and exceptional item have led to fall in PBT and PAT.

Our net debt is at Rs.1,149 Crores at the end of September 2021. Our debt levels remain elevated given higher inventory levels and lower collection in Q2 which is normally a cycle in our business. We are targeting to reduce the standalone debt substantially with the help of inflows from sale of Kohima transmission asset, receipt of inflows from Indore assets and focusing on project closure and optimizing our working capital.

KPTL received orders of Rs.2,000 Crores till date, additionally the L1 is around Rs.1,800 Crores. We have witnessed delay in finalization of tenders; however, we expect order momentum to improve in the next few months. Our standalone order book at the end of September 2021 was at Rs.12,397 Crores.

JMC standalone revenues grew by 64% to Rs.1,321 Crores in Q2 FY22 driven by robust execution in B&F and water business. JMC EBITDA margin was impacted due to rise in material cost and nature of job mix. Most of the contracts in JMC have pass through clause and to the maximum extent which is built in the later period. JMC has provided for impairment against equity as investment of Rs.98 Crores and expected credit loss of Rs.179 Crores with respect to Kurukshetra Road asset. Additionally, there is an impairment of Rs.15 Crores towards investment in the Wainganga Road asset. Our net debt at Rs.702 Crores at the end September 2021, which is similar to June levels despite the robust growth in turnover. JMC received order inflows of Rs7,959 Crores till date and order book is at all time high of Rs.18,700 Crores at the end of September 2021.

In Q2 FY22 we have made an additional investment of around Rs.29 Crores in our road projects taking the total investment to Rs.956 Crores at the end of September 2021.

We continue to adopt a cautious approach in bidding with a goal to minimize risk and deliver profitable growth. The increase in commodity price, rise in freight cost and supply chain disruptions continue to pose near term challenges. However, our strong and diversified order book provides good visibility for future growth from a long-term perspective. With that we can open the call for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good morning Sir. My first question is execution has been muted to a good extent that was also the constraint last fiscal compared to some of peers we had had head winds. If you can help us understand what was the quantum of revenue slippages owing to the various logistics and other issues which you have highlighted and what are we doing to broadly mitigate this kind of slow down or relatively muted inflows from some of the end markets. While the portion of civil has been increasing a bit in the Rail segment and otherwise and do you perceive that some of the opportunities on the civil segment are looking far brighter than for pure engineering T&D operations that we have been having in T&D and then if you see and from that perspective is JMC's presence in those portfolio constraining growth for Kalpataru and under this back drop by when do you plan to finally merge both the entities so that JMC can garner a higher share of the pie and to that extent Kalpataru also is able to derive better share from the end markets?

Manish Mohnot: Renu you had five questions but all very, very pertinent. Let me start with the first one, we have delayed revenue of approximately $20 million odd on account of freight issues, on account of high steel prices and all of them have been aligned with the clients. So, none of them has been something which has been unilateral, so closer to $20 million approximately revenue has got deferred which should happen in Q4 or beginning of next year. That is the first thing. Second, we have been cautious in taking orders in our core T&D sector given that we are all fixed price in nature and steel volatility was beyond at least our imagination. With steel prices looking to be stabilizing, now in October again we saw prices going up but we do not know where it is heading. We continue to have an order book of the old priced steel of around 80,000 tons which we will deliver in Q3 and Q4. We have been cautious on our margins also, so on CTC basis we had an opening CTC provision of Rs.146 Crores, which if I remember is now at Rs.157 Crores. So, we have increased our CTC provisioning looking at the steel and aluminium prices at the end of Q2 September.

Now, the third question was do we see civil business having lot more opportunity, definitely we have been speaking of all that for the last four to six quarters that the JMC's growth looks like happening much bigger and much faster because the civil space has a lot more opportunity is one, less risk because majority of contracts have a price variation clause, second. Lot less competition in some segments because with the big guys continue to deliver, focus on delivery and that is an advantage, third. But at the same time just to answer your last question is there a constraint in terms of JMC growing the order book or focusing on revenue, I would say no. The constraint is only in terms of building a team because all of this requires a team which needs to build and which does not happen over night. So, we are not saying no to orders because of any constraint from banking, from a limit side or from any other side. We are conscious but there is not constraint, so if there is opportunity while this we have to grow our JMC order book further by 25%, I do not see any constraint.

The last question, we need to start looking at the consolidated results a lot more because now you will get a flavor of what we are together. As far as the strategic merger is concerned that is something which the senior management, board will take a call over a period of time.

Renu Baid: Got it and secondly, also on the real estate side the business also has been in an upswing, so what is the status with respect to promoter plan to deleverage and do you believe there could be a possibility they could deleverage faster and quicker than their initial plans and release the entire pledge or that does not seem to be on their minds?

Manish Mohnot: My discussions with the promoters has been that they are on track to reduce leverage by December what we had promised to take the pledge levels to 40% and then further reduce it by March. So, we expect that by March we should be back to the old days of only 20% to 30% being pledged. But December targets are intact. They are pretty confident of achieving what they had committed to us in terms of reducing pledge by December to significant level.

Renu Baid: If I can ask one more, can you help us understand how is the domestic T&D and the ordering on the rail EPC side and are we seeing increased competition on Oil & Gas given that KEC also recently entered this segment with the small acquisition? Thank you.

Manish Mohnot: Let me answer the last question first. I think Oil & Gas still continues to be limited competition. KEC acquired a company which is already in competition so it is not additional competition, it is better to have competition which is strong and similar mindset people, that is better than having small players. As far as T&D Domestic is concerned, yes we are cautious and I do not see a lot of visibility in terms order book in the next at least twelve months odd and I have been conscious about this for the last two years T&D domestic will continue to grow at only 4%-5% levels. We are looking at some orders on EPC basis with the few private sector players including PowerGrid. We are looking at a few SEBs order and neighboring countries now that we are allowed to bid for ADB and all funded projects we should be getting some orders there, but still the growth there I do not see growing more than 4% to 5% maximum 7.5%. As far as railway sector is concerned there has been intense competition in some tenders and I think that will continue for the next three months to six months at least but our focus is lot more international on that and we are targeting at least to win one large international project by the end of the year on the railways segment.

Renu Baid: Thank you so much and get back in the queue for more questions. All the best.

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

Parikshit Kandpal: My first question is on the Indore Real Estate project where we have big off take in the real estate sector for the last twelve months. Just wanted to understand what was the need for taking this write off in this project?

Manish Mohnot: I will give you a quick background of the Indore project. We have five buildings in the project, of which three have got OC, one of them expected soon and all the towers are fully complete except one tower which is up to six floors, so people have come to stay.

We were holding price levels at a particular point given one Kalpataru brand and given the location of the project. But we saw that at a different price level the sales were moving much faster to give perspective in the month of September we sold nine units and we expect to sell around fifteen more units in this quarter. We got inflow of around Rs.30 Crores in first two weeks of October coming from that project. So, conscious call was taken, that instead of holding back the price levels let us focus on sales, we reduced our target price levels on residential from upwards of Rs.10,200 per square feet to Rs.9,400 per square feet and we reduced our target price on shops from around Rs.26,500 to Rs. 20,000 and we saw huge sales coming in. So, a conscious call was taken on seeing that there is so much cash flow stuck on that project that it is better to get that cash flow out instead focusing on the higher price levels which in some parts of the country you are still not able to get. Based on that the call was taken and we got Knight Frank to do valuation of Indore Real Estate project.. Based on the valuation report, management believed and auditors agreed that there would be impairment provision required in the value of investment in Saicharan in the books of Energylink and impairment provision in the value of investment in Energylink in the books of KPTL standalone. This does not have any impact on consolidated numbers of KPTL. We are confident that more than Rs.100 Crores of cash flow should come on this project by March 2021 itself and significant amount by December 2022. So, target is Rs.100 Crores plus cash flow by March and balance by December 2022. As of today, we have sold around 40% in terms of the space and we are targeting to sell around 20% in the next two quarters itself if not more.

Parikshit Kandpal: What will be the relevant mark to market pricing there you are selling at almost close to Rs.9,000 so what are the available market prices there in that market?

Manish Mohnot: Your question was not very clear, can you please repeat that?

Parikshit Kandpal: Even you have taken down the pricing I just wanted to know that you are selling at Rs.9,400 per square feet what will be the relevant market price is it similar or you have still at a premium. I wanted to understand whether the sales velocity will be maintained or we need to further reduce price on this?

Manish Mohnot: Majority of our last five sales have been more in the range of Rs.9,600 per square feet to Rs.9,800 per square feet. I have the data in front of me, last five residential flats we sold higher than Rs.9,400 per square feet slightly higher than that. So, believe selling at this price should not be a challenge at all because the neighboring market is in the similar range plus - minus Rs.500 depending upon the brand of the project, depending upon the amenities, depending upon completion versus under construction but plus – minus Rs.500 is the band in the neighboring localities actually it is more minus then plus.

Parikshit Kandpal: My second question is on the pledged shares last time one of the promoters came on the call he had committed at about Rs.150 Crores worth of pledge in the revenue by March 2021 and another Rs.150 Crores by December 2021. So, how are we progressed on that so out of that Rs 300 Crores of commitment how much has been reduced and what is the plan for the balance to be reduced?

Manish Mohnot: Just to give you a perspective from a percentage pledge of promoter holding, as on 31st March 2020 the percentage of promoter holding pledge was around 57%, it reduced it to 50% as on 31st March 2021. They had promised to reduce and as on 30th June 2021, it came down to 45.9%. I have said earlier there is a plan that by March 2022 they will further reduce that whether the 40% will become 35% or 30% we still do not have clarity but by March it will come down further. But the plan of reducing the pledge from 57.5% when they came on the call and the count to 40%, 45% is already done and the balance 5% should all happen in the next two months to three months.

Parikshit Kandpal: My last question is on further write offs in the Road asset portfolio, we are on cleaning our books now potentially likely merger. Just wanted to understand what kind of potential write off can happen again because we did touch upon that we are looking to monetize one of the assets by this year-end how much further write off is expected and with that mostly will be done with all the major write offs and all the investments which we have made that in real estate or in road assets?

Manish Mohnot: Kurukshetra we have done everything. We only have a small amount which is under arbitration, which we have already won. So, Kurukshetra there can be only an upside with minimal expenses till NHAI takes over which would be minimal in nature.

As far as WEPL is concerned looking at the current scenario, looking at the traffic up to last month we do not believe that we require a write off at least to the final period of time and with the restructuring approved by bankers the probability of write off from that project is very, very low.

As far as VEPL is concerned as we said earlier there is a perspective buyer we are confident of signing the binding terms sheet in the month of November itself and based on that there could be some hit required which is the difference of the equity value they are offering. This will be very minimal hit versus what is in our books. I am not able to quantify it because of the confidentiality clause but it will be very minimal in nature.

As far as the BBEPL BOOT Road asset is concerned I do not think that road asset requires any write off it is cash positive and it has a seven years left so we do not see any issues coming on that.

So, further impairment provision looks highly unlikely unless there is COVID-3 which I hope there is no COVID-3 or COVID-4 anything like that but highly unlikely. So, from a provisioning perspective personally except for VEPL which will not be a provisioning which will be if you sell it off if there is a difference between the equity value offered by them and there could be some small amount except that we are done with everything.

Parikshit Kandpal: That is all from my side. Thank you and all the best.

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

Swarnim Maheshwari: Good morning and thanks for the opportunity. First on order intake side it has been about first half and we are tracking up with being on the weaker side, you did mention that you are actually conscious on the TLD orders but wanted to understand we have the earlier given guidance or you are confident of achieving about Rs.9000 Crores odd of retail. So, the second half including L1 also if you see do you see something like Rs.5000 Crores of intake in H2 and what is the overall ordering pipeline like?

Manish Mohnot: Swarnim, on guidance on order book let me take you through the entire perspective from consolidated to KPTL to JMC. If you see a consolidated order book guidance inflow for the year was around Rs.15,000 Crores when we started the year we are now revising it to a minimum of Rs.18,000 Crores on consol. It could go even up to Rs.20,000 Crores so Rs.18,000 Crores to Rs.20000 Crores is our consolidated order book guidance as far as KPTL consolidated is concerned. On a standalone, KPTL had guided of Rs.9,000 Crores as of today confident of reaching Rs.7,000 Crores to Rs.8,000 Crores because now we got out of World Bank embargo and we are seeing international tenders, we are seeing good uptick in Middle East, we are seeing good uptick on international tenders of Oil & Gas and Railways. Pretty confident of Rs.7,000 Crores to Rs.8,000 Crores we will try our level best for Rs.9,000 Crores but very confident of between Rs.7,000 Crores to Rs.8,000 Crores. With this order book guidance in terms of revenue growth obviously there will be challenge. We are revising the standalone KPTL, revenue growth to 5% to 10% from 10% to 15% on annualized basis. But as far as consolidated is concerned we still continue to be at 15% plus and we still continue to be guiding EBITDA margin in the range of 9% to 10% on the consolidated basis. So, I know for six months we have done only 8.4% margin on a consolidated basis but we are very confident that from here unless fuel again goes up by let us say 20% or some of those unexpected things happen we are pretty confident because we have provided for the CTC losses, as I said earlier we have had around Rs.157 Crores of CTC losses in books on 30th September 2021. We are still guiding consol in the range of 9% to 10% and wanting to take it back to double digit getting into the next year.

Swarnim Maheshwari: On the overall ordering opportunity size right now is it we have hit about Rs. 40,000 Crores – Rs.50,000 Crores and if you can give some flavor over there?

Manish Mohnot: If I get into different segments, if I get into T&D with improved visibility post our embargo the bidding for Rs.15,000 Crores – Rs.20,000 Crores itself in the next couple of months in different parts of the world including Latin America, including Sweden, including Brazil all of that. Oil & Gas, there has been some delays but we now see tenders coming up a lot more international as of today we qualified in six countries internationally on KPTL standalone. So, Oil & Gas, now Middle East looks like a very good opportunity so we see approximately Rs.2,000 Crores – Rs.3,000 Crores of tenders happening there in this quarter itself, Railways similar number. As far as JMC is concerned we are seeing a very good traction on B&F in the Southern India where we are among the largest ones today. Southern and Northern India we are seeing a lot of traction coming in. Water continues to be very, very bullish and in the water segment you see orders bidding of Rs.10,000 Crores plus happening in this quarter itself. Urban infra where we have L1 in one large project we are seeing a lot many more projects coming in metros as well as highways. So, we are cautious in that given the size of project and given the kind of competition but there is this opportunity if you ask me together in Q3 we should be bidding for around Rs.40,000 Crores to Rs.50,000 Crores in Q3 itself at a consolidated level.

Swarnim Maheshwari: You did mention on the previous participant question about the merger. If you can share some thought what could be the possible synergies over here, I know this is little early stage but if you can guess the chances that we got with this?

Manish Mohnot: Again, I would repeat this is something which the board and senior management will take a call at an appropriate time. Whether it is going to happen today or tomorrow or day after, it is something which the board will take the final call. From the synergy perspective there is lot of synergy in utilizing that skill sets of KPTL and JMC on composite project whether it is composite railway, whether it is composite water and Oil & Gas, whether it is international front where KPTL has been there for more than fifteen years, JMC has been there for only last three years. We are in sixty plus countries, they are in five countries and there is the huge opportunity there. On the banking side, whether it is on having a common team on all the support function and the last thing the most important whether it is on bidding for much large projects. Today if you see our average project size is typically in the range of Rs.250 Crores to Rs.1,000 Crores, internationally some time here we are bidding for $ 200 million but our ability to bid for much larger projects could be vary at this stage. But while we are looking at all of this I would again like to repeat that there is something which we will be presenting to the board at an appropriate time and it is a call of the board on that matter.

Swarnim Maheshwari: Possible cost energies whether you are coming out or again we understand that this was extremely, extremely envisaged but can you throw any number over there?

Manish Mohnot: Swarnim, there would be definitely cost energy and all the aspects I said. Our internal target is minimum 100 basis points improvement by doing that but the exact numbers we would be able to quantify once we are closer to if it all whenever it happens because on support functions and banking and all of that we could easily get a 100 basis point advantage at a EBITDA level.

Swarnim Maheshwari: This is clear. Thank you so much. Wish you all the best and Happy Diwali to the management. Thank you.

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

Ajay Sheth: I have just one question. We have been talking about that our claims on our road projects. I just want to understand what is the quantum of the claims we have and what is the status right now also when do you think it can fructify and strengthen the balance sheet of JMC at a consolidated level?

S K Tripathi: Just to give you the overall perspective on the claim, on the road side we already have awards of about Rs.250 Crores which is in the court and we can see some timeline maybe two year to three years when the maturity starts. Apart from that on the BOOT assets we have lodged claims of about Rs.1,700 Crores and we can see the outcome coming in by first quarter of the next year say by April – May and the second outcome we can expect by Q2. This is where overall position and by the next year December end we can see the outcome on this Rs.1,700 Crores basket the awards coming in.

Ajay Sheth: If my understanding is correct are you trying to say that these Rs.1,700 Crores we have already taken the write off in JMC books and if it materializes by December next year it will strengthen to that extent our net worth and balance sheet?

S K Tripathi: Let me tell you, as I said about Rs.250 Crores to Rs.300 Crores claims are already in the court they are the post award stage. As and when they keep coming that will get into directly into the bottom and it will strengthen the balance sheet this is one stage you can say the advanced stage. The second stage which is the claims of Rs.1,700 Crores which are there in the arbitration, on that I just said that the awards will start coming in from Q1 of next year and they will go up to December 2023, so that we will be able to see what we are able to fetch out of this Rs.1,700 Crores maybe 50% - 60% of that but again these awards will get into the court process and Ajay bhai as you know we are conservative until unless we do not see the money, we are not taking this into the balance sheet these numbers.

Manish Mohnot: Let me add to your question, from accounting perspective yes whatever award we get will directly get into P&L once the client is not contested so that as of today all expenses incurred on all these projects have been taken to P&L in some form or the other. So, whatever awards come in if it is at the highest level and there is no contest from the client will directly be a positive aspect in the P&L.

Ajay Sheth: Just to clarify once more, I understand what both of you are saying. It is a hypothetical situation I am not talking about the actual situation and I understand conservative policy of not recognizing in P&L unless and until the finality becomes a reality. Let us have a hypothetical situation that award comes in our favor and the government decides not to contest in the court of law, so is my understanding correct that this Rs.250 Crores plus let us put it up a 50% of Rs.1,700 Crores, so around Rs.800 Crores additional that Rs.1000 Crores will be like both cash flow as well as will go into the P&L account bottom line maybe whatever it is?

Manish Mohnot: Ajay Bhai, let us not quantify that number, any number from Rs.250 Crores to whatever that number would be, Rs.250 Crores definitely looks like a minimum number. But whatever that number is whether it is Rs.500 Crores – Rs.700 Crores – Rs.900 Crores – Rs.1000 Crores – Rs.1200 Crores whatever that number is you are right it will come in cash flow. So, some of the Rs.250 Crores have already come in the cash flow not the entire amount but the balance amount will all come into cash flow and P&L.

S K Tripathi: Ajay Bhai Rs.250 Crores is our claims from the roads which are in the court, our overall claim basket which is there in the court is to the tune of about Rs.400 Crores plus this is B&F awards and this and that and they will start trickling in as I said from two years to next three years coming and against this all expenses are already accounted for, the target is Rs.400 Crores and not Rs.250 Crores.

Ajay Sheth: Just to finalize this discussion. I do not want to just take around, I understand what you are saying, but over a period of next three to five years whatever claim comes in without any commitment from your side can make KPTL at consolidated level or absolutely debt free?

Manish Mohnot: Ajay Bhai that anyway have planned on the debt front at least we still continue to be on plan KPTL standalone closer to be in debt free by 31st March 2022 and JMC plus KPTL on the EPC side being very low on debt by 31st March 2023.

Ajay Sheth: Thank you so much. Really great work by you and your team. Wishing you a very Happy Diwali.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities. Please go ahead.

Jainam Shah: Congratulations on good set of numbers. My question is related to JMC Projects as we have done go down on the execution during 1H wherein COVID was there during Q1, and monsoon was there during Q2. So, are we changing our overall revenue assumption for FY2022 or we stick to that around 25% growth on to FY2022?

S K Tripathi: We will remain in the range of 20% to 25% as conveyed earlier.

Jainam Shah: The margin has been impacted during Q1 and Q2 and there has been some lag impact because of commodity prices, H2 will be having double digit margin and overall FY2022 will be having single digit EBITDA margin?

S K Tripathi: Second half will definitely have the double-digit margin but overall the margins will be under pressure due to the commodity and lag in the escalation realization from the customers. So, it could be anything between 9% and 10% that is we can expect at the year end.

Jainam Shah: This is at the FY2022 overall level?

S K Tripathi: Right.

Jainam Shah: Just wanted to know about one clarification about the debt numbers. There has been any change in line item for the current portion of debt like it has been added to the borrowings or it will be part of the others only because as we seen the phase of the balance sheet there has been a short-term debt and long-term debt for JMC which is actually same as shown in the investor presentation. Whereas in the annual report current portion was part of other current liability that is to be added to the number or it is already been added?

Ram Patodia: There are changes in presentation of Schedule III of Companies Act because of that there is reclassification of current maturity of debt from other financial liabilities to short term borrowing, so it is only a reclassification otherwise there is no change.

Manish Mohnot: But the point is do you need to add this to the numbers which we have in our investor presentation. Investor presentation already includes that as debt itself. So, you do not need to add anything of current maturities into that is already included in the investor presentation in the debt numbers.

Jainam Shah: Basically the borrowing debt is inclusive of current maturity which was not the case earlier?

Manish Mohnot: Yes, perfect.

Jainam Shah: Thank you so much.

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

Bharat Sheth: Congratulations Manish Ji and Tripathi ji doing in challenging time. I have a question on JMC. Can you give some color on the bid pipeline and for next two–three years, expected revenue growth because you said that balance sheet will not be a challenge for growth? If you can elaborate more and recently in latest presentation you announced that we have forayed into the tunneling business. So, how we are expanding the vertical in JMC?

S K Tripathi: As I see in next two, three years horizon all the business segments, the B&F we see a very robust growth in the private as well as the government on both the sides. Infra, there is a huge opportunity, but it is very competitive space. There we will be very cautious to grow. Water as said in earlier conferences there is a huge opportunity domestic as well as international and it will lead the growth along with B&F going forward and the international as said earlier that there is a robust growth in the order book as well as we can see the further very strong pipeline overseas for JMC in case of the road and water projects. Overall, if I sum it up, we can see 15% to 20% growth year-to-year going forward for next three years. Even if you look at our current order book including L1 position it is at around Rs.24,000 Crores and at year end we should end that at about Rs.23,000 Crores which will take us next year again to 15% to 20% growth. So, Bharat Bhai to sum it up we can look at 15% to 20% growth going forward because we will be very cautious in terms of booking the order, we will be focusing building the team and protecting the bottom number rather than only looking at the topline.

Bharat Sheth: Different foray in the tunneling business where we are, at what stage we are and how do we see that opportunity in that region?

S K Tripathi: Bharat Bhai, tunneling business overall in India next five year to seven years total opportunity size is about a lakh Crores and this both the underground metro as well as the inside tunneling. So, that is why we have entered this segment but as I said we will go cautiously and this sector as I said the road sector has become very competitive but these niche sectors, the underground sectors still we can see a limited competition and hence we decided to get into this sector. But as I said we will enter cautiously, look at one or two projects and then try to build the portfolio going forward.

Bharat Sheth: Thank you very much and all the best. Wish you Happy Diwali Manish Ji and Tripathi Ji.

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

Bhavin Vithlani: The question is on Kalpataru where we have seen declining trend in orders, slowing execution, drop in margins, increase in working capital and negative cash flow. Because we have been highlighting large part of order book has been pass-through. Could you just give us overall picture where do you see the execution in the order flow especially on the Kalpataru side and especially on the working capital and the cash flows?

Manish Mohnot: Let me first provide clarity on working capital. On a working capital level, we have not seen a significant change if you are comparing on the year end normally Q2 always is high in a business and there has corrects by the year end. So, if you look at the working capital days last year Q2 were 96 days now we are at 97 days. First quarter 2022 we were 103 days it is reduced year end was 86 days but that is the nature of our business. The maximum collection happens in Q4 and that if you pick up the last five, six, ten years you will see that. So, working capital as far as KPTL is concerned standalone is under control. We do not have much challenges on that and we continue to be clear that we have a cash inflow expected out of Kohima and Indore of Rs.800 Crores plus coming up in the next two quarters which will help us reduce the debt significantly, minimum Rs.800 Crores it could be higher than that.

On a growth perspective there are challenges, and the challenges came in from every aspect; one was bidding at what price levels to make sure that you do not lose money as I said steel went up by closer to Rs.20,000 per ton in the last six months, will it come down? I do not know the answer. Aluminum we can hedge. The day you bid you can hedge aluminum; we can hedge copper but still you cannot do anything on steel. Do we see stability? Yes last one month we have seen stability so now our ability to go and improve that price in our costing could start but otherwise it was becoming more and more difficult to determine what price levels you need to bid for steel which is at times closer to 30% - 35% of your project cost. So, we were cautious on that, and we had good visibility for eighteen months, so we said let us not really go aggressive on taking orders where you do not have visibility.

Third, all of you are aware about the World Bank embargo which ended on 6th October we are now bidding for all those projects. That will also provide us an opportunity to bid for a lot more international projects, with all of this the current year looks like challenging on three aspects, margins we should still be okay given that we have taken CTC provisions so, 9% to 10% easily doable. We will target and see whether we can get it back to 10% levels if there is no further volatility in the steel prices. So, topline growth we have guided for 10% to 15% but realistically to me it is more 5% to 10% now on annualized basis. Order book, there is visibility, but I am still not being very gung-ho on it for the next six months and that is why we have limited ourselves to Rs.7000 Crores to Rs.8000 Crores from the earlier Rs.9000 Crores.

We should also appreciate that the opportunity in JMC is so huge, so today from a consol perspective it is better to utilize resources where you see profitable growth and not necessarily drive only a particular segment at a given point of time. From a long-term perspective, I see we are getting back to that double digit growth and double digit margin into next year at a standalone level and I am confident about it because now you see a lot of tenders coming out, the capex cycle coming back, oil prices going up, Oil & Gas opportunities improving, T&D international improving, both our subsidiaries are seeing good traction, margins improving on both our international subsidiaries, so with that very confident of coming back to 10% to 15% for the next year. But will we be as high as 20% to 25% like JMC looks difficult, console definitely 15% to 20% would happen in the current year as well as next year.

Bhavin Vithlani: Thank you for taking my question.

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

Teena Virmani: My question is regarding the CTC provisioning which you had taken at the end of FY2021 for the order book at that point of time. Now, I missed that commentary of yours whether you have any further provisioning to consider the current up move in the steel prices in the current or in H1 or will any further provisioning be required in FY2022 itself to take higher steel prices into account?

Manish Mohnot: Just to give you a perspective on CTC provisioning, at the year end our provisioning was closer to Rs.146 Crores for the first half, we have inbuilt an additional loss of Rs.80 Crores odd coming out of steel, freight and other commodities which has already hit our P&L plus we have provided for Rs.10 Crores of further provisioning on orders which needs to be delivered in the next two quarters. As I said earlier, I have 80,000 tons of steel of the old order book yet to be delivered. So, as of 30thSeptember we are at around Rs.157 Crores of CTC provisioning on losses, our own assessment is that this should be enough unless we again see steel coming up in a big way and our assessment is that we should be able to utilize this entire provisioning in the current year and hardly anything should go into the next year because majority of our old orders which are at lower prices on steel will all get completed in the current year. As of today we are confident with this we should continue to be at our EBITDA margins of closer to 9.5% to 10% and if steel prices improve, we could further improve on the margin, steel prices reduce, when I say improve, it is reduced for us, and not going up for us.

Teena Virmani: My second question is regarding the T&D asset approval stage at what stage is that process right now because it seems to have been delayed by a couple of months. When can we actually see it closer to finalization?

Manish Mohnot: Just to be very precise in your question we have exactly two approvals pending. I just do not want to get into the details. The entire team is focused on doing it. My own assessment is that we should get these approvals in the month of November otherwise everything is in line, the line is commissioned, we are getting close to 100% direct we are getting on a month-on-month basis. So we are very confident that any time between November 25th and December 15th we should be able to close the deal. These two approvals while Diwali this week seems things might not happen but getting into next week personally, I will also be focused on making sure that this comes into place. But we are at 99.99% confident that we should be able to close the deal by 31st December and when I say close the deal is money is in the bank.

Teena Virmani: My last question is limited to the bookkeeping side, if you can repeat the revenue number for Oil & Gas and Railways for the current quarter?

Manish Mohnot: From a revenue perspective T&D and Oil & Gas segments have de-growth. If you look at Q2 FY22 our T&D business including LMG and Fasttel is around Rs.1,593 Crores. Our Infra business which is Rail is around Rs.370 Crores odd and Oil & Gas around Rs.160 Crores for the quarter Q2 FY22. Except for Linjemontage, Fasttel, and Railways all other businesses have not grown. Fasttel came in the first time and Linjemontage showed a very good growth.

Teena Virmani: Thanks a lot for the questions.

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

Parikshit Kandpal: The first question is on JMC. What is the EBITDA margin guidance for JMC for the full year FY2022?

S K Tripathi: As I said earlier in the call, Parikshit the margins will be under pressure, but we are confident of maintaining it the year end between 9% and 10%.

Parikshit Kandpal: For JMC standalone you are talking about?

S K Tripathi: That is right except the exceptional items.

Parikshit Kandpal: Next two three years you said the growth could be about 20% to 25% given the order book for stronger order book?

S K Tripathi: Yes, 15% plus definitely and then as I said our more focus will be on improving the bottomline, building the team and stabilizing the growth.

Parikshit Kandpal: The other question is by this year-end we have major loss funding support required for projects or they be restructured, so let say the loss funding supports will go on for next two year – three years with the balance portfolio?

S K Tripathi: Kandpal, I did not get your question, can you repeat the question?

Parikshit Kandpal: What kind of loss funding support will be required for the portfolio now after March 2022 once the assets WEPL gets restructured, so what is that our residual loss funding will be required on annual basis for that BOOT portfolio?

S K Tripathi: If you see last couple of years, it has been in the range of Rs.70 Crores to Rs.100 Crores plus. We see it coming down substantially with the KEPL now going for the termination but there will be some involvement when it comes to the handing over of the asset to the NHAI. VEPL as clarified earlier that will go for the asset sales so that will stop as well as WEPL we may see very marginal loss. So, the range of Rs.70 Crores to Rs.100 Crores may come down, I am not giving a number, but anything between 25% and 30% of the previous year what we have been issued.

Manish Mohnot: Just add to this, getting into the next year we expect the outflow to be in the range of maximum into Rs. 20 Crores that too just for some debt repayment otherwise not beyond that because there is more on the next year 2022 – 2023.

Parikshit Kandpal: You said Rs.10 Crores to Rs.20 Crore?

Manish Mohnot: Yes, maximum.

Parikshit Kandpal: Last is on the World Bank which has the embargo and now gone already, just wanted to know what kind of opportunity if you quantify in terms of the bidding side for KPTL?

Manish Mohnot: As I said we are not bidding for the last one year because of the embargo and on a lighter note even if I would have bid, I would have only lost money with all that competition. All funded projects now we have started bidding. We are seeing a lot of projects coming up in Middle East also and we are seeing lot of projects coming in CIS countries also and as I said on the international front, I see bids of Rs.15,000 Crores to Rs.20,000 Crores happening in the next three to four months significant amount on the T&D space. So, there is nothing about whether to bid or not it is all about saying that what price that has to bid because there is no limitation of any time today.

Parikshit Kandpal: One last thing to SKT, so along this KEPL project now that given the termination notice, how the thing works now you have to recover all equity investments, how do you recover it, what amount can get qualified contractually and this kind of force majeure event happen. If you can give some sense on the timeline when we can expect the selling to come in at least on the equity investment and I am not talking about the claims which may take longer with some equity part?

S K Tripathi: As per the concession provision the force majeure under the farmer agitation it falls in a category where we are supposed to get 110% of the adjusted equity and the debt due to the bankers this is the contract provision but reality is that the NHAI will not give up this very easily and we have to go through a process of resolving this with the NHAI, based on this concession provision. It is the question of time, NHAI may settle it, or they may take an arbitration route. So, concession provision is very clear we have to get back the 110% of the adjusted equity and the debt due has to go to the banker.

Parikshit Kandpal: We have written off everything, so the entire equity has been written off, all our loans and advances not pending as it and nothing remains on the balance sheet and loss. I am sure all the loans and advances tried on the settle side only write off provisions?

S K Tripathi: Right, so everything has been provided for and if you are hearing in the same call that we have the claims and as and when they mature that is the only positive which is left out now for to recover the lost equity and loans and which can improve the balance sheet.

Manish Mohnot: We still have a small amount of Rs.47 Crores in our books which is where arbitration claims we have already won if you remember that, while it is not taken into P&L but that much amount lies as our investment in KEPL in the form of loan. So, Rs.47 Crores is the precise number and for which we have an arbitration claim already in our favor. So, beside that everything else has been provided for.

Parikshit Kandpal: Back-to-back look at it with the arbitration claim so which may affect?

Manish Mohnot: Which has not come in P&L but that is the amount recoverable from KEPL.

Parikshit Kandpal: Thanks, and all the best. Wish you happy Diwali.

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

Bharat Sheth: Thanks for the second opportunity. My questions are pertaining to KPTL, Oil & Gas as well as Railway international opportunity and second thing how do we plan to leverage such as Linjemontage and our Brazil subsidiary going ahead?

Manish Mohnot: Bharat Bhai, as far as I said earlier also, Oil & Gas with oil prices looking up we have seen a lot many more tenders coming up both domestic and international and you are aware that for the last year we have built a big team to focus on Oil & Gas international. We were L1 in one large project, but we lost it for some reasons more local to that country, but we are very focused on that business, there is big team on tendering, on operations which is already inbuilt for the last two years and I am very confident that for huge opportunity going forward. I am not able to quantify that today as I said earlier around Rs.3,000 Crores of worth of tenders to be bid in the next three months but beyond that our focus right now is to get ourselves qualified in as many countries to get one international project and focus on execution because the first one always gives you challenge and then grow from there.

As far as railways, is concerned, we are seeing a lot of opportunities on electrification but yes with the intense competition. We are seeing some opportunities coming on composite projects also and metro continues to be one focus area where JMC and KPTL could work together. Also, on the international front, we have seen traction in two - three African countries where we have submitted our bids and I am hoping that before the year end, we should have won big project coming out from the international geography also.

As far as Sweden and Brazil is concerned our focus on Linjemontage continues to be extending our presence in Sweden plus the neighboring countries primarily Norway, Denmark, and Finland where we see a lot of opportunities coming on replacement of transmission assets and we will continue to focus on that from a two to three years perspective. As far as Brazil is concerned, they had a limited order book when we acquired them luckily, they do not have any losses of past because that was already inbuilt in the valuation, but we are seeing some good traction on building a team there on bidding for large projects. So, for the next one year if you ask me what would be focus on Brazil it is about improving the team, getting the systems in place, and looking at sustaining the current revenue. We will look at growth going in from 2023 onwards as we did earlier in Sweden also because the first one year it is very important to get a culture which is very similar to the KPTL culture and we are working on that but we are pretty happy about the opportunities, we have team of 150 odd people, very low debt numbers, focused on delivery and we believe that post 2023 this is a business which can easily give us 15% - 20% growth if not more and we are also using this subsidiary to look at opportunity in the neighboring countries in Latin America we have submitted a couple of bids but for that more from a long-term perspective, short-term make sure you deliver what they have submitted, build process, get the team in place and start focusing on growth from 2023 onwards.

Bharat Sheth: Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, 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: I would like to thank everyone for being on the call and particularly the management for giving us the opportunity to host the call. Thank you so much for answering and taken time out for all the investors.

Manish Mohnot: Thank you everyone. Wishing all of you a very Happy and Safe Diwali. It is good week of festivities; we all need to enjoy this. Wishing all of you a very Happy Diwali.

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.