



“Kalpataru Power Transmission Limited and JMC
Projects (India) Ltd.
Q3 FY2022 Earnings Conference Call”

February 14, 2022



ANALYST: MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED

MANAGEMENT: MR. MANISH MOHNOT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – KALPATARU POWER TRANSMISSION LIMITED
MR. AMIT UPLENCHWAR – DIRECTOR (GROUP STRATEGY & SUBSIDIARY OPERATIONS) – KALPATARU POWER TRANSMISSION LIMITED
MR. RAM PATODIA – PRESIDENT (FINANCE) & CHIEF FINANCIAL OFFICER - KALPATARU POWER TRANSMISSION LIMITED
MR. S.K TRIPATHI – MANAGING DIRECTOR – CHIEF EXECUTIVE OFFICER - JMC PROJECTS

Moderator: Ladies and gentlemen, good day and welcome to Kalpataru Power Transmission Limited & JMC Projects Limited Q3 FY2022 Earnings Conference Call 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, Ms. Nair!

Bhoomika Nair: Thanks to you. Good morning, everyone. Welcome to the Q3 FY2022 Earnings Call of Kalpataru Power Transmission Limited and JMC Projects. We have the management today being represented by Mr. Manish Mohnot - Managing Director and CEO, Mr. Amit Uplenchwar – Director Group Strategy & Subsidiary Operations, Mr. Ram Patodia – President Finance & CFO and Mr. S.K Tripathi – Managing Director and CEO. I will now handover the call to Mr. Manish Mohnot for his initial remarks post which we will open up the floor for Q&A. Over to you, Sir!

Manish Mohnot: Thank you for attending this earnings call of KPTL and JMC. I hope that you are all staying safe and healthy. Let me begin by talking about key updates and overview of our performance of the quarter. We have delivered robust performance at consolidated level with top line growth of 11%, stable EBITDA margins, notable drop in the net debt levels and record order in flows despite the challenging operating environment. Commodity prices and freight cost continued to remain at elevated levels leading to pressure on prospects. We have achieved divestment of Kohima-Mariani transmission and received some consideration in December 2021. With this, we have completed divestment of all T&D BOOT assets. We continued to widen our international reach and validated three new countries during the year. We have also strengthened our market position in some of our focused business verticals as we acquired new clients and demonstrated our strong capabilities. Coming to road BOOT assets, we have provided for short fall in termination payment and expected credit loss for Kurukshetra to an amount nearing Rs. 86 Crores in this quarter. However, we will continue to pursue the claims and termination payment against NSGI. Our total provision in KEPL for Q2 and Q3 is at 364 Crores. We have also received consent from lenders for restructuring Wainganga BOOT asset and we hope to close our administrative formalities by March 2022. The deal for the sales of international road asset is still under discussion. The terms are under negotiations at this stage. Our sale in Indore project is gaining traction with additional booking and enquiries. Till date we have completed sale of 45% of the total saleable area. We plan to complete the sale of balance units in the next 12 to 15 months. We have received orders of over 14,300 Crores at a consolidated level during the year and have an additional L1 position of Rs. 5,300 Crores. Coming now to the financial performance, first at KPTL consolidated level. Our consolidated revenue grew by 11% to Rs. 3,889 Crores on back of strong execution in BNF, water, and international T&D subsidiaries. Our EBITDA margin in Q3 were 9.3%, at a consolidated level.

*Kalpataru Power Transmission Limited & JMC Projects
February 14, 2022*

Our EBITDA margin remains under pressure with elevated levels of commodity, freight, and other goods prices. Our exceptional items in Q3 2022 include the following: Gain on sale of KMTL of Rs. 262 Crores And value of fixed assets of Shree Shubham was written down by 22 Crores. An amount aggregating to 86 Crores for shortfall and termination payment and expected credit loss for Kurukshetra Express Private Limited. Our decline in EBITDA and exceptional items led to fall in PBT and PAT.

Our consolidated net debt is at Rs. 2044 Crores, which is a decline of 13% compared to last year and 27% compared to previous quarter. Now with standalone KPTL, our revenue for Q3 was affected due to lower dispatches and T&D business and lower order inflows in first six months of the year. T&D revenues including Linjemontage and Fasttel Group was up by around 17%, decline in Oil & gas was around 30% and railways around 7% in Q3 2022. Our subsidiaries: in Sweden Linjemontage reported revenue of Rs. 364 Crores with growth of 13% and Fasttel Brazil recorded revenue of Rs. 139 Crores in Q3 2022. We were able to maintain EBITDA margin of 9.1% in Q3 2022 and 9.5% for nine months in 2022. Our exceptional item in Q3 2022 pertains to gain on sale of KMTL. Our lower revenue growth and fallen EBITDA margin had led to fall in PBT and PAT.

At standalone level, our net debt has declined by around 600 Crores in Q3 2022 to Rs. 547 Crores at the end of December 2021 largely on account of closure of sale of KMTL. KPTL received orders of Rs. 4,364 Crores till date in 2022 including the new orders of 803 Crores secured in the month of January. Additionally, we have L1 of approximately 4000 Crores. We expect to convert most of this L1 orders in the next few months. Our standalone order book at the end of December 2021 was at Rs. 12,646 Crores.

Now for standalone JMC numbers, our JMC revenue grew by 26% to Rs. 1348 Crores in Q3 2022 driven by robust execution in B&F and water business. JMC's EBITDA margin was at 9% in Q3 2021. We expect margin to improve going forward as most of the projects of fine escalation provision have changed. JMC has provided for an amount aggregating to 88 Crores for shortfall and termination payment and expected credit loss for KEPL. As communicated earlier on the call, we have adopted a prudent approach and taken these losses up front, while we continue to perceive our claims with NHAI. Our net debt at JMC was Rs. 603 Crores at the end of December 2021 with a decline of around 100 Crores from previous quarter despite a robust growth and turnover. JMC received order inflows of Rs. 9,984 Crores till date in 2022 and order book is at all time high of 19,192 Crores at the end of December 2021. Let me now conclude with an outlook. We expect our consolidated revenues to grow in the range of 10% to 15% for full year 2022 with JMC expected to deliver revenue growth in excess of 20%. Our EBITDA margins will continue to remain under pressure. We expect EBITDA margins to remain in the range of 9 to 9.5% at standalone and consolidated levels for 2022. Our debt levels for KPTL standalone and JMC expected to remain at similar levels at the end of March 2022. We expect order inflows to reach around 8,000 Crores for KPTL and 12,000 Crores for JMC for full year 2022, whereas at a consolidated level we will have an order inflow of approximately 20,000

Crores for the current year.

The current operating environment remains challenging with inflated input prices and competitive pressure. However with a wide and diversified portfolio and extended international reach, we are comfortably to face uncertainties. 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 Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Hello Sir and good morning. Sir a couple of questions; first one is you had mentioned there was a strategic shift in dispatches. Can you please elaborate on that? Is this related owing to change or volatile commodity prices? What is it really?

Manish Mohnot: Strategic shift primarily has three components. The first biggest component is freight prices and availability of containers. I think that is a big shift from an international perspective because freight prices as all of us know are at a record high and sometimes availability of containers itself is becoming a challenge. A lot of our clients have come back and extended our delivery period because they can see that it is a global issue and not driven by any individual company, so that is a key reason for a strategic shift and second on projects where we know that on EPC projects the site requires much later than now. We have slightly shifted deliveries to make sure that at least if at all we can catch the commodity cycle at the right time but that is not significant. Significant portion is because of the freight cost and availability of containers.

Swarnim Maheshwari: Okay, basically this is specifically with respect to the international projects, but how about the domestic projects? Are you facing similar kind of issues or is it much better significantly now?

Manish Mohnot: As far as the domestic projects are concerned, delivery is on time except that some of our projects we have seen stoppages, primarily some of our projects in Rajasthan at the end of January primarily on account of some environment issues, which is beyond our control, but otherwise domestic projects have been very robust. We have delivered on what they have projected for nine months level, so not many delays as far as the domestic projects are concerned.

Swarnim Maheshwari: Right and Sir; just one related question with this one, so are we still maintaining 5% to 10% revenue growth guidance given our nine month is at negative 5%.

Manish Mohnot: We are changing our revenue guidance for standalone company. We do not believe that we will be growing in the current year. There is a likelihood that there could be some degrowth for the current year as a whole at a standalone level, although at the consolidated level, we continue to be confident of a double-digit growth, but at standalone level where we are today it does not seem like, we would have a growth for the current year, but at the same time given the visibility of order book, given L1

position, things are looking much better for next year. As I was saying at standalone level, growth looks difficult for the current year, but even order book visibility has started looking better.

From the next year perspective all the biggest challenge continues to be the volatility of commodity prices and that is something, which is completely beyond our expectations as well as beyond our own benchmark of where things could be.

Swarnim Maheshwari: My other question actually on the bidding process. If you just see on the transmission business side, I think you have mentioned that you will be actively participating in the bid and I just wanted to understand, how is the bidding environment over there because we have seen couple of new entrances in that sector and also what will be our average ticket size that we are targeting in this segment?

Manish Mohnot: Swarnim, on the transmission side if I divide this into domestic and international right, let me first start with visibility. As far as visibility is concerned over the last few months, we have seen a lot many tenders being rolled out by the State Government at a domestic level by the Central Government at a domestic level whether it is on TBCB, whether on PGCIL getting some of the large clients in North India, whether it is on state level utilities, so at least on a transmission side after long I believe that transmissions domestic will start seeing reasonably good growth getting into next year, both on order flows as well as revenue. As far as international is concerned, we had our own challenges of not being able to pitch for lot of World Bank funded projects till October. We are out of it completely now and we started bidding and as you can see significant portion of our L1 position today is on transmission international only; may be around 80% of our L1 is transmission international. As far as competition is concerned, it is the same 6, 7, 8 players on majority of the large projects. Smaller projects also at times we see 10-12 people coming in, but competition continues to be at similar level, which is healthy competition. It is not as bad as some of other segments where you are even seeing 25 to 30 players coming in, but as far as transmission is concerned I think we continue to 7 to 8 players only.

Swarnim Maheshwari: Got it Sir. Thank you so much and wish you all the best. I have couple of more questions. I will come back in queue.

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

Parikshit Kandpal: Sir my first question is on JMC. I just wanted to understand, we are seeing robust order inflows but the execution seems to be still lagging. Any update on that if you can highlight what is the contribution of JJM orders in the order book and how much has been the execution in the nine months and the third quarter that is my first question?

Manish Mohnot: Out of this 35% to 40% order book pertains to water and out of that, maximum water projects in the

country is driven by the JJM only ; 75% to 80% is driven by JJM.. To answer your question, about 80% is through JJM. Yes there is a small about 5% portfolio, which comes from international. We are doing couple of schemes in Maldives, so JJM weightage remains still heavy and this is where the Government is bullish and we can see in next four to five years good investment coming in the JJM scheme across all the states in the country.

Parikshit Kandpal: My question was how much of this order book has been executed in the nine months of FY2022 and the third quarter of FY2022?

Manish Mohnot: Your question is specific to water?

Parikshit Kandpal: Yes, for JJM specifically because there has been delays in getting the DPRs and all in place. I just wanted to understand it because of these orders constituting large amount of order book, but still not contributing substantially to the execution so just wanted substance there.

Manish Mohnot: The situation is contrary to what you are saying. Compared to the last year, when we did about 700 Crores in the water business, this year we are doing 1800 Crores. There is almost 200% or more than that jump is there and maximum of this execution is coming from JJM only. There are pockets of JJM where there is dip, but there are states like Orissa, states like Jharkhand where the execution is quite fast. There is a tremendous momentum building up in UP, which is currently little dissipated due to the elections, but execution is on the track in all our JJM projects. If you ask on the delay side, as such on the water projects, there is a general traction delay because the Government level, the mindset to drive these projects some of the state governments they are very strong like Orissa and places like UP they are building up the momentum and we will see the execution coming forward in Q4 and next year.

Parikshit Kandpal: Sir my second question is on the BOOT portfolio, the road. We are now out of the power transmission asset, but on the BOOT roads, if you could update what is the status there. Any update on this restructuring and monetization of these projects if you could just update us.

S K Tripathi: We can asset wise. KEPL which was our largest asset in joint venture with Srei that we have terminated after one year of farmers agitation, during which the toll plazas were closed and there was no revenue and as per the contract, we were entitled to do so. We have terminated and now we are working with the NHAI on the compensation and the termination payment, which I think in next two quarters, we will be able to resolve this. Major part of the problem, as far as the bankers are concerned, we will be also pursuing the claims, which will arise to recover the equity. This is as far as KEPL is concerned. As you can see this quarter, we have provided 88 Crores anticipating future liabilities, which will arise in KEPL. One more thing as you are aware in case of KEPL, we are already pursuing arbitration with NHAI on the breach of their covenant on the diversion making the alternate routes around the project. Coming to the WEPL, here also you will see some spurt in the

revenue, but this is all seasonal. Here also the project, we do not see much upside in terms of the revenue, but on the restructuring side, we have moved well and we expect to complete the restructuring of WEPL by March, which will definitely insulate us from the cash outflow next year. Coming to VEPL this remains a neutral project, so there is hardly any impact on the overall cash outflow or the revenue. VEPL, we are still in discussion with the investor to divest the asset. At the same time, this asset has a long trail of balance- 23 to 24 years, and our debts are to be repaid in the next four to five years, so we are also looking at the restructuring option. Overall we can see that next year the pressure from the overall JMC BOOT portfolio should come down and it should come down in terms of building up the cash flow pressure or otherwise and as the claims, we have something, they may start maturing maybe the next year onwards, which will give lot of relief to not only the BOOT projects, it will give relief to overall JMC balance sheet.

Parikshit Kandpal: Sir, last thing, just based on comment on the pledge and any plans to IPO the parent entity, Kalpataru Real Estate, any colour there and if that happens then how does the pledge work if they have plans of doing the same.

S K Tripathi: Parikshit let me take that question. I think on the pledge perspective, the pledge has primarily not moved significantly because of any borrowing and borrowing continued to be constant, so we have not seen the pledge come down as anticipated at the beginning of the year, but we believe that it should come down gradually during the current year. Given that the sales of real estate had picked up reasonably well that is what we have understood from the promoters. We might also not see anything major happening by March, but we expect slowly pledge to come down to reasonable levels over the first three quarters of the next year. As per the second question, question about real estate for Kalpataru Limited IPO, I have no clue of that. Maybe that is something which is completely with the KL management.

Parikshit Kandpal: Okay Sir. Sure Sir. Those were my questions. Thank you and all the best.

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

Bharat Sheth: Hi good morning, Manish ji and Tripathi ji. First on the JMC, Sir we have provided first on this KEPL 380 Crores, so out of that how much are the cash outflow do we expect in case and if that will be there and the claim will be there, the amount of claim that which can really match those outflows. Second Sir any investment during nine months in our road BOT.

S K Tripathi: Bharat Bhai let us break your question in two parts. One is on the cash outflow side. I think as far as the KEPL is concerned, as we have taken a further impairment of 88 Crores; this will cover any future expediency in terms of the cash inflow to the project at least for next one- and one-half years and within that time we expect to resolve the issue with NHAI. As far as the claims are concerned in

KEPL as earlier also we have two claims which are going on. On One claim, we have award of about 50 Crores, the second claim is in the advance stage of arbitration, third claim we will be lodging depending on the outcome of this termination payment what they finally give us, but to answer your question, we do not see any cash coming out of these claims in the near future because it is a long drawn process, 3 to 4 years and that too initially if we have to take out the cash we have to provide the BG, so we are really not looking at the direct cash inflow coming from these claims.

- Bharat Sheth:** How much will be the cash outflow out of these 380 Crores that we may have to do?
- S K Tripathi:** Maximum has already gone. There will be nothing that is what I am saying. There will be nothing in this financial year and in next two quarters also we do not see any cash outflow going forward in KEPL from anywhere.
- Bharat Sheth:** Any investment during nine months or this current year we expect other than these projects in other BOT asset?
- S K Tripathi:** Other BOTs; there will be because of the obligation on the VEPL Agra and Nagpur continues and that will come. Some projects will go into maintenance cycle. However, overall next year it should be in the range of 60 to 70 CR for the 2022 to 2023, overall investment in BOT.
- Bharat Sheth:** How much this year?
- S K Tripathi:** This year we have already done 113 and some more will come in the Q4 because some projects we have to do the regular maintenance work.
- Bharat Sheth:** Okay, On the JMC guidance for the current year and approximately next year, so what kind of a growth because we have already achieved 62% top line growth, so we were maintaining guidance of 20% so do we expect a substantial decline in Q4.
- S K Tripathi:** No, we do not expect a decline given the heavy order book we do not expect any decline rather the same momentum will continue in Q4 and little dissipated momentum will continue next year right so we can expect for the next year growth in the range of 10 to 15%.
- Bharat Sheth:** Current year EBITDA margins Sir?
- S K Tripathi:** Currently we are at 9% for the quarter. Overall we are at 7.6%. We expect the year to close something closer to 9%.
- Bharat Sheth:** Next year?

- S K Tripathi:** Let us see Bharat Bhai, there is lot of volatility in the market on the international side, logistics side and the steel and cement commodity side. It is still I think given our order book we should be in the range of 9 to 10% next year.
- Bharat Sheth:** Now last question for Manish ji. In the renewable side, we are hearing that government is planning around 370 giga watt in next 9 to 10 years and the total investment is required to the tune of 30 lakh Crores, so out of that how much is our addressable market and how do we look at that business apart from what you say, good traction in the domestic T&D side.
- Manish Mohnot:** From KPTL perspective, the biggest benefit of all this investment comes into requirement of more lines and transmission and distribution including sub stations right so the green energy corridor the first one a lot of orders had been placed. You see now a lot more tenders coming up and huge plan at the government level to enhance the connectivity for Northeast as well as North, so from that perspective, the visibility has significantly improved in the last 60 days with lot of tenders, lot of orders being floated by the government and I personally after long started believing that at least the transmission domestic space should start seeing growth again and reasonably good growth. It is not that 2, 3, 4, 5% which we have seen in the last three years: reasonably good growth.
- Bharat Sheth:** Medium-term perspective Sir I mean any.
- Manish Mohnot:** My view would be getting into next year, the transmission domestic including the neighboring countries should look at least 10%.
- Bharat Sheth:** Over next two to three years time frame the kind of investment the government is planning on the railways?
- Manish Mohnot:** If I look at different segments in transmission domestic, next two to three years growth has started looking good. Railways have been muted growth for the current year; at least on electrification you see kind of expansion in metros and all of that. Oil and gas seems to have started picking up, although for the first six months we have not booked many orders, but still we have started picking up. We have bid for a lot of tenders and we just did get an order also; we did on Friday, so I think, India business should come back to track for 10 to 15% growth getting into next year.
- Bharat Sheth:** International Sir?
- Manish Mohnot:** International continues to be a big thrust for us and as I said earlier today also our L1 position are in excess of 3000 plus Crores on international and we believe that it would be a big area both from KTPL India perspective as well from Linjemontage and Fasttel perspective.
- Bharat Sheth:** Okay. SIR last question, I mean EBITDA portfolio of KTPL because I believe that Q4 will be much

better than the current run rate so how do we expect full year EBITDA.

Manish Mohnot: It is becoming more and more difficult to start projecting EBITDA. Yes our order book looks healthy but that is on December 31st. After December 31st we have seen two hikes in steel already in the last 45 days, so right now I am keeping the guidance limited to 9 to 10% but as the volatility comes down or it at least stays stable even if it does not come down we should be targeting going back to the old days of profit level digit margins in the next year.

Bharat Sheth: Okay, and all the best Sir.

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

Swarnim Maheshwari: Thanks for the opportunity again. Sir now we intend to be debt free so we are right now at about 2000 Crores. Now what are other strategic projects that we actually plan to exit and by what time do we intend completely to do it ourselves?

Manish Mohnot: Let me take this question, from a larger group level. If you look at, it we have already declared a lot of our investment as non-core earlier itself right, we first said T&D and that is fully done. Road: one of them we have exited in terms of termination, one of them we are in a discussion with a large player for signing off sooner than later and one of them is getting into restructuring mode. Shubham Logistics also has been declared non-core while the business continues to be cash positive and they would not need any support, but that is in noncore products and I expect in the next few years maybe not immediately but sometime in 2023 or 2024, we should look at either a strategic investment or divestment in any other form in Shubham Logistics. As far as Indore is concerned, the project is nearly done and 45% we have sold. We have good traction. We sold seven odd flats in Q3 and the target for Q4 is 9 to 10 flats plus shops, so we expect Indore also all sales to happen in the current year and in the entire financial year and we expect that by March 2023, we should collect all our dues on Indore also, which is 300 plus Crores. From a strategic perspective, we continue to be focused on making sure that a lot of our technically non-core investments gets divested over the next 12 to 24 months.

Swarnim Maheshwari: Sir, I got that. If you can just help us quantify what kind of money do we expect from the sale of road assets, from Indore and from SSL, that would be helpful?

Manish Mohnot: Today it is going to be difficult to quantify on SSL and road assets because there are some discussions happening, which are confidential in nature, but Indore our investment is around 300 Crores and I believe that entire amount we should definitely collect in the next 12 to 15 months. We do not expect any significant bids to come on Shubam because the markets look attractive there from a long-term perspective. On the short term, we feel a lot of agri commodities move out of our warehouses because

of the high prices and the commodity market, but from a long-term perspective we have signed with a couple of more PPP, so we have signed up with Haryana in Q3 and we expect a few of the states in Q4 and Q1 of next year. From overall business perspective Shubam, will continue to do well and we do not expect any hits there and Indore is what I told you in the range of 300 plus Crores.

Swarnim Maheshwari: Sir clearly the heavy lifting has to be by the road BOOT assets, right?

Manish Mohnot: Yes, you are right, but strategically we are moving at a direction. Everything takes time given the kind of head winds we are into today, but hopefully Q4 we should be able to at least make sure that the restructuring of one of the assets is done and we might be pushing hard to see we can reach an agreement in terms on the third asset which has had a long binding of in Q4, but that is something which depends on reaching an agreement in terms of value. Right now what we are discussing is no more about value, but about terms and at the current value what we are discussing we do not see a significant hit coming on that asset also.

Swarnim Maheshwari: Just one related question, do we expect to be net debt free by H1 FY2023 or FY2023 and any timelines over there?

Manish Mohnot: We continue to be focused on keeping debt at minimal levels and we might not reach that target maybe H1, but maybe by March 2023 our debt should further come down unless we plan to do a strategic investment at a global level, which is nothing on the cards today but otherwise yes you should suggest coming down gradually quarter on quarter over the next four to five quarters.

Swarnim Maheshwari: Sir, my other question about you contemplating the merger of KPT and JMC, which actually could have been like a significant synergy so any updates over there?

Manish Mohnot: As I have said earlier, we continue to focus on both the businesses as they are today. We continue to explore various structuring options, which we may have. We definitely believe the synergies would help us in terms of improving margins and bidding for larger projects, but that is something, which at an appropriate time, the call will be taken by the senior management and the boards of the two companies if at all, but as of today, we continue to focus on growth of both the companies from a long-term perspective.

Swarnim Maheshwari: Fair enough Sir. Thank you so much and wish you all the best.

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

Shreyans: Thank you for the opportunity. My question is pertaining to JMC. Sir, of late we have JMC bidding for road projects, so is that we are targeting on a serious note, and if yes will it be restricted to EPC or we are at looking at HAM projects or something of that sort as well.

- Manish Mohnot:** Shreyans, we have not done any bidding in the Indian road sector for at least one year, expect some strategic projects like some tunnels and all that. Currently, we are not looking at the EPC or HAM or BOT in India as far as the road is concerned.
- Shreyans:** Got it. Sir, my next question is pertaining to EBITDA margins. We were targeting double digits 10 to 11% and now the guide under the 9% to 10%, so just wanted to understand what is it exactly and why it is being brought down?
- Manish Mohnot:** Shreyans, if you look at last one year, it is full of uncertainty whether it is the commodity or the logistics. Most of the cost have gone up and most of the contracts they are having the escalation provision, but there is a 3-to-5-month lag between the indices and the actual realization part so you are right initially we forecasted in the range of double digit. Now we are cautiously saying that in the range at around 9%, but as I say going forward if this uncertainties settle down, post-elections then we can see the numbers improving going forward next year.
- Shreyans:** Got it. Sir, few book-keeping questions from my side. Can you just let us know the capex number we have done for nine months and what is the target for this year and for next year?
- Manish Mohnot:** We have already done about 137 Crores if I recollect, 137 Crores and by year end it should be about 180 to 185.
- Shreyans:** For the next year?
- Manish Mohnot:** Next year, the capex will be in the range of about 150 Crores or so.
- Shreyans:** 150 odd Crores. Sir, what would be our order inflow guidance for FY2023?
- Manish Mohnot:** Having got this order book next year, we will be focusing on stabilizing and the delivery of the projects rather than looking at targeting any particular order book, but of course depending on the opportunity, we can look at a number of about 6,000 to 7,000 Crores.
- Shreyans:** 6000 to 7000 Crores okay. Sir, one last question from my side. Are we eligible for Central Vista project?
- Manish Mohnot:** In terms of the PQ side, we do not qualify. We are eligible but we do not qualify.
- Shreyans:** Okay, any plans to bid for that project?
- Manish Mohnot:** Central Vista, yes if we get the project of our appetite and our size, we will definitely bid.
- Shreyans:** Got it. Okay That is it from my side. Thank you and all the best.

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

Teena Virmani Sir this is Teena Virmani from Kotak Securities. My question is more on the non-T&D segment. Like you mentioned that oil and gas is looking to pickup and you may target around 10% to 15% growth next year, but on a broader level, what kind of opportunities are coming up in this segment and even in the railways or how do you plan to grow the non-T&D segment for KPTL standalone in terms of what opportunities are you looking in? How do you see this growth spanning out over next two to three years? Are there any new segments that you would be planning to add up in this, for example let us say railways electrification is little slower or if oil and gas fails to pick of the ways you are expecting, so are there anymore incremental segments that you may want to add up in the non-T&D to grow this segment?

Manish Mohnot: Let me just first answer your last question about saying are we planning to add anything specific from a diversification perspective oil and gas and railways. As I have said earlier, nothing on the cards right now, but we will continue to explore anything within the value chain where we exist today whether it is on manufacturing or design or specific projects, specific skills. As far as oil and gas is concerned, you are seeing traction coming in from all the large oil PSUs whether it is GAIL, whether it is ONGC, whether IOCL, whether Gujarat Gas, whether it is private sector investment to some of the large players and we started that traction and tenders have started coming in. This is one area for us and the second area which I had said earlier also is the entire international market. Today at KPTL, we qualified a lot of markets in Middle East, in Africa even in oil and gas and we have submitted a lot of tenders. We have not been lucky till now. We have not been successful till now, but that is something which is sooner than later, so from a larger perspective I think we are looking at both. Domestic opportunity is improving and second internationally we should be able to pick something sooner than later, and that is helping us keep that momentum of growth as far as oil and gas is concerned. As far as railways is concerned, electrification we have seen some slow down and excessive competition coming in that, but again on whether it is a metro electrification or whether it is broadening of the lines or new lines, we see some tenders coming in. Also in railways, we had a very healthy order book. In railways, if you look at today the railways order book is closer to 18 to 21 months of delivery as of now, so we are focused on closure of project making sure that we deliver on maximum projects what we have committed and we are looking at rebuilding that order book. Even railways we are looking at the international segments in Africa and we should be submitting a few tenders in the next 3 to 6 months and that would again be an important area of growth for us from a long-term perspective.

Teena Virmani Sir, in railways, are we witnessing any kind of payment delays from railways?

- Manish Mohnot:** We see delays periodically, but on an overall basis if you ask me on 10-month basis, we are fine, so sometimes, some months, some payments which come delayed and all of that but on a 10-month basis my railway business has thrown surplus cash and I have not seen issues from a cash flow perspective.
- Teena Virmani** My second question is related to the provisioning, the way you did it last year for the expected increase in the commodity prices, given the fact that prices are still moving up or they have paid at higher level, so do you expect any further provisioning by end of this year for the current set or order book for the next fiscal or you would take it as and when it happens?
- Manish Mohnot:** As of now from CTC provisioning perspective, we have a provision of approximately 145 Crores on our books on December 31st. This is what we had started the year also at similar numbers and besides that, in the last nine months, we have actually incurred a cost in excess of 175 Crores only on steel, aluminium, copper and freight increase. Where we stand today looks good, but as I said earlier, this is all a perspective at a given point of time. December 31, looks good, but again you have seen Rs.2000 increase in the last month happening on steel, but the new order, which we are building we are obviously keeping this question in mind without saying that things do not look like coming down and this is the steel price we will have to live with, so the near order book would not have such kind of bids coming in, but the older order books still continues to bid and I think it will take us a few more quarters to get out of this old order book given the delay happening across the board on freight and a few other things and again some of our projects in international, which have stopped; in Afghanistan and Myanmar all of that.
- Teena Virmani** Okay. Was there any provisioning made in the current quarter, in the December quarter?
- Manish Mohnot:** We have not made any additional provisioning. Technically the provisioning as of April 1st continues as of now and whatever we have incurred is all being booked as a cost.
- Teena Virmani** Okay got it Sir. My last question is on JMC. I might have missed out on the comment. Are we expecting any kind of incremental write-off in JMC or for Kurukshetra it is largely done taking into account any future exceptional items?
- Manish Mohnot:** So as far as the JMC is concerned, we have taken write-off 86 Crores this quarter and this is also anticipating some liabilities which may arise in two or three quarters.
- Teena Virmani** Beyond two to three quarters you may not expect any further write off on the same and for the other road projects is any such thing expected or it will depend on how restructuring and sales pans out?
- Manish Mohnot:** We do not expect anything major write off there, so if the restructuring goes on WEPL we do not expect anything to happen there in the near future, and other two assets anyway they are self sustaining currently, so we do not see any major write off coming on these three left-over projects.

- Teena Virmani** Okay got it Sir. Thanks a lot. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Renjith from Mahindra Manulife Mutual Fund. Please go ahead.
- Renjith:** Hi Sir good morning. A couple of things; one of our competitors have recently entered into this oil and gas pipeline space, so are you seeing an impact in your market share in that segment. Is that something that you have to rework on and what is your strategy there?
- Manish Mohnot:** I know the specific question what you are asking, so from a competitor perspective, healthy competition is always good because the company that was acquired was always in competition so it is not that it is a new player, which has come in and when there is a reputed player, which comes in who has reasonable margin projection and who has more long-term view, it is always good to have healthy competition. Do we expect a lot of things to change from our own perspective?
- I do not think so because the kind of pre-qualifications we have, the kind of asset base, the kind of team we have built over the last 10 years, I think it is going to take a lot of time for any new player to do it over a shorter or even a medium time-frame and again our focus on international market is something, which will help us grow much faster from a long-term perspective, so have we changed any of our projections or plans because of competitive pressure, my answer is no, I do not think we have changed anything.
- Renjith:** Again when I look at your growth if I adjust it for the inflation portion, it seems to be pretty challenging in terms of declining trend, how do you want to address this and is there something which we are getting back into our thinking and trying to address this growth concern?
- Manish Mohnot:** From a growth perspective, yes it has been a challenging year and there is lot of factors for it. Some internal some external and a mix of things beyond our control, so clearly order book was not growing for the last 12 to 15 months right and that would have impacted growth at a standalone level at some point of time, which we are seeing immediately now itself. Order book inflow was impacted because of delays in orders, because of our own World Bank issues and a few other things and because of the volatility because some point of time we were not sure how to handle the volatility. It looks good, but we did not get a few projects, steel would have further hit back significant in the last six months, regarding the steel, but while I say so that is the reality we will have to live with. Yes, growth has been a challenge but given the visibility of L1 orders, given that we have now allowed to bid on every kind of project across the globe, even the enhanced visibility of some of our international subsidiaries and given the new targeted orders coming in from transmission domestic our personal view is that we should be getting back into the growth mode next year. How much would be the exact growth as for standalone is concerned, we will have to come back to you in our next call, but at a consolidated level definitely we will continue to be growing at a double-digit percentage even next year.

- Renjith:** Sir, even if it is double digit, the commodities are increased by 15% to 20%, so still in volume terms, it is still a flat, so that is what I am trying to understand.
- Manish Mohnot:** You are right. In the first nine months, it has been a drag on everything, on physical outlook, on plant manufacturing, on dispatches, on site, everything, but from here onwards even for adjusting for inflation, we are expecting the commodity inflation not to continue at the same 15% to 20% levels. Adjusting minimum inflation, you should see some reasonable growth coming into the next year not definitely in the current quarter.
- Renjith:** Our order intake, I just missed what previously we were looking at 9,000 Crores so is that number still valid or you are cutting it down?
- Manish Mohnot:** At a standalone level, we are reducing our order intake target to around 8000 Crores. At a consolidated level, we are committing at around 20,000 Crores, we are at around 14,000 plus and including L1 we are closer to 20,000, so at a standalone, we are cutting our guidance to 8000 Crores which is what the L1 position we have, which we believe should all get concluded by March 31st.
- Renjith:** Is this largely due to the domestic T&D which are getting delayed?
- Manish Mohnot:** Yes. It is across a lot of segments, even railways as I said earlier, we have not seen a lot of traction and even when we have seen there has been huge competition, T&D the domestic here the tender has got delayed but now we see a lot of tenders coming in. International we are back to growth and that is something, which is going to help us in a big way going forward.
- Renjith:** Regarding the percentage of fixed price contracts in our order book, how much will that be?
- Manish Mohnot:** As of today our fixed price order book at a KPTL or standalone level is around 70% whereas for JMC the fixed price order book is less than 10%, so on consolidated basis our fixed price is more than 50% but standalone KPTL the fixed prices are around 70%.
- Renjith:** Okay, so that will be a challenge for us to negotiate next two quarters, till the commodity prices normalize.
- Manish Mohnot:** True, but that is the nature of the segment, because today you do not have any tenders coming in our core businesses except railway in both T&D, TLI as well as international, which are variable in nature. There are no tenders there, so what you have to do is load back into a cost at the time of tendering. I assume that strong headwinds will continue in the future.
- Renjith:** Okay, but do not we do this back-to-back ordering and does not that help us in arresting these gross margins or it does not work or what?

- Manish Mohnot:** So as far as aluminium and copper and currency is concerned, you cannot hedge there. Maybe you can hedge your future requirement, but as far as steel is concerned there is no hedging mechanism, except for keeping inventory, but you cannot keep inventory beyond a point, right because when it stays you need investment and all of that, otherwise there is no form of hedging your exposure on steel.
- Renjith:** Okay Sir all the best. Hopefully, things normalize.
- Moderator:** Thank you. The next question is from the line of Parikshit from HDFC Securities. Please go ahead.
- Parikshit:** My question is on KEPL. Is it for all practical purpose, now this asset has been handed over to NHAI after the independent engineers report and we are not servicing anything in that and lost funding, so as of now nothing to do with this project?
- Manish Mohnot:** Right, expect that we have to travel eagerly with the bankers and get them their due for NHAI and also take the required contractual action with the NHAI depending on the outcome how much they repaid to the bankers.
- Parikshit:** Who is servicing NHAI debt?
- Manish Mohnot:** One it is terminated NHAI has a obligation to pay the debt due, so there is no servicing as such, but NHAI has informed to the bankers also that they are in the process of working out this amount and settling it.
- Parikshit:** This quarter write off 87 Crores, it is a non-cash write off or it is a cash write-off. You have to pay this much money as cash.
- Manish Mohnot:** It is a non-cash item.
- Parikshit:** You have incurred, if my understanding is right, a 48 Crores expected credit loss that is the loss funding you have done on this project for this year until now.
- Manish Mohnot:** That is right.
- Parikshit:** Okay, so 48 Crores loss funding you have done. Out of 113 Crores odd, which you are expecting for this FY2022, so if you can give a broad breakup of that; how much goes into Kurukshetra and how much in other projects.
- Manish Mohnot:** About 59 Crores has gone into KEPL, 39 Crores in VEPL, and about 15 Crores in WEPL.
- Parikshit:** How do we see this number? You said about 60 to 70 Crores will be incurred on this, so how will this

split be for 60 to 70 Crores. You said for next year we are expecting a large funding of about 60 to 70 Crores to continue versus our earlier number of about 10 Crores, which you have guided after the restructuring and monetization, the losses will get cuddled closer to zero, but now again you are saying 60 to 70 Crores of loss funding need to be incurred in the next financial year of FY2023, so I just wanted to know why that difference is coming now. I mean we are coming back to historical levels of loss funding and if you can also give a breakup of which project this loss funding will be incurred on.

Manish Mohnot: WEPL, we are going through the restructuring, so there what we have funded 15 Crores. In terms of servicing the debt and that obligation will come down, but there will be a requirement of a maintenance cycle of WEPL which we have to fund right, so there will be some cash funding requirement on WEPL for the asset maintenance. Coming back to VEPL, we have done 39 Crores. There also either the divestment or the refinancing will bring down the obligation of paying the funding for the debt but at the same time there also we are expecting some requirement for the maintenance cycle, maybe 15 to 20 Crores or so. KEPL anyway there would not be any requirement and WEPL there will be a requirement of maintenance cycle up to the tune of about 10 Crores or so. Out of these 60 to 70 Crores, what I am saying next year will be majority of it for the maintenance of the asset and part of that will be major maintenance, a substantial part of it, because all these assets are now 7 to 8 years old and they have to go through the cycle of maintenance.

Parikshit: So that was next question. You said all these three which was 60 to 70 Crores is largely going into MMR and not into debt servicing or debt short fall right.

Manish Mohnot: That is right.

Parikshit: So in FY2024 these should not recur. I mean these will be incurred in FY2023. They should not come back on FY2024, maybe after 5 to 6 years maybe again you have to incur MMR but for FY2024, we are not seeing any significant loss funding for these assets.

Manish Mohnot: Right and by that time, there will be other developments as far as the WEPL is concerned. We can see there could be some six laning option on those assets NHAI is considering. VEPL will go under four laning; is expected to go in next one and half years, so there could be more development on these areas going forward.

Parikshit: If this extension happens, we will look to retain it or we will give it back to NHAI.

Manish Mohnot: No, we will give it back.

Parikshit: Just last thing Sir, as per the contractual obligation with NHAI, I understand that you have invested close to about 90 to 100 Crores that is pure equity which was in KEPL as per the concession

agreement signed, so what kind of termination payments you are expecting, if you can highlight on that and also how much of claims you would have filed until now in this project.

Manish Mohnot: KEPL, we already have award of 55 Crores, which is already in the court and by providing the BG we can take the money so this is claim number one which is already awarded in our favor. The second claim, which we have launched, is for about 910 Crores. This is for breach of NHAI for construction of parallel roads. This arbitration is in the advanced stage and we can expect the award in FY22-23: Q3, Q4. Third claim we will be lodging depending on as I said earlier on the call that NHAI though concession obligation is very clear NHAI has to pay the debt due, 100% debt due they have to the banker and the adjusted equity. Now knowing NHAI, they will definitely do the hair splitting, read in between the lines, and increase the maintenance obligation because while exiting the asset all kind of such pressures will come. Depending on what we get, we will be lodging another claim to recover the full equity, which we have invested in the project because this is what we are entitled to, but it will not come in straight way but it will come through the contractual and legal process only.

Parikshit: Sure Sir. Thank you.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to Ms. Bhoomika Nair for closing comments.

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

Manish Mohnot: Thank you Bhoomika, Thank you everyone.

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