



**Kalpataru Power Transmission Limited and JMC Projects (India) Limited
Q3 FY20 Earnings Conference Call”**

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MODERATOR: **MS. BHOOMIKA NAIR – IDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power Transmission Limited and JMC Projects Limited Q3 FY20 Earnings Conference Call hosted by IDFC Securities. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you.

Bhoomika Nair: Thanks, Stanford. Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q3 FY20 earnings call of Kalpataru Power Transmission Limited and JMC Projects. We have the management today being represented by Mr. Manish Mohnot - Managing Director and CEO; Mr. Ram Patodia - President, Finance & CFO; Mr. Kamal Jain - Director and Mr. S. K. Tripathi - Deputy Managing Director and CEO, JMC Projects and Mr. Vardhan Dharkar - CFO, JMC Projects. I will now hand over the call to Mr. Mohnot for his opening remarks post which we will open up the floor for Q&A. Over to you sir.

Manish Mohnot: Thank you, Bhoomika. Good morning everyone. I am thankful to you for your continued interest in attending this earnings call of KPTL and JMC. Before proceeding for Q&A session, I would like to take you through the key highlights of the results and recent developments.

- We have successfully completed sale and transferred the Kalpataru Satpura Transmission asset to CLP within the agreed timelines. We have realized the gains of the same in our Q3FY20 financial results.
- We have achieved COD of both element 1 and 2 of the Alipurduar Transmission asset. The process of getting necessary approval for transfer of asset to CLP has started.
- We have received preliminary offers to monetize the Jhajjar Transmission asset and expect the deal to be finalized soon in Q4FY20 itself.
- We have achieved sale of 25% units in the Indore Real Estate project. Balance units will be sold in the next 6 to 8 months.

Coming to numbers, I am happy to inform you that we have delivered a good quarter with decent growth in profitability numbers for both KPTL and JMC in a challenging environment. At KPTL, on a standalone basis, revenue was ₹ 1,979 crores, a growth of 15% on a Y-o-Y basis. For 9 months, revenue grew by 21%, Y-o-Y to ₹ 5,601 crores. Our T&D business grew by 5% and our other business grew by over 20% in Q3FY20. Our growth in T&D business including Linjemontage has been close to 17% in Q3FY20.

At the standalone level, we expect KPTL to deliver revenue growth of around 18 to 20% in full FY20 as projected earlier.

Our core EBITDA has reached ₹ 208 crores in Q3FY20 with 10.5% EBITDA margin. For 9M FY20, our EBITDA margin was 10.8%. Our EBITDA margin for Q3FY20 and 9MFY20 has

marginally dropped given a change in job mix and higher turnover from non-T&D businesses. We are confident of maintaining our EBITDA margin between 10.5 to 11% for full year FY20.

Our net borrowing at the end of December 2019 was ₹ 996 crores. Our finance cost has increased in Q3FY20 because of rise in debt and higher utilization of working capital limits; however, we are confident to maintain our debt levels between ₹ 800 to ₹ 1000 crores for FY20 as guided during the start of the year.

Our PBT for Q3FY20 is ₹ 178 crores, a growth of 25% on Y-o-Y basis and PAT of ₹ 137 crores, a growth of 49% on Y-o-Y basis. Similarly for 9MFY20, PBT grew by 19% to ₹ 481 crores and PAT grew by 34% to ₹ 356 crores. Our order book as on 31st December 2019 is ₹ 14,867 crores. This is excluding the new orders of around ₹ 550 crores received in Jan and Feb 2020 and declared yesterday. Our order inflow in FY20 till date is around ₹ 6,500 crores. Incrementally, we have L1 position of approximately ₹ 1,500 crores as on date.

At JMC, revenue for Q3FY20 is ₹ 929 crores, a Y-o-Y growth of 4%. For 9MFY20, revenue growth was 20% Y-o-Y to ₹ 2,774 crores. Our revenue growth for the full year FY20 is expected to be around 18 to 20% as guided earlier.

Our core EBITDA for Q3FY20 is ₹ 103 crores and our EBITDA margin has improved by 90 basis points to reach 11.1%. For 9MFY20, EBITDA was ₹ 305 crores with margin of 11%, a growth of 70 basis points. JMC will continue to maintain EBITDA margins in the range of 10.5 to 11% for the current year.

Our PAT for Q3FY20 is ₹ 39 crores, a growth of 5% Y-o-Y and PAT for 9MFY20 is ₹ 113 crores, a growth of 21% on Y-o-Y basis. Our standalone debt at JMC has increased to ₹ 861 crores at the end of December 2019, largely on account of higher working capital. Similarly, the finance cost has increased commensurate with the rise in debt levels.

At JMC, our debt levels will be around ₹ 800 to ₹ 900 crores by the end of the year, a slight revision in the guidance has given at the beginning of the year. At JMC, our order book is ₹ 10,492 crores at the end of December 2019 and the order inflow till date is ₹ 3,364 crores, largely driven by B&F projects. Additionally, we have L1 position of over ₹ 950 crores at JMC.

On Road BOOT projects, our average daily revenue was ₹ 52.5 lakhs per day in Q3FY20 as compared to ₹ 56.1 lakhs per day achieved in Q3FY19.

On a consol basis, KPTL revenue for Q3FY20 was ₹ 3,162 crores, a growth of 15% over the corresponding quarter of previous year. For 9MFY20, our consol revenues have reached ₹ 9,149 crores with Y-o-Y growth of 25%.

Our consol EBITDA was ₹ 388 crores with a margin of 12.3%. Similarly, for 9MFY20, our core EBITDA has grown by 26% Y-o-Y to reach ₹ 1,172 crores with a margin of 12.8%.

Excluding impact of one-off gains from sale of Thane and Indore assets, our PBT has grown by 7% in Q3FY20 compared to the previous quarter of same year and 20% in 9MFY20. Our PAT for Q3FY20 was ₹ 133 crores, a growth of 17% compared to corresponding quarter of last year. For 9MFY20, PAT grew by 17% Y-o-Y to ₹377 crores.

Our consol order book is ₹ 25,359 crores which is well diversified across T&D, B&F and other infra business. At consol level, in FY20, we have achieved order inflow of around ₹9,829 crores and we have L1 of around ₹2,450 crores.

At Shubham Logistics, revenue in Q3FY20 was ₹ 28 crores with EBITDA of ₹7.2 crores.

Thank you once again and I am happy to take your questions now.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Just if you can highlight like, for this quarter and for the 9 months, how has been the breakup between pipeline, railway, T&D and possible domestic and overseas?

Manish Mohnot: If you look at T&D on total basis, for 3QFY20 our revenue grew by around 6%, so our revenue for T&D excluding Linjemontage is ₹1,200 crores, including Linjemontage is ₹1,350 crores. So I will just give you both the numbers, excluding Linjemontage at T&D growth is 6% for Q3FY20 and 5% for 9MFY20. Absolute number for 3QFY20 T&D was around ₹1,200 crores and 9 months was around ₹3,400 crores. Our Railway business grew by more than 100% in the current year that is what was guided, so it was around ₹450 crores in 3QFY20 and around ₹1,300 crores in 9MFY20. Oil and Gas business have been around 3 to 5%, around ₹320 crores in Q3FY20 and around ₹850 crores in 9MFY20. Linjemontage was ₹157 crores in Q3FY20 and 9MFY20 was ₹403 crores.

Renjith Sivaram: And in terms of, if you look at the perspective order intake which is there in the pipeline, so couple of things, green energy corridor used to be one of the big opportunity which all of us were looking at, so is there any delay in terms of finalization or you see some slowdown in that and that is one thing and in the railways in the current budget for the railways, the outlay towards electrification has been reduced, so do you feel overall that high growth phase of railways will be normalized from here on?

Manish Mohnot: On the green energy corridor, we got two big orders, one from a private sector and one from Power Grid in Q3FY20 and I think we got around 15 to 16% of the market share in terms of the T&D order of green energy, so those orders have already come and KPTL is working on it and those are projects which need to be completed in 12 to 15 months and we are confident we will do that. As far as railways is concerned, obviously we can't continue to grow at that same 50-100% which we have grown for last 2 years and that is what we said, couple of years we will

see huge growth and then it will come back to 15 to 20% and that is visible today. If you look at my order book, I think growing at 20% plus in Railways at least for the next couple of years will not be a problem. On the third aspect of railway electrification reduction, I think it is exactly what is in plan. See, last two years, it was significantly high because its targeted journey and now as electrification happens next 5 years but still it is big enough for us to grow at 15 to 20%, so it should not be a challenge if the railway is concerned of growing 15 to 20% for next couple of years at least.

Renjith Sivaram: And lastly that one of the projects which we have sold and we have got some consideration, so can you tell us how much we have got from that project because it was a net of some impairment of one of our subsidiary, so how much is the....?

Manish Mohnot: Our equity inflow on that project including our subordinated debt was around ₹80 crores and the debt reduction was around ₹200 crores. Our profit on that project is approximately ₹30 crores at a standalone level and we took the impairment on one of our subsidiaries of around ₹7 odd crores. So the net impact, one-off which is coming around ₹23-24 crores.

Renjith Sivaram: So this is after factoring in the gains what we have got from this sale and then considering for that impairment, right?

Manish Mohnot: Yes.

Renjith Sivaram: And the subsequent payments when can we expect from these transaction sales?

Manish Mohnot: So the Alipurduar Asset, as we have declared is already commissioned. The process has started of getting all the approvals. We believe that all the approvals should come in this month and we are confident that in Q4FY20, the entire cash flow should come in and the ATL should be done. As far as the third asset KMTL is concerned that was scheduled anyway for Q2-Q3 of next year and we are on track on that because the commissioning is scheduled for July only. On the fourth asset Jhajjar as I mentioned earlier, we have got all the offers, we are just evaluating it and before the end of the year, we should be concluding that deal with any of the prospective buyers.

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

Swarnim Maheshwari: This is Swarnim Maheshwari. Sir, two questions, first you mentioned that there is some hit on the working capital side, so just wanted to understand is this on account of vendor support to the railways or is it like some over due on the debtors side?

Manish Mohnot: It is a mix of actually three things and the first one as you rightly said vendor support across the entire businesses, not only railways, but vendor support across all businesses, whether railways, oil and gas, T&D or even at JMC, so our actual creditor days have come down in 9 months across all group companies which would have gone up and it has come down by 10 to 12 days,

so that is the first thing. Second, I think there is also delay in receivables at the few specific clients, a few SEBs for KPTL, a few private sector clients for JMC. While some of that has come in January, but there has been some delay which happened in Q3 and third is the order book mix. Typically, if you look at railways and oil and gas, they have back-ended projects and T&D has a lot more front-ended in terms of cash flow, so given that mix slightly change but with all of this also, we had already budgeted all of this at the beginning of the year. With all of this also, we believe that we should be at net debt levels of around ₹1,000 crores in KPTL. This was all budgeted, this is not surprised, may be ₹50 odd crores we have got the surprise but nothing significant, nothing beyond that.

Swarnim Maheshwari: Sir, secondly on Jhajjar, if I recollect this was not in the initial tranche when we sold it to CLP, this was not part of the bouquet, so this is now we are actually eyeing to sell this out and is the buyer already identified over there?

Manish Mohnot: You are right, Jhajjar was not a part of that earlier deal and we had said clearly that we would be doing this in due course, so we have got three prospective buyers who had shown keen interest in this. We are evaluating their offers and we should be able to give you a conclusion hopefully in the month of March 2020.

Swarnim Maheshwari: And sir, lastly at the consolidated level, now we are at almost about ₹3,600 odd crores of debt and Alipurduar should also throw on another ₹300-400 crores of cash and also the debt should reduce from there, so just wanted to understand how are we looking to use this cash flow, is it like just to repay the debt or there is something else also over here, for acquisition or something else?

Manish Mohnot: Significant portion is not, majority if not all, sorry I am using three English words, it should go for debt reduction, some small amount here and there, but significant portion will go for debt reduction. You know our planned vision of becoming a debt free company at a standalone level and also a big focus of becoming a debt free consol on 31st March 2021 and that is what we are working towards, so significant portion would go into debt reduction.

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

Jonas Bhutta: Just wanted your views on, if you were to look forward towards FY21, how the order inflow mix, would you still put your money on T&D growing or you would expect that the other verticals to increase given some bit of slowness in the GEC orders which are not moving as per the original timeline that is my first question.

Manish Mohnot: If I have to divide the entire T&Ds into TLD and TLI, I think TLI including our Sweden subsidiary which is doing exceptionally well, and which was a strategic move should continue to grow at 15 to 20% as far as TLI is concerned. Getting into next two years because we have good visibility and this entire L1 of ₹1,500 crores is only T&D. As far as domestic is concerned,

I will stick to the stand that earlier I used to be at 6 to 8%, I came up to around 10%, I think 10% growth for domestic including the neighbouring countries should not be a challenge for the next couple of years. For Railways, obviously we will not continue to grow at the same levels what we have done in the past, but growing at 20-25% given ₹ 4,000 crores of order book is something which is easily achievable and also we are looking at the international markets on railways which can see a big upside from whatever we are projecting today. As far as Oil and Gas is concerned, a lot of orders have come in, the budget also has focused a lot including the national gas grid, so I think that business growing at 15-20% should not be a challenge given that business had some peculiar challenges and has PQ which is very stringent and has minimal competition, one of those businesses where we still find 5-6 players only compared to the other businesses where we find 10 to 12 players. I think there also growing by 15 to 20% should not be a challenge. So from my perspective, three of our businesses growing at 15-20% should not be a challenge. TLD, yes clearly it would not be at the same speed as the other three businesses.

Jonas Bhutta: As far as JMC is concerned sir, as far as I recollect the guidance was to do at least flat order inflows which is roughly ₹5,500 to 5,600 crores, given that we are L1 now in ₹950 crores, to get to that ₹5,500 crores is almost ₹2,000 plus crores, so what was your revised guidance or you still stick with that flattish pertinent flow guidance sir and if you put it before, I am sorry I might have missed it, so just wanted your view on that?

S K Tripathi: Today, we are at ₹3,364 crore and we have L1 position which is about ₹ 950 crore, so the year we should end to the level of about ₹4,500 to 5,000 crore in terms of the order book.

Jonas Bhutta: And lastly sir, on the Shubham Logistics, there again we had plans of turning PBT positive this year sir and whether that is still on track?

Manish Mohnot: On the projection, what we have done we still believe there is 90% plus chance of being PBT positive. Q3FY20 was a one-off because the crops which got destroyed in Q2FY20 and Q3FY20 out of the four states where we are significantly present because of seasonal monsoon, but on Q4FY20 we still are hoping with 90% plus probability to end PBT at zero-zero is not a positive basis. That is what we have projected and we are all working towards it.

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

Prem Khurana: My question was with respect to JMC, so two questions essentially. Sir, if I have to look at the order back log for the last two years, what we have seen is share of infra business has gone up substantially, I think 3Q FY18 was almost on 17% and now it stands around 33%, but given the fact that we have seen our infra exposure doubling when I compare with the kind of growth that we have been able to deliver in terms of topline around 4%, is it fair to assume that a large part of your growth would have come because of infra and building is going a little slow for us now?

- S K Tripathi:** This 4% growth is for this quarter if you look on the year-to-year basis, we are at about 18 to 20%. This quarter was specifically slow because of the payments from the customers and we had purposely slowed down the projects in order to manage the cash flows. Now, you are right that revenues from the infra, if you look at they have grown up in last two years and going forward this trend is going to continue. Even at the year end, we will be at the same ratio in terms of the revenue coming from the infra and B&F. Certain areas of B&F are slow but certain parts of Southern India are maintaining good growth and similarly certain parts of infra particularly water are maintaining good growth, so these two drivers will carry forward the momentum of growth even in the next year.
- Prem Khurana:** And sir, just to understand this a little better, I mean would you be able to break this 4% growth down into two segments, essentially buildings and infra, how much did building grow in this quarter and how about infra on a Y-o-Y basis if possible if you have that number available with you?
- S K Tripathi:** Yes, infra has grown by almost 47% in 9MFY20.
- Prem Khurana:** And I think in your opening remarks you said there has been some elongation in terms of working capital cycle for us, is it because of infra and let us say, if I assume that it is because of infra, this is the new normal that we need to work with or do you get to see this number coming down and third one was essentially on your toll collection, the number is down, 6% Y-o-Y in terms of average daily collection, so what is the breakeven level now in terms of cash PAT or let us say, in terms of wherein you would be able to meet your expenses on your own and your JMC won't be required when we support the SPVs.
- S K Tripathi:** In terms of the growth, just to answer your first question, so infra last year we did about ₹ 650 crores in last year and this year we have done about ₹986, so there is a substantial growth of about ₹325 crores. If I look at on year-to-year basis, 49% growth it comes from the infra.
- Prem Khurana:** For 9 months?
- S K Tripathi:** Yes, for 9 months and overall growth is 20%, so debating part is growth of almost, say 15 to 16% for overall growth of 20%. Now, as I said, this same ratio will continue going forward for the Q4 as well as even the next year.
- Manish Mohnot:** I think you had two more questions, one on debt levels and second was the breakeven on road assets?
- Prem Khurana:** Yes sir.
- S K Tripathi:** So debt level currently we are at say, ₹850 crores. We will be maintaining the same debt level going forward, though there is a lot of distress because of the outstanding with the customers and that is why in the beginning we said that our focus this year will be to look the whole business

from the cash flow perspective rather than from the topline growth perspective and we will moderate it depending on, because there is a big shift in the environment. Even the government side, the uncertainty has built up which never used to be there. So we will be very cautious in terms of going forward order booking as well as doing the revenues which will be in tandem with the cash flow. So our sole aim will be there to maintain this debt level of ₹850 crore. Now, your next question was on the BOOT, right?

Prem Khurana:

Yes.

S K Tripathi:

Now, BOOT if you look at the last whole year, there has been because of the economic downturn there has been a revenue degrowth even, so we have come down to the level of almost ₹52 lakh per day revenue as against the ₹56 lakh of last year. We are seeing some shift happening in January-February but I think this is the trend this year we will see and in terms of the support from JMC, till now we have done almost ₹69 crores, we have infused in BOOT, Q4 again in the similar ratio that support will continue.

Moderator:

Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel:

Sir, my first question is, in the last conference call, Mr. Tulsiyan did mention that by March, there will be some positive development on your BOOT projects in JMC, either selling a couple of them or restructuring them, so just wanted to get an update from you?

S K Tripathi:

Yes, the process is continuing, so we are looking at the two assets, restructuring proposal has moved on. By the end of the quarter or the Q1 of the next year, we will definitely have some concrete things on the table but yes, two projects which are particularly KEPL and WPL, they are in the restructuring mode, proposals with the banks have moved on.

Ankit Babel:

And what about the other two? Are you selling them?

S K Tripathi:

Other two, we are exploring but still we are yet to firm up the deal somewhere. Exploration is on by a few buyers.

Manish Mohnot:

Just to add to this point based on what Manoj has said last time, we had appointed advisors and they have different strategy for each of that, some are being looked at for exiting, some are being looked at for restructuring, so it is the combination of different strategies for each of the assets but the advisors are working with us and we are working on that proposal.

Ankit Babel:

Sir, the two projects get restructured, how much your outlook will get reduced if it happens in say, Q1 or next year on an annualized basis?

S K Tripathi:

If two assets get restructured currently, so we are doing about ₹20 Crores per quarter. That outflow should come down to almost ₹8 to 10 crores. It will reduce by almost 50%.

- Ankit Babel:** You already mentioned on the debt that ₹850 crores in JMC you will maintain, right?
- S K Tripathi:** Yes.
- Moderator:** Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth:** I just wanted to get some sense in terms of our international T&D, can you give us more sense in terms of which are the key markets that are looking up and what are we targeting in terms of what is the big pipeline in the international market essentially and where is it coming from?
- Manish Mohnot:** Kunal, our focus continues to be on two critical markets, one is the entire African market which today constitutes more than 50% of our international order book and second is that the Nordic region driven by the growth of our subsidiary which we had acquired there. We believe that these two markets will constitute significant percent of the growth in order book in the next at least 3 to 6 months and also the revenue resulting from there.
- Kunal Sheth:** But are we seeing meaningful pipeline or are we seeing some slowdown there also like you are seeing in India or there because number of countries that we are servicing is much larger that can compensate?
- Manish Mohnot:** I think we are seeing a good pipeline coming out in that part of the world and today out of our L1 of ₹1,500 Crores more than ₹1,000 crores is international order books which are in the L1. So that part of the world we are seeing some good traction. It is taking some time, given that all the changes which are happening all across the globe and what are the global factors but still a lot of traction in Africa as well as the Nordic countries. And Nordic, you can see the Linjemontage's growth in order book, I mean that is visible so if you look at the 9 months the way the business has grown, whatever we had projected will do in year 3 or year 4 will happen in year 1 and 2 itself.
- Kunal Sheth:** And sir, for the KPTL order inflow, I don't know if you have already mentioned this, but we were looking at ₹9,000 to 10,000 crores of order inflow this year, are we maintaining that or we are revising that number?
- Manish Mohnot:** It includes L1, we are at around ₹8,000 crores, ₹6,500 we have declared and ₹1,500 we are L1, so I don't see a challenge in being in that range of 9,000 to 10,000 crores, more towards 9,000, than towards 10,000.
- Kunal Sheth:** And sir, on JMC out of our current order book, how much does the water project contribute?
- S K Tripathi:** Water project contributes about ₹2,700 crore and we are also L1 in about ₹600 crores worth water projects as of now when I am talking to you.
- Manish Mohnot:** Approximately 30% of the order book.

- S K Tripathi:** Yes.
- Kunal Sheth:** And this ₹600 crores is the ₹950 Crores number that you talked about includes this ₹600 crores right?
- S K Tripathi:** Right that includes.
- Kunal Sheth:** And just one clarification on JMC, you mentioned that about half of the inflows, infra and B&F will be 50:50, so we were talking about the sales number or inflow next year likely to be in that proportion?
- S K Tripathi:** We were not saying 50:50, see today also if you see about 35-36% turnover comes from the infra and the rest comes from the B&F. The same proportion will continue in Q4 and may be the next year also. That is what we have said.
- Moderator:** Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.
- Vijay Karpe:** My question pertains to JMC. Sir, what is the current cost of debt for us?
- S K Tripathi:** The current cost of debt is around 9.5% to 10.
- Vijay Karpe:** And what is the support which you are going to give the BOT projects in Q4?
- S K Tripathi:** Around ₹20 crores or so will be the support that JMC will provide to the SPVs.
- Moderator:** Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Sir, just wanted to, if you can just help us for the next year the kind of momentum you are seeing, so what kind of order intake growth, not in terms of revenue, order intake of ₹9,000 crore this year we have, so can we easily assume another 10 to 15% growth in that and what are the major areas where we can see some traction in that?
- Manish Mohnot:** So Renjith, let me not give a number in terms of target because we are going to finalize that in the next couple of months, but clearly traction what is visible is what I can explain you, so if you look at T&D space, just last week there are around 14-15 projects on BOOT which have been declared by the government, just last week and that would be ₹8,000 to 10,000 crores of work getting order in the next 3 to 4 months, if minimum ₹8,000 to 10,000 and plus whatever is happening in terms of PGCIL and SEB. So at least that piece looks like going in the right direction to ensure that we continue to growing at a double digit level. International, as I said our focus continues to be Africa and Nordic and we have good order book and that piece driven by what we have seen in the last 6 to 9 months looks like again can give us a good improvement in terms of order book of 15 to 20%. So with this three segments, 15 to 20% growth visible, I

don't see a challenge in being at levels of ₹9,000 to 10,000 crores minimum but we will come back to you with the exact number hopefully by March, April once you have clarity in a lot of these things which I have come up after the announcement where the government on NIP and transmission, new BOOT projects and oil and gas, national grid and the international side including some big projects coming up in the neighbouring countries, so give us some time, but I don't see a challenge in being at a minimum levels of what we are doing at the current year.

Renjith Sivaram: Will we be again looking at putting money into any of the transmission BOT projects because by next year we will become mostly net debt positive. That is our target, so then will we again look at investing in some of the BOT projects?

Manish Mohnot: As we mentioned earlier Renjith that clearly we have not been a player where we have invested significant portion of our free cash flows into BOOT assets. We have invested some money and we have now got lot of it released. We will continue to look at specific opportunities but with some strategic players along with us, in such a manner that our equity contribution is minimal.

Renjith Sivaram: And regarding the real estate, how much is pending of the Indore sales?

Manish Mohnot: Indore, we have sold around 25%. As we mentioned earlier, we have got OC for two buildings. The balance buildings we expect OC to come between June and August and our own estimates are that by the end of financial year 2021, we should be completing all our sales at Indore project. Thane, we are already out and Indore, we expect that by March 2021 we will be completely out.

Renjith Sivaram: And lastly, I think during the start of the year, we had given a CAPEX in the standalone I think around ₹80, more than ₹100 crores, so how much have we spent in terms of CAPEX and what is our target now for?

Manish Mohnot: I think our guidance at the beginning of the year was ₹150 plus crores more towards ₹200 crores, while we had said that this is again a year where we would focus on some CAPEX given the growth in various segments. So our standalone CAPEX would be in the range of ₹150 to 200 crores with lot of investment going into oil and gas, significant investment going into expansion of our Raipur plant where we now also do railway structures in a big way and some international CAPEX. So we think we should be at ₹150-200 crores and getting into next year will again stream by ourselves with the same rate which we have been doing for the last 5 years

Renjith Sivaram: So this ₹150 to 200 cores, how much has been spent till now?

Manish Mohnot: We have committed CAPEX of ₹150 crores plus as of now for 9 months.

Renjith Sivaram: Okay, so that is going as per plan and it will come down next year?

Manish Mohnot: Yes.

- Renjith Sivaram:** And sir, lastly this is something which a lot of people are worried about regarding the group real estate business and will that impact the performance of Kalpataru, so can you give some clarity on like how this is if you can give us some confidence in that?
- Manish Mohnot:** We continue to stick to a stand which we had taken in the last call also based on the assurance given by the promoters that the pledge wouldn't increase in any form as per the pledge of shares as KPTL is concerned, it will only reduce and they have stuck to that stand. If you see Q3 also, there was a slight reduction and it will continue to reduce, so whatever debt gets repaid would not be taken again against pledge, it will only reduce and to that extend, we are confident that there shouldn't be any risk coming to KPTL and JMC.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, two questions, one was essentially and if you could help us understand the inflow guidance for the year, we have already done almost around ₹3,400 crores, so what is the target of the full year?
- S K Tripathi:** It is ₹4,500 to 5,000 crores.
- Prem Khurana:** In the last call, we spoke about a couple of international orders with aggregate value for almost around ₹ 2,000 odd crores, any progress on either of the projects or?
- S K Tripathi:** Yes, there is a good progress in those projects and we are trying to get them in the Q4. If not Q4, Q1 definitely they are going to mature.
- Prem Khurana:** And the guidance does not assume either of the projects in your Q4 because we are already ₹3,400 crores, we have L1 of ₹900 crores and we are still guiding ₹4,500 crores and if either of these two projects also come to you, it will be single ₹ 1,000 odd crores, so there is a chance wherein we would be able to exceed our guidance, is it?
- S K Tripathi:** Chances are less, the process is on next, so let us take it that we will be at ₹5,000 crore without even these orders and these orders will mature in Q1 next year.
- Prem Khurana:** And any slow moving orders in our order back log, you said I mean you are facing some issues in terms of payment with some of your clients, so any sense in terms of percentage how much would these orders be as a percentage of order back log?
- S K Tripathi:** No, nothing as such. There were some orders that we have corrected quarter back. There is nothing like that in the current order book.
- Moderator:** Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

- Swarnim Maheshwari:** Swarnim here again. Sir, two questions, first, just a clarification when you said that you are looking at ₹9,000 to 9,500 crores of intake in KPTL, so this would include Linjemontage also, right?
- Manish Mohnot:** Yes, I think that we have clarified in Q2 itself saying that our order target because a lot of Linjemontage is supported from here in terms of supply, in terms of supply chain, all of that. So for us, that is the part of our TLI order book.
- Swarnim Maheshwari:** Sir, secondly if you can just help us with this, I mean what would be the investments at KPTL standalone level at the end of December 19 towards the group companies?
- Manish Mohnot:** I think the total investments in group companies at the end of December 19 would be around ₹1,200 crores which includes Sweden, which includes our BOOT projects, which include JMC and which include Shubham. It should be around ₹1,200 odd crores. It was ₹1,000 crores at the end of March. The significant investment has happened on Sweden and primarily whatever increases happened on BOOT projects has got reduced by whatever we have got on our Satpura asset, so from March to December there is an increase of ₹200 crores and primarily out of Sweden itself.
- Swarnim Maheshwari:** Actually, when you look at March 19 numbers, the support actually was more about ₹700 odd crores in the balance sheet, am I am missing something over here, it was about ₹648 crores to be precise, so I am just wondering this ₹650 crores of number going to about ₹1,100 crores in December 19?
- Manish Mohnot:** I think the March 19 number is around ₹1,000 crores including the support to BOOT assets where JMC was around ₹320 crores, Shubham was around, let us say around ₹140 crores as of March-19 I am telling you, Sai Charan was around ₹150 Crores, Satpura was ₹57 crores, Alipurduar was around ₹200 crores and there were some others of ₹140 crores, so it was around ₹1,000 crores and if you need all the details, you can just get in touch with the teams and we are able to provide that.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Sir, based on the ₹80 crores odd we have received on Satpura and the ₹300 crore amount that we may receive on Alipurduar, do you still stick with the estimate of going net cash by 4Q but that now you would like to sort of revise that given that....
- Manish Mohnot:** I think there is some difference in terms of communication, our net cash positive Q4 2021, not 20, whatever projections we were on ₹1,000 crores debt has no inflows expected out of Alipurduar as of now. We believe it should come in March but there are lot of approvals, so our debt levels projected of ₹1,000 crores does not consider the inflows coming out of Alipurduar

but if that comes in which we are very hopeful of, our number could reduce at a standalone level by at least ₹300 plus crores.

Jonas Bhutta: And as far as the Indore asset is concerned, sorry, I missed your comment sir, you expect that sales of all the units to be completed in the current calendar year?

Manish Mohnot: Yes, calendar/, calendar year by December 2020 is what our internal estimates are but I am saying stretch it by 3 months in March 21, we should definitely be out and we expect OC to come for the balance buildings between Q2, Q3 of the current year.

Jonas Bhutta: And hence the inflows from that form part of your calculation to go net cash or it will be independent as in you go independent...

Manish Mohnot: No, these inflows have been considered for our projections of net cash. They have been considered for next year's for our projections.

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

Parikshit Kandpal: Sir, what was the contribution of the MP irrigation project in the revenue?

S K Tripathi: This MP irrigation projects have contributed almost ₹400 crores out of this basket.

Manish Mohnot: In 9 months.

S K Tripathi: 9 months.

Parikshit Kandpal: And for this quarter, how much will be that number?

S K Tripathi: About ₹ 153 crore.

Parikshit Kandpal: So this project is on track or is there any delay as per the construction schedule, is it going as per the schedule or there is some delay?

S K Tripathi: So out of 5 projects, one project is already completed, it was on schedule, the balance 4 projects, there has been a slowdown in the government funding and that is why we have also reduced the work plan there. So these projects depending on the government funding, we will moderate their phase, so in fact we had planned something about ₹600-650 crores from that whole basket of MP irrigation which may get reduced to about ₹500 crores or so going forward.

Parikshit Kandpal: In terms of order value or revenue every year?

S K Tripathi: Revenue, I am talking of revenue.

- Parikshit Kandpal:** And the payments are coming on time here or what would be the outstanding here, receivables?
- S K Tripathi:** Outstanding they amounted up to for whole basket to ₹250 crores end of September which has come down now to about ₹150 crores and we will see some more reduction in this February and March, but again quarter 1 of the next year, these receivables will go up in MP because normally first two months there will be no funding available from the government.
- Parikshit Kandpal:** We have written a letter to NHAI for the Rohtak-Bawal project, so any update on that, have they responded to that letter?
- S K Tripathi:** We have represented them on the parallel tollway which has been created by them and NHAI as such discussion is on but at the same time we have taken up the restructuring process as well as we are also contemplating to articulate this reduction in the revenue as part of our claim which we will be discussing with NHAI and launching in end of this quarter.
- Parikshit Kandpal:** Just on the residential bit, in the Southern markets, how is the market looking up now? What kind of ordering you were going to see there in next 6 to 12 months if you can just touch upon that?
- S K Tripathi:** Southern India is looking quite stable, of course there is drag on the payment, on the receivables from almost all the developers but given that situation also there is no dearth of enquiries, quality enquiries and Hyderabad particularly apart from Bangalore, Hyderabad is also moving in terms of growth. There are good inquiries from Chennai region also, so overall if you ask me, Southern region is projecting the same phase or similar phase for the next financial year also. We don't see any major problem in Southern India.
- Parikshit Kandpal:** Sir, are you looking or taking any steps to derisk the residential exposure in the B&F segment and increase non-resi part?
- S K Tripathi:** That we have been doing it consciously. Even today also look at, it is at 50:50 level in Southern India and we will be looking towards reducing it further.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** On behalf of IDFC Securities, I would like to thank all the participants for being on the call and the management for giving us an opportunity to host the call. Thank you very much sir for answering all the queries.
- Manish Mohnot:** Thank you Bhoomika.
- Management:** Thank you everyone.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.