"Kalpataru Power and JMC Projects Q1FY14 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power and JMC Projects Q1 FY 2014 Results 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 this 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. Thank you and over to you Ms. Nair.

Bhoomika Nair: Thanks and good morning everyone. Welcome to Q1 FY 2014 Earnings Call of Kalpataru Power and JMC. The Kalpataru Power management will be represented by Mr. Ranjit Singh, Managing Director, Mr. Manish Mohnot, Executive Director, Mr. Kamal Jain, Director, Finance and JMC project management is being represented by Mr. Manoj Tulsian, CFO. I will now hand over the call to the management for their initial remarks post which we will open our floor for Q&A. Over to you sir.

Ranjit Singh: Good morning everyone. We have declared our Q1 FY 2014 results of both KPTL and JMC and the copy of results, press release and presentation has already been sent to you. Before proceeding with the Q&A session I would like to take you through the key highlights of the results and recent developments in our business. In KPTL, we have achieved topline growth of 27% due to better execution of both domestic as well as international projects. We are particularly pleased with growth in TL business which we have been able to achieve despite subdued macroeconomic situation and headwinds facing infra and power sector in India, project execution of overseas projects especially in Africa, Ukraine and SAARC region which are on track. Going forward as far as TL strategy is concerned, the focus is going to be growth from international and stable earnings from our Indian operation. After successful completion and stabilization operation of first BOOT project, we have won our second BOOT project this time in MP and we expect that in the long run we will have beneficial results from this. On the infrastructure segment as we had communicated earlier, there has been pressure on both railway as well as pipeline division. Both railway as well as pipeline division face an execution delays due to ROW issues, early monsoon in eastern part of India where most of our railway projects are located and from other local problems. As far as pipeline is concerned we are now witnessing a point of inflection with increase in new order and more rational bidding coming to the segment. We have mentioned in the earlier conferences that, we executed railway projects in certain difficult terrain leading to execution delay apart from some learning curve issues that we had. While we expect the pain to continue in the short run in these two businesses, however there is a large opportunity to be tapped in the infrastructure segment going forward especially DFC which is going to come up in the railway segment. On the margin front, the core EBITDA margin has been 10.3% and PAT margin is about 4%. Our order intake has been particularly good with us having received more than Rs 1000 Crores of orders this quarter and expected good inflow in Q2 as we have good L1 positions in Q1. As far as domestic business is concerned, we maintained strong position in PGCIL orders and in international business ,we have reinforced our presence in African market by securing a large order of over Rs. 500 Crores. Going forward with current order book in hand and favorably placed orders, we are increasing our topline growth estimates to around 20% from 15% as we talked about earlier for the next year. In a nutshell if you look at our strategy we are going to continue our focus on growth segment especially international business. We also initiated certain organizational transformation initiative by focusing on productivity improvement, cost control etc. Cash management continues to be one of our key focus areas and we are also working out overall BOOT strategy, because of the BOOT opportunity which is coming up in TL segment. As far as JMC is concerned, we have achieved a topline growth of 19% due to healthy order book and strong execution especially under building and infrastructure segment. Core EBITDA has also grown by 19% and PBT has grown by about 21%. We are progressing well on our various initiatives on cost rationalization, productivity mechanization etc., although results of the same in terms of improved margins will start getting visible from this year-end onwards. All of our road BOOT projects are progressing well; Rohtak-Bawal project is ready to start. We are waiting for COD approval from NHAI. Agra-Aligarh project would be completed by end of this financial year. The other two projects will be operational in next financial year. Shree Shubham Logistics continuous to grow in both topline and bottomline, topline has grown about 72%, core EBITDA has grown 84% and PAT has grown about 16 times. Our total operational capacity under management has reached 11.35 lakh metric tonnes including own ALP capacity of 3.5 Lakhs metric tonnes. In the last quarter Tano Capital as all of you are aware has infused Rs 80 Crores in SSL for future growth plans. We have plans to increase our own ALP capacity to 6 lakh metric tonnes over the next three years. With this update I would like to open the floor for Q&A discussion. Thank you very much.

Moderator: Thank you. Ladies and gentleman, we will now begin the question and answer session. First question is from the line of Renu Baid from B&K. Please go ahead.

Renu Baid: Good morning sir. Congratulations for the very strong set of numbers in the T&D segment. Sir, as you mentioned you have revised your revenue expectation northwards from 15% to 20% levels for the next two years. Do you think there will be any change in your margin guidance as well or you should be able to maintain 10% plus margins?

Ranjit Singh: Around 10% plus margins that is what we should be able to maintain. We are not increasing our guidance as far as margins are concerned.

Renu Baid: Sure and on your first quarter performance it will be helpful if you could share with us how did the T&D breakup look between the international and domestic sales?

Ranjit Singh: Number one, T&D itself accounted for about 90% of our total sale. Within T&D if you look at it, 10% was accounted for by infra segment. If you look at T&D in particular as far as international business is concerned it was about 40%, domestic was 60%, but if you look at the order book, the position reversesas we have been talking about earlier, our focus has been on growing our international business, because we feel that in long term, this is going to be more profitable as well as most of the growth is going to come from there especially looking at headwinds we actually continue to face in the domestic business because of power sector issues for the next two years. Order book position today is about 60% international, 40% domestic.

Renu Baid: Sure and within the infra segment, we have seen the segment continuing with loss, so in your view for the current year should one expect segment turning around or will it probably remain in red?

Ranjit Singh: I think the pain is going to continue for some more time. We are taking action. As we talked about earlier we have got two businesses, one is the pipeline business where two major changes are happening viz we are seeing more orders coming on, number two, we see more rational bidding coming to the scene but overall impact of this new rational bidding and the fact that margins are going to improve orders coming forward that impact will only start coming from next year, this year we do not expect any significant changes to take place. Railways again, these are all projects that we have taken about two years back, so the margins are not very great because that was our initial strategy in terms of getting entry in to the railway business. We have run in to some execution difficulties especially on the eastern part of the country because of monsoon and certain other delays which have taken place. Overall if you look at it infrastructure pain is going to continue at least for this year, next year onwards we expect some improvement to take place on the performance but in the long run I would like to reiterate that we see significant potential of growth in infrastructure segment especially both in railways as well as pipelines.

Renu Baid: Sir, my last question, if you can elaborate a little more on the BOOT project which you have received from MP with respect to the total project size, cost, equity contributions and how do you expect these to happen in the next coming few quarters?

Ranjit Singh: This is a new BOOT project that we have got which was under viability gap funding, the planning commission model, the total project cost is estimated to be Rs 325 Crores, EPC cost will be about Rs 300 Crores, total VGF or the grant would be about Rs 61 Crores, the debt part would be about Rs 210 Crores. As far as equity investment is concerned over the next two years we expect about Rs 60 Crores equity investment to take place in the project. Annuity, as all of you know these are standard annuity projects where we expect the annuity of about Rs 40

Crores to continue for 25 years and further extendable for 10 years25, that is the period for which we are going to have the concession.

Moderator: The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Good morning sir. Sir, we hear a lot of things about what the government has been trying to do on the ground into clearing projects in different sectors etc., which is also where we are present, so are you seeing any positive change in the environment in which you are working across your customer segments, so could you just give us some thoughts on the outlook on those sectors in terms of project clearance etc.

Ranjit Singh: Is your question about the government policy changes?

Madan Gopal: We hear a lot about how they are trying to clear up all the bottlenecks from projects etc., so are you really seeing those things on the ground for you in terms of bids and pipeline etc.,

Ranjit Singh: Let me take the power part first. As far as power is concerned a lot of announcements have taken place on the generation side. As far as transmission is concerned there is no major policy initiative or announcement has happened apart from what happened last year in terms of dismantling of monopoly of PGCIL and initiation of BOOT project in this segment. On the ground if you look at it as far as power segment is concerned on transmission, distribution we do not see any significant impact of the government policy. In general, what we expect is that significant changes should take place only after elections and the new government takes over next year.

Madan Gopal: But on the SEB side , SEBs have started to order out more and there has been some improvement in some of the SEBs. Are you seeing them being a little bit more aggressive on projects at state level?

Ranjit Singh: We see significant traction as far as SEBs is concerned, in fact we have bid for projects in Andhra Pradesh and we have been favorably placed in couple of projects there. We are also looking at Tamil Nadu as one of the key focus areas, we are implementing projects in Tamil Nadu, and we see some traction happening on the SEB front.

Moderator: Thank you. Next question is from the line of Abhijeet Dakshikar from L&T. please go ahead.

Abhijeet Dakshikar: Sir, just I had a question on the balance sheet improvements that we have been talking about in terms of release of capital from the loans and advances to the real estate projects etc., but when I see the interest cost it is gone up significantly move to Y-O-Y as well as the quarter-on-quarter. So, what would be the reason for that?

Kamal Jain: The interest cost has gone mainly because of the increased activity. The growth has been 27%, secondly to some extent around 30 to 50 points of cost has gone up and thirdly we have executed a lot of Power Grid Corporations projects where the payment terms are little different nowadays and because of that increased activity in overall working capital has increased.

Abhijeet Dakshikar: Has working capital has actually gone up?

Kamal Jain: It has gone up slightly

Abhijeet Dakshikar: You would also see the project cash flows that you will generate with 20% growth over the next two years; do you think that your absolute debt itself will come down?

Kamal Jain: Absolute debt may remain in this range with increase in growth.

Manish Mohnot: We believe by year end absolute debt should be closer to what we have achieved in the previous year, with the growth of 20% we will require additional working capital but similar amount should get free from some of the subsidiaries which includes Shubham, which includes our real estate ventures, so we believe by the year end our debt should be at similar levels of what we achieved at the previous years on a standalone basis.

Abhijeet Dakshikar: In the previous year-end our debt was around Rs 530 Crores.

Manish Mohnot: In the range of Rs 550 to 600 Crores at the year end level is where we should be.

Abhijeet Dakshikar: That is why it will maintain and right now it will be at the same level?

Manish Mohnot: No, right now it would be higher.

Ranjit Singh: On the other side couple of other points in terms of other development in projects, the Thane project has been completed, sales process is underway, so we should have some cash inflows taking place till the remainder period.

Abhijeet Dakshikar: But nothing happened in this quarter?

Ranjit Singh: The project was completed.

Abhijeet Dakshikar: The MP project?

Ranjit Singh: That is a new project that we have won, so only the whole thing will start only from last quarter of this year.

Abhijeet Dakshikar: No, that is the BOOT project, I am talking about the other, and there are two real estate projects.

Ranjit Singh: At Indore project the design is under way and the construction is going to come in place.

Moderator: The next question is from the line of Nirav Vasa from Motilal Oswal. Please go ahead.

Nirav Vasa: Hello sir. Thank you very much for the opportunity sir. My first question pertains to CFO of the company has just informed in the call that there has been change in terms of payment from PGCIL. May I please request to elaborate a bit more on the changing terms please?

Kamal Jain: Around 20% has been linked with the erection of the tower. Earlier there used to be 75% progressive payment on supply whereas now it will be 55 and 20% linked to the erection payment.

Nirav Vasa: So effectively by what percentage are we expecting working capital to be stretched, because of this change in payment?

Kamal Jain: As Mr. Manish Mohnot has said that by year-end we will be more or less at similar levels

Nirav Vasa: I want to understand basically, this is a structural changes in the payment by PGCIL am I right on that?

Kamal Jain: It will be only the Rs 50 to 60 Crores

Manish Mohnot: This was introduced last year, but the proportion of the projects with the older payment terms was much higher, as we go forward percentage of projects in the new payment terms are going to increase and obviously the impact is going to be slightly on working capital.

Nirav Vasa: Sir my second question pertains to the margin profile across two geographies, first is in Africa sir, off late several Indian business houses started targeting Africa big way, so what kind of margin profile in terms of EBITDA are you expecting there and specially this was related to Africa and second thing in railway orders, in tough times according to me only the PSU sector capex is happening in big ways, so are you seeing aggressive bidding happening in railway especially in the freight corridor projects.

Ranjit Singh: First to take up the thing on Africa, as you know in the African market we have been present for the last five to six years in a very, very big way, one of our focus segment areas. As far as execution is concerned we have significant amount of organization competency that we have developed over the period of time, as far as other competition is concerned we are fairly comfortably placed as far as African market is concerned. We have differential company advantage in a way as far as execution of projects in Africa is concerned. We cannot share the exact numbers in terms of margins etc., with you, but generally because of lesser intensity of competition, because of the fact that you have got differential advantages over competitors in Africa our African projects have ended up having better margins compared to the domestic project. Couple of other reasons for that is that most of the African contracts are based on World Bank or the multilateral funding agency contracts. Significantly more level playing field and gives the provision for price escalation etc., in a more rational manner compared to some of the project contracts that we enter in to in India.

Nirav Vasa: Aggressive bidding, are you seeing any kind of aggressive bidding in the rail projects especially of the freight corridor?

Ranjit Singh: Railway Freight Corridor, we are looking at it, right now our focus is on completing the existing projects that we have, as we mentioned that there is some execution delay, the focus first is on completing the project, and we are not focusing too much on railways, new project. This year we are going to spend time in consolidating our position in railways, we have taken up a few small projects of Rs 20 Crores to 30 Crores in terms of overhead electrification which is a new business area for us; it has got synergy with our existing transmission line project. So this year will be a year for consolidation as far railway project is concerned, only from next year you start seeing us going ahead and bidding for larger railway project.

Nirav Vasa: Sir, if my understanding is right, this current year focus is more to get the prequalification for the bigger projects which will be coming, am I right on that?

Ranjit Singh: As well as finishing of projects which are there, executing it on time and within cost.

Moderator: Thank you. Next question is the line from HR Gala from Quest Investors. Please go ahead.

HR Gala: Congratulations for good set of numbers in all the companies. My questions pertain to JMC; a couple of them, #1 are there any progress in execution of the delayed orders?

Manoj Tulsian: Execution, this quarter if you really see, had been better compared to on a Y-o-Y basis, but labor as a constraint continues to haunt us and we could have actually done slightly better than what we have done in terms of the last few quarters and that remains as a challenge even during the year and going forward, so we are working on that and we will see how it pans out.

HR Gala: so overall for FY'14 what kind of revenue growth do you expect on the EPC front?

Manoj Tulsian: We are looking at a growth of around 10% for the full year.

HR Gala: But has our growth in this quarter has been better?

Manoj Tulsian: Yes, this quarter we have grown by around 18 and odd percent

HR Gala: 18.8%, so still you maintain 10% growth or would you like to revise the revenue guidance like what KPTL did?

Manoj Tulsian: We will be maintaining 10% only, for this we will see a lot of challenges as we mentioned on the labor front and though monsoon is very good this time, for some of the business it does not works out. In our business we are facing the challenge because of a very heavy monsoon during this quarter also, so we are keeping our guidance at 10%.

HR Gala: My second question is how are the order pipeline and the margin going ahead?

Manoj Tulsian: We have got orders of around Rs 350 Crores, so the order book compared to March, but if you remember we have mentioned in our earlier calls also that we will become slightly more cautions in terms of procuring new orders and unless and until we are able to get more of variable price orders we are not actually running after orders because we have sizable order book and we can continue to search for better margin orders for at least next six to nine months and we are very hopeful that we would be able to build up a better variable margin order book.

HR Gala: For the full year you have guided for about 100 basis point increase in margin do you think that will come forward?

Manoj Tulsian: Very much, we are very hopeful and we would still be able to improve our margins by around 100 basis point by end of the year.

Moderator: The next question is from the line of Sachin Trivedi from UTI Mutual Fund. Please go ahead.

Sachin Trivedi: Sir, just in your opening remarks you mentioned about Shubham, so can you elaborate on Shubham where we stand in terms of profit in tonnage how much we have done and what are our plans for future?

Manish Mohnot: Shubham current year projections are to grow revenue at 25% as compared to previous year and we expect our profit to be closer to double as compared to the previous year, our targets for the year are more in the range of Rs 30 Crores at a profit level as compared to around Rs 16 to 17 Crores in the previous year. On the capacity front we have now got a capacity in Madhya Pradesh already, so now we are in three states, Rajasthan, Gujarat, we have also included Madhya Pradesh and by the year end we should be also in Maharashtra where the construction of warehouse will begin, so on the capacity front you will see us growing from today our own capacity plus Shubham Hired is closer to 6 lakh tonnes, that should go up by around a lakh tonnes by the year end and what we manage is today around 11,35,000 that should be around 12.5 lakh tonnes by the year end, so in totality we expect Shubham to do well in the final year.

Sachin Trivedi: How much will be our investment and advances to Shubham from Kalpataru?

Manish Mohnot: From Kalpataru today, equity plus loans is more in the range of Rs 125 Crores which we expect it to come down to around Rs 75 to 80 Crores by the year end.

Sachin Trivedi: Is Kalpataru's holding in Shubham now 80%?

Manish Mohnot: No, it is closer to 70% after the last dilution we did; it is closer to 70%.

Sachin Trivedi: What will be the capital of Shubham now?

Manish Mohnot: Including the infusion by Tano it would be in the range of Rs 130 Crores.

Moderator: Thank you. The next question is from the line of Sanjiv Panda from Sharekhan. Please go ahead.

Sanjiv Panda: Congratulations for a good set of numbers. Most of my questions are answered. If you can elaborate your Thane real estate project how things are shaping up because it is almost a quarter and we are ready, so if you can just throw some light on that?

Manish Mohnot: We got the NOC for final occupation later part of the previous quarter. We are looking at two options. One option is to lease it on a long-term basis; second option is to exit outright by sale. Discussions with various players are happening right now. The discussions are slightly confidential so we cannot share that, but we believe that a decision should be taken in this quarter for sure.

Sanjiv Panda: As you have already explained, I do not want to harp on that same thing, but the interest expense because of the higher working capital structure, do you think this is going to be the trend for the whole year?

Manish Mohnot: If you look at quarter on quarter, there is always the situation if you look at historically also that the first two quarters the working capital goes up and Q3 and Q4 you see it coming down. You should divide the order book today and as my colleague Ranjit said earlier that today more than 50% of our order book is international which is very comfortable in terms of working capital, but some component of the Indian order book including Power Grid where working capital requirement has gone up because of the revised payment terms. It is not going to have a big impact, the impact is not more than Rs 50 to 60 Crores in totality at a year end, but yes working on domestic Power Grid order book the working capital requirement is much higher than international order book.

Moderator: Thank you. The next question is from the line of Chirag Shah from ICICI. Please go ahead.

Chirag Shah: Most of my questions have been answered, I just wanted to know what is the order inflow scenario in terms of domestic market as well as the international markets because I believe that PGCIL has been slow over the past few quarters in ordering in the Indian market, so what is the sense in terms of domestic market as well as the international geography sir?

Ranjit Singh: You are right; as far as PGCIL is concerned it is a significant slowdown that we have seen in the past. Our current order book on PGCIL still remains very good, close to about Rs 2000 Crores. To offset this what we are doing is focusing more on state electricity board projects with secured funding, second thing that we are doing is focusing on international business, third thing we are doing is focusing on SAARC countries where we have done well, last year we got two new projects in SAARC, one in Bhutan and one in Sri Lanka. We continue to intensify our focus on SAARC region. Third part of course is the BOOT opportunity which is coming up, BOOT we are looking at in two ways really, one as a developer, you know last year our Haryana project was completed and stabilized and this year we got MP BOOT project, but as far as we are concerned we are not being very aggressive but doing very, very rational bidding. If you look at the BOOT business which are coming up is about Rs. 200 to 400 Crores in first segment, second segment is Rs. 1000 Crores plus. What we are doing is focusing on about Rs. 200 to 400 Crores projects, other opportunities of course which is going to come up is as the EPC contract to improve on the BOOT project or developers who set a BOOT project of Rs. 1000 Crores plus. So that is the overall strategy, yes there is a slowdown as far as PGCIL is concerned. **Moderator:** Thank you. The next question is from the line of Shraddha Shah from Nirmal Bang. Please go ahead.

Shraddha Shah: I just wanted to understand what are the revenues you are expecting from Rohtak-Bawal project in FY’14?

Manish Mohnot: Revenue from Rohtak-Bawal for the year should definitely be more than the numbers you indicated, will be in the range of 60 to 70 Crores depending on when we achieve the COD, but entirely it depends on the traffic once we have the COD there, but that is our estimate right now.

Shraddha Shah: We would not be expecting any revenues from Agra Aligarh project in FY'14 right?

Manish Mohnot: Not significant, something very, very low.

Shraddha Shah: I just wanted to know what is the total investment that we are going to be making to the road BOOT projects and our contribution from JMC.

Manoj Tulsian: We will be investing close to around Rs 415 to 420 Crores in terms of our capital commitment out of which we have already invested close to Rs 270 Crores.

Shraddha Shah: Last question, on the JMC order book, can you just give me a breakup in terms of factories and buildings infrastructure and power and railways?

Manoj Tulsian: Infrastructure is around Rs 1200 Crores and power is Rs 250 Crores and rest is factories and buildings.

Moderator: Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, on the annual report the loans and advances to subsidiaries has jumped from Rs 278 Crores to Rs 461 Crores, so what are the investment that we have done in this year and can you give a breakup of this Rs 461 Crores outstanding?

Kamal Jain: Mainly these are to some extent in the subsidiary, we have investment of around Rs 280 Crores including the foreign subsidiary and mainly the Rs 160 Crores in the Shubham Logistics on March 31, it has been reduced to Rs 100 Crores and on Indore property we have Rs 160 Crores and Rs 160 Crores we have in Thane property.

Manish Mohnot: I will just add on to what Kamal said, a significant portion of the increase in the previous year came from three areas, one was Shubham which we had given them some temporary advances to buy land for phase 2 and phase 3, which has now come back because of the Tano infusion that was closer to Rs 60 Crores which is now come back in Q1.

Madan Gopal: So now it is Rs 120 Crores in Shubham logistics balance?

Manish Mohnot: In that range.

Madan Gopal: And the remaining Rs 160 Crores in Indore and Rs 160 Crores in Thane?

Manish Mohnot: You spoke about incremental only right?

Madan Gopal: Yes you can tell me the incremental first.

Manish Mohnot: On the incremental the balance went to two real estate properties, there are some component which also went to some of our international subsidiaries, but significant went to Indore and Thane, which we believe that we should be getting back our invested capital in the current year.

Madan Gopal: How much you expect to redeem back of the Rs 461 Crores over the next one or two years?

Manish Mohnot: We expect to reduce our capital employed on subsidiaries by closer to Rs 200 Crores in the current year out of which we have already done around Rs 70 Crores in Q1 and we expect to reduce it further by Rs 150 Crores in the next three quarters.

Madan Gopal: The remaining Rs 140 Crores pending in BOOT at the JMC level that would be mostly met by internal accruals; it will not be flowing from Kalpataru?

Ranjit Singh: For sure not from Kalpataru.

Madan Gopal: In case of the new BOOT assets we will be investing Rs 50 to 60 Crores in the next two years.

Ranjit Singh: Yes, broadly.

Madan Gopal: Sir you said the interest level would be increasing by Rs 20 to 25 Crores for the year so will it somewhere reach Rs 150 Crores for the year?

Manish Mohnot: We said the debt levels would go up by Rs 20 to 25 Crores, not the interest cost levels.

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

Swarnin Maheshwari: Just one question from my side sir, in Q4 FY'13, we have mentioned that the revenue was impacted because of some delays in BSI certification delays which actually impacted our delivery, now in Q1 FY'14 we have registered a very strong growth of 27%, so I just wanted to check whether this very strong growth of 27% is propelled by that BSI certification, has there been a pickup on that front?

Ranjit Singh: Partly the domestic segment yes, but large part of the growth is coming from our international projects where the growth is significantly higher than the domestic.

Swarnin Maheshwari: How are the margins in the international business side?

Ranjit Singh: As we discussed earlier the margins are good because of competitive advantages that we have because the entry barriers which are there in the African market, we cannot share with you the exact numbers. Manish mentioned that as far the international projects are concerned the working capital requirement there is significantly low, if you look at domestic projects and international projects domestic project typically the bought out component is much lower, because the bought out is done by PGCIL in many cases, which accounts for large percentages. As far as international project is concerned it is all turnkey project where we have large bought out and we get large credit period from our suppliers so that makes the international projects less capital intensive or working capital intensive compared to domestic projects.

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

Bharat Sheth: Good morning Sir. On JMC out of infrastructure how much is on account of BOOT project or own project?

Manoj Tulsian: It is around Rs 600 Crores.

Bharat Sheth: Balance is from road or which are other sectors?

Manoj Tulsian: It is from Metro Rail and our road project of Ethiopia.

Bharat Sheth: Last year, we won one project in the international market, are we looking at more opportunity?

Manoj Tulsian: Yes we are definitely looking at more opportunities in international markets and especially in Ethiopia we have won one project, we are looking at more opportunities right now in Ethiopia and some of the other neighboring African countries.

Bharat Sheth: Have you already bid?

Manish Mohnot: Yes we have bid for few projects in a few countries but we are right now evaluating four or five countries from a strategy perspective to get in the current year, but we have already bid for a few projects in a few countries.

Bharat Sheth: What is the status of the bid projects?

Manish Mohnot: They are not yet tendered and not yet been opened, so we are still awaiting the technical evaluation and all, the financial tender has not yet been open.

Bharat Sheth: Second question on our own BOOT project I understand that you have very low margin, in longer term when we get better revenue and ROI; once those things will get over do you expect that that will also help to improve our margins?

Manish Mohnot: Strategically it is not that we have taken that at very low margins, we have taken that at an average margins which is on the entire JMC portfolio, it is not that we have taken it at negative or zero, but it is not inflated to the extent what people believe it, it is at a similar level at which the JMC average margin is.

Bharat Sheth: So this improvement in margin you expect from Q3 onwards, correct?

Manish Mohnot: Yes.

Moderator: Thank you. The next question is from the line of Varun Agarwal from BOI AXA. Please go ahead.

Varun Agarwal: Most of my questions have been answered, just one question, in terms of our international order book has been rising, and so is there any hedging policy in terms of our revenue?

Kamal Jain: We normally take the hedging call based on the value addition part and we leave the natural hedge open and whenever we are sure that we will be getting the order at that time we start taking the call on the value addition part.

Varun Agarwal: Any percentage that you can give?

Kamal Jain: Whatever is value addition, it is generally in the range of 20 to 30% on the order value.

Moderator: Thank you. The next question is from the line of HR Gala from Quest Investors. Please go ahead.

HR Gala: Can you brief us what kind of capital expenditure program do you have for current year in different companies?

Kamal Jain: This year, we are expecting around Rs 200 Crores total at consolidated level, which can be Rs 50 to 60 Crores in case of Shree Shubham Logistics.

HR Gala: I just wanted company wise like overall you said Rs 200 Crores?

Manish Mohnot: I think JMC it should be in the range of Rs 30 to 40 Crores for the current year; Shubham should be closer to Rs 50 Crores and Kalpataru power in the range of Rs 100 to 110 Crores.

HR Gala: And in addition we will have JMC BOOT project from additional capex?

Manish Mohnot: That will be equity investment, no additional capex which will be through internal accruals.

HR Gala: Sometime back you answer that question on the MP BOOT project what was the total project size?

Ranjit Singh: About Rs 325 Crores to 330 Crores.

HR Gala: Will EPC part will be done by JMC?

Ranjit Singh: EPC part would be done by Kalpataru. This is a transmission line project.

Moderator: The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, in Shubham logistics, in the current quarter was there any one off other income or something because we got this money, is the profit higher because of it?

Manish Mohnot: We had an one off by selling up one of our land assets which we have bought it for warehouse, but then it got converted within the town limit, so this is that, so we got that one off but for the year end we still expect to achieve that planned margin which should be double in the current year.

Madan Gopal: Last quarter, we did roughly 6 Crores PAT do you expect on the operational level it should be doubling to 12 Crores or something excluding this one off?

Manish Mohnot: I expect it should at similar level, at 12 to 13 Crores excluding this one off.

Moderator: The next question is from the line of Divyata Dalal from East India Securities. Please go ahead.

Divyata Dalal: Good morning Sir. Most of my queries have been answered I wanted to know the details of the capex planned which you mentioned of around Rs 100 to 110 Crores in Kalpataru power, so where exactly will these be incurred?

Kamal Jain: Most of the capex is really related to international projects where we have to spent money in terms of equipment for completing the project, so these are typically excavators, heavy machinery etc.

Divyata Dalal: okay, so no manufacturing facility related expense that you are doing?

Kamal Jain: Apart from regular annual maintenance.

Divyata Dalal: This will be funded from domestic debt or will we raise any money overseas?

Kamal Jain: Either as an internal accrual or local debt.

Moderator: Thank you. The next question is from the line of Nirav Vasa from Motilal Oswal. Please go ahead.

Nirav Vasa: Sir my query pertains to your BOOT project expansion plans. Sir several of the infrastructure players are interested in selling their stakes in BOOT projects especially in the road segment, so I just wanted to check are we evaluating currently any projects in which you are getting some good valuations or how is the scenario in that front?

Manish Mohnot: As of now we are not looking at any of this road BOOT project which are offered for sale, as of now our focus is to make sure that we get the COD for existing four projects in the next 12 to 18 months and then if at all we will start looking at options.

Nirav Vasa: So, these expansion plans apart from these existing BOOT projects is almost freezed right now or how is it?

Manish Mohnot: You inquired about the projects which are available for sales, if there is a right project available on bidding which is at a right price, we could still be interested depending upon the size of the project and the levels of bidding.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from IDFC securities. Madam please go ahead.

Bhoomika Nair: Sir just wanted to understand little bit more on the competitive intensity, we talked about that we know we are looking in more of SEB order inflows as also in terms of international order inflow, sir if you could just kind of mention particularly on the domestic intensity given that PGCIL ordering is actually slowing down?

Manish Mohnot: Bhoomika the slowdown on PGCIL might have been a temporary phase because they are on track as far as their capex expansion is concerned for the current year, on the domestic front yes competition continues to be what it is, but we are looking all the three opportunities which is PGCIL, SEB as well as the you know IPTC opportunity. A lot of BOOT projects have come in and few of them results have come in a few days ago, so those are also the kind of opportunity which we look for EPC, it is going to be a combination of PGCIL, SEBs and private sector players.

Bhoomika Nair: So basically what I am trying to understand is would the margin profile which you probably won in the last couple of months because of the lower competitive intensity to some extent or stable competitive intensity is not going to increase in any which manner or do you see that happening?

Manish Mohnot: Margin profile does not look like increasing in the short term for sure.

Bhoomika Nair: But neither are you seeing a deterioration in that sense because of the slowdown?

Manish Mohnot: Not in the immediate future.

Bhoomika Nair: Okay internationally apart from Africa which we talked about where we are seeing probably a better margin profile or because of the lower competitive intensity what about other areas like Middle East etc.?

Manish Mohnot: Internationally, the competition intensity is not as low as what it was in India for the last two quarters, it continues to be what it is, but margins is completely linked to your capability to execute in time, capability to make sure that you get better deals on bought outs and all of that, so we believe margin should be better than the domestic environment, but the challenges are lot more than as compared to the domestic environment.

Ranjit Singh: Just to clarify what we said earlier, the competitive intensity is lower, it is only that we have greater competitive advantages compared to our competitor, we have got better execution capabilities as Manish mentioned, we got better procurement as we already have presence in many countries, so obviously when you take incremental projects, your cost get shared, so those are kind of advantages that are specific to us, so it is not that the projects are easier or less competitive intensity it is only that we got competitive advantages so we end up making better money compared to our competitors and on PGCIL also one thing, PGCIL broadly we have been discussing with them, they are in the process of restructuring and reinventing themselves post the new regime which has come up in terms of the dismantling the monopoly situation, they are right now focusing on finishing off the existing projects, for their capital work in progress that is why there is some kind of slowdown that we see, so it is not really slowdown in that sense of the term, they also going aggressively in BOOT project I understand. Third part, they are also focused on the green corridor that they have been talking about, so that is going to lead to large amount of orders coming from them. Fourth part also they have already declared on north East they are going to focus on that. They are also reinventing themselves, we see that after the initial pause for sometime we expect that okay things are going to improve as far as PGCIL is also concerned, order inflows will start again.

Moderator: Thank you. The last question is from the line of HR Gala from Quest Investors. Please go ahead.

HR Gala: Sir just two clarifications, in the Shubham you said that we have got some one off income by selling the land asset, how much was that value that we have booked in Q1?

Kamal Jain: Closer to Rs 7 Crores.

HR Gala: Second question pertains to JMC, I did not get the number of total equity and the debt that we have given to this BOOT projects from JMC?

Manoj Tulsian: Total equity commitment for the four BOOT projects is Rs 415 to 420 Crores, out of which we have already invested around 270 Crores.

HR Gala: Balance do you think will be invested in current year itself?

Manoj Tulsian: No, balance will be invested over the period of next 18 months from here on.

Moderator: Thank you. I now hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Thank you every one for taking time out for being on the call especially the management sir, thank you very much for answering all our queries. Thank you very much and all the very best.

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