"Kalpataru Power Transmission & JMC Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kalpataru Power Transmission & JMC Q1 FY2021 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 "*" 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 Mam!

Bhoomika Nair: Thanks Aisha, good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q1 FY2021 earnings call of Kalpataru Power Transmission Limited and JMC Projects. The management today is being represented by Mr. Manish Mohnot, Managing Director and CEO, Mr. Ram Patodia – President, Finance & CFO, Mr. S. K Tripathi Deputy Managing Director and CEO JMC Projects and Vardhan Dharkar CFO of JMC Projects. I will now handover the floor to Mr. Manish Mohnot for his initial remarks post which we will open up the floor for Q&A. Over to you Sir!

Manish Mohnot: Thank you Bhoomika. Good morning everyone. I trust each of you and your dear ones are safe and healthy. I am thankful to you for your continued interest in attending this earnings call of KPTL and JMC. Before I move into the details of our financial performance for Q1 2021, I will quickly share an update on business operations, the strategic initiatives, and how we are gearing ourselves to move ahead in these challenging times.

Both KPTL and JMC has reported noteworthy performance in the midst of the challenging environment. We started to witness partial recovery from May onwards and a good recovery starting June. All of our sites are fully operational with productivity levels of around 90% in KPTL and around 75% in JMC. Our plants are already nearing 100% utilization and we plan to recover our production losses in second half of 2021. Labor availability at site continues to improve as we move ahead in Q2 and we believe in the next few months we should be at pre-COVID levels. We expect site operation should normalize and achieve pre-COVID status getting in Q3 FY2021. We have implemented stringent guidelines and COVID SOP at sites and office ensuring health and safety of employees. We are advocating work from home for most of our office staff, but as far as sites and plants are concerned, people are at the sites and the plants.

Our investments and technology back operations has increasingly helped us to run smooth operation during this testing times. We will continue to move ahead with agenda to implement mechanization for site level activities and automation in our plant operations. We are now aggressively implementing various cost optimization initiatives to maintain and improve profitability both in KPTL and JMC.

We have made significant progress on sale of our T&D assets. We have signed definitive agreements to sell Jhajjar and Alipurduar transmission assets and have successfully commissioned element 1 and

3 of Kohima Mariani transmission asset. We expect to close sale of all T&D assets in 2021 subject to requisite approvals. We plan to use proceeds from sale of T&D assets to lower our debt as we target to become debt free company by end of FY2021.

In JMC we moved ahead in terms of resolution of road BOOT assets. We have made good progress on restructuring of 2 of our road BOOT assets. We expect definite outcome on couple of road BOOT assets in second half of financial year 2021. This kept along with a strong order book and L1 position gives us a confidence to achieve revenue and profit guidance for both KPTL and JMC in 2021.

Getting in to more details on our performance, first at standalone level. At KPTL revenue and profitability growth was impacted by lockdown and restrictions. Revenue for Q1 was Rs.1,459 Crores. In Q1 our T&D business remained flat. Our oil and gas and railway declined by 20% and 35% respectively. Our subsidiary Linjemontage reported a revenue growth of over 100% to Rs.272 Crores for Q1. As guided earlier we expect KPTL to deliver revenue growth of 5% to 10% for full year 2021 and we are sticking to our guidance as of now.

Our core EBITA was Rs.156 Crores in Q1 2021 with 10.7% EBITDA margin even after a full month of loss on productivity. Our PBT is Rs.101 Crores and PAT at Rs.69 Crores is what was expected around COVID times. Our net borrowing at the end of June 2021 declined to Rs.765 Crores compared to March 2020 and June 2019 quarter on back of good working capital management. We are on target to be a debt free company by end of financial 2021. Our order book as on June 30, 2020 is at Rs.13,522 Crores, this is excluding new orders of Rs.604 Crores received in Q2 and declared yesterday. Our order intake till date in financial year 2021 is Rs.2,470 crores. Incrementally we have L1 position of approximately Rs.1,000 Crores as on date which is majorly international T&D business.

At JMC our revenue for Q1 2021 was Rs.470 Crores compared to Rs.904 in Q1 2020. Decline in revenue was due to lockdown given the pandemic, however we remain confided to scale up our execution and deliver positive growth for full year 2021. This is a big commitment which we are giving to shareholders and stakeholders and I think as a team we are confident that both JMC and KPTL we would be growing in the current year as compared to the previous year. Our lower turnover and non recovery of cost has affected profitability in JMC. Our core EBITDA for Q1 2021 was Rs.28 Crores with margin of 5.9%. Our net debt is Rs.818 Crores at the end of at the end of June 2020. Our interest cost has in absolute terms has declined to Rs.29 Crores compared to Rs.34 Crores in Q4 2020 for JMC and our average utilization of debt remained lower compared to March 2020 level. As per our guidance we will maintain debt at 800 Crores by the end of 2021 for JMC. At JMC our order book is Rs.11,412 Crores at the end of June 2020. Our order include till date is around Rs.3,432 crores largely driven by commercial B&F and water projects. Additionally, we have L1 position of around Rs.1,700 Crores, so at JMC on the order book front we have visibility of around Rs.5,000 Crores which is equivalent to what we got in the entire previous year. Our road BOOT assets witnessed a slowdown in traffic due to restrictions of movement of people and vehicles. Our average daily revenue was 36.6 lakhs per day in first quarter 2021 as compared to 58.5 lakhs per day in Q1 2020 which should slowly improve and we expect by Q3 we should be back on track.

At consol level, KPTL consol for Q1 2021 was Rs.2,330 Crores and consol core EBITDA was Rs.269 Crores with a margin of 11.5%, PAT was Rs.28 Crores. Consol order book is around Rs.24,934 Crores which is well diversified across T&D, B&F and other infrastructure business. Our YTD consol order inflow is around Rs.5,902 Crores, with L1 in the range of Rs.2,500 Crores. Our order visibility across all our business has remained good giving us reasonable confidence to deliver on our growth targets.

At Shree Shubham revenue for Q1 was Rs.33 Crores, EBITDA was Rs.11 Crores and they have delivered profitable numbers both by PBT and PAT levels. We expect them to continue being profitable going forward. Thank you once again. Happy to take your questions now.

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

Renu Baid: Hi good morning Sir and congratulations for a healthy results in this environment. I have three questions. My first question is if you can help us get some insight on the revenue pattern, you did mention of the growth numbers, but within T&D how was the performance of domestic and international T&D and overall what was the revenue mix in terms of split across on the three segment?

Manish Mohnot: So you want to finish all the three questions or you want me to answer?

Renu Baid: Sure. The second question is despite of fairly profitable performance of 10.7% in Q1 any reason why for the full year we have still keeping the expected guidance flat at 10.5% and 11%, so are we expecting any headwinds at the second half with respect to mix or it is more to be on the conservative side and the third question is on the ordering outlook, how are you looking at ordering inflow and project closures from the domestic market in specific with the rail EPC business as we have seen some circular being floated around within the zonal officers putting a lot of new project award, so do you think there could be headwind for domestic rail order this year and how are we targeting to scale up for the current year?

Manish Mohnot: Okay. The first question in terms of how was the growth as for the TL and other business so if you look at the actual Q1 FY2021 the TL business did a revenue of around Rs.950 Crores which was a slight growth as compared last year, last year they were at Rs.930 crores. If you look at the railway, oil and gas and other businesses, they were at Rs.718 Crores in last year Q1 they were only at Rs.511 Crores in the current quarter but they will come back and pickup growth. You need to remember that as far as TL business is concerned there is a plant which supplies. There is boughtout which is significant, whereas railway and oil and gas has to do a lot with site operations. On an annualized basis, we are confident that both these businesses would have definite double digit growth: both railway and oil and gas. And TL will also continue to be single digit and TLD could be anywhere between 5% to 10% growth on annualized basis.

Second on a margin front, Renu I think we still believe in a 10.5 to 11% primarily due to the volatility. The volatility in the current environment is so high I am not sure but if you are for example last 15 days, steel prices have gone up by Rs.2000 to Rs.3000 and they were lower by the same amount a month ago, so we as of now want to be slightly conservative on that, yes we are confident of 10.5% and 11 maybe more towards 11 given the focus on cost reduction initiatives, but the volatility is something which we need to be very watchful of whether it is on commodities, whether it is on FX whether it is labeled prices at the site level and any of those, so I believe 10.5 and 11 is definite yes if we can improve we definitely would focus on that. On your third question which is visibility of order book, as I said earlier transmission we still see a lot of tenders, tenders got deferred in the last two months. They have all been announced, but they got deferred in the last two months, but all of them have come for bidding in August and September. We are continuously bidding in a lot of countries globally and we are also L1 and won large tender at a global level. Railways, yes we have also seen that circular, I am not sure that actually applies to the plan on the electrification side and the expansion side. We are still bidding. We bid for 2 to 3 large EPC projects in the last 3 weeks and that was totaling to around Rs.1500 to 2000 crores so whatever is planned in terms of electrification and expansion, I do not think they are going to put that on hold. It is more for the smaller zonal railway projects which happens on smaller initiatives where there could be some restriction, so we are confident that from an order book perspective reaching that number of Rs.9,000 to 10000 Crores given that today we have visibility around Rs.4000 Crore should not be a challenge, but we would like to be cautious. There is an environment where volatility high, competition is high, so we would like to be cautious but we remained confident of achieving what we had planned.

Renu Baid: Sir if I can ask one more question on the recent implications of restrictions of sourcing from China by Power Grid and some of the domestic, large SEBs so as in many projects are going for retendering, so do we expect the overall pricing environment to improve for us or there could be mixed impact?

Manish Mohnot: I think this would have very minimal impact on us as far as Indian projects are concerned because anyway on the T&D and substation side while there was some channel supplies it was not that they were predominant like some other sectors. It could have very minimal impact as a contractor but developers there could be some impact, but for EPC contractor it could be very minimal impact. We follow whenever guidelines is prescribed by PGCIL or by the Government of India or by the any of agencies for which we are submitting the tender.

Renu Baid: Sure. Alright sir thank you so much and I will get back in the queue with more questions.

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

Ranjit Shivram: Good morning and congratulations on a good numbers better than expectations. Sir this transmission line you had mentioned that Q1 we have grown but how about the split between the domestic and overseas, how was been the domestic and how was been the overseas transmission?

Manish Mohnot: Good morning Ranjit. So Q1 overseas transmission did much better than domestic in terms of performance as compared to the previous year Q1 so the transmission international grew by revenue of around 12 to 12.5% and in domestic grew at the level of around 5.5 to 6%.

Ranjit Shivram: Okay so going forward will it be more overseas now because domestic in terms of order book composition is also bit lower in the transmission so how do you see that and also we are seeing some of the projects where Green Energy corridor we are hearing that is planning for rebidding and probably it might get delayed so will it be more of an overseas now at least for the next 2 to 3 quarters?

Manish Mohnot: So Ranjit from revenue perspective I do think the mix is going to change significantly because we have visibility of order books for the current year and significant portion of next year. From order inflow perspective yes you will see a lot more TLI coming in and as you saw Q1 was primarily TLI and small TLD. Q2 till now has been primarily TLI. Order book inflow yes Q2 will still continue to be TLI and oil and gas and TLD order inflow visibility might start from early October getting on to December, but from a overall revenue and plans perspective, I think we will still be there because our current year‘s revenue is based on order book, which you already have even next year revenue order book visibility we have. Yes slight delay could be there on the domestic front.

Ranjit Shivram: Is Linjemontage making profit?

Manish Mohnot: For sure. They have delivered some very good set of numbers. Their EBITDA from the time we took it has gone up significantly. They are 5.5% to 6% EBITDA levels. They have double their growth as compared to what they were and overall basis and their EBITDA and PBT are very similar because the European size, the interest flows are very, very low so they are doing exceptionally well and we have a lot of visibility there which will help us further strengthen our position in Sweden, Norway and the entire Nordic countries.

Ranjit Shivram: Okay and regarding the balance sheet the zero debt target for March 2020 is that on and what is starts of those asset sales which we were planning. Where are we now?

Manish Mohnot: So Ranjit March 2020 is gone, but yes March 2021 we definitely should be on our target, signed binding agreements for our asset sale and all of them are commissioned except for one small Kohima

Mariani which is expected to happen whenever we get a 15 day window that line also will be done. All approvals are at advanced stage and at least on the couple of assets, we expect approval to come between September and October so that the cash flow should come in anytime between December to January. We remain committed to what our plans to be a debt free company at a standalone level by March 31, 2021.

Ranjit Shivram: Okay because I think CLP is not because it is a Chinese company. They would not be allowed, is there any hindrance in terms of sales to them because currently Indian Government is having a anti-China stance so to the CLP agreement do you see any risk to that?

Manish Mohnot: As of now we have not heard or see anything has been the risk to that. We are watching. We will be taking all the approvals. As of today to me it does not look like that but in case there are any developments, we will come back to everyone, but as of today it is on track.

Ranjit Shivram: Okay Sir. Thank you I will join for further question and all the best.

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

Swarnim Maheshwari: Good morning and congratulations for excellent performance in the challenging times.

Manish Mohnot: Good morning.

Swarnim Maheshwari: I had a couple of questions. Firstly at the beginning of the call you mentioned about the cost optimization that you have actually started doing. If you can just share some color on that what exactly are you looking at and how much of it could be sustainable?

Manish Mohnot: This has two aspects. One is to quantify how much cost optimization we will achieve, clearly if you are saying that even after losing 2 months of revenue and even after paying everyone, all our labor, all our employees, all of that if you are targeting 10.5 to 11% margin still to come clearly there is a significant amount which comes in from there. Cost optimization is primarily driven by 2 or 3 aspects. One aspect is per activity at the site level. What more can you do. Can you reduce the subcontractor rate, can you bring in mechanization because you now recently seen that you can work with less people. You can work with automation, you did that in May, June, can you continue doing that. The second aspect comes in entire focus on travelling, the entire focus on capex, the entire focus on recruitment, because work continued without travel yes something suffered, but I think there is a mindset which is you do not need large offices, you do not need to be travelling as much as you used to be travelling, you can still work remotely, you do not need to be doing a lot of things which was being done in the past and those are big numbers, if you look at our number of travel it was Rs.50 crores number annually, to look at our rent number, it is a similar number of Rs.30 to 40 crores annually and savings on that would be a significant and would be more long-term because this is a mindset which has come in. Third aspect is coming in interest cost where I think for people like us with good credit rating and with good history, I think funds are available, even long-term funds available at very attractive rate both on domestic as well as foreign currency so with the combination of this 3 and 4 it should be a significant number, I do not want to quantify today. I can say that Q1 we have done exceptionally well. Q1 we have got saving which has been closer to what we had planned, but on an annualized basis maybe by Q3, Q4 we should be quantify that number. As I said lot of this is permanent in nature, some of them could be temporary in nature, two months there was no administrative cost, no one was in office but that is temporary, but a lot if it is going to be permanent in nature.

Swarnim Maheshwari: Very nice. I understand that. Do you believe this should actually cushion us for any volatility because of the commodity headwinds that is likely to come over the next 2-3 quarters?

Manish Mohnot: Oh yes that is for sure so that was I will just answering Renu in the first call saying that we still want to be focused on 10.5, 11, yes if we can do well we will come back and say we have done well, so just always good to do better than what you had targeted.

Swarnim Maheshwari: Very much sir. Sir secondly what is the status on international diversification in the railway and oil and gas projects where are we over there?

Manish Mohnot: So on the international business on both these divisions, I think we have now moved into stage 3 now how do I define stage 3, stage 1 is strategy in business plan of which countries to go, how to bid all of that, stage 2 is to build a team and get your PQ in those countries and stage 3 to start bidding. Even in oil and gas as of now 3 to 4 countries we have already bid, we qualified in closer to 5 or 6 countries, so it is moving in that direction and saying lets start bidding. In railways we already had a project in a neighboring country in Bangladesh and now we have qualified in a few more countries and team has been placed to focus to start bidding, so at least I am personally very hopeful that both these divisions should have at least one significant win in Q2 and Q3 of the current year in the international side and my definition of significant because they are relatively small divisions that have not done so much international business would be around $50 to $100 million.

Swarnim Maheshwari: Got it sir that is comforting. Thank you so much and wish you all the very best.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Mutual Fund. Please go ahead.

Deepesh Agarwal: Yes good morning Manish. Congratulations for managing tough time well. I have just one question, so recently KPTL submitted a bid for station redevelopment, can you help us understand what would be the kind of capital commitment and our strategy out there would it be a pure EPC or it would be a concession based contract?

Manish Mohnot: So from a capital commitment perspective on a station redevelopment we might not commit lot of capital. We are trying to primarily focus more on the EPC side and even if we go as a developer side, we will go with a partner who would come with a long-term development focus and significant capital would come from them, so yes we have got a team in place, we have qualified. We are looking at those bids but it is primarily for EPC and limited capital commitment. Significant capital commitment would come in from partners once we win the project.

Deepesh Agarwal: Okay thank you.

Moderator: Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Hi Sir thanks for taking my question and congratulations on a decent set of numbers given the challenging environment. Just couple of things Sir just following with the previous question are we also bidding for this TBCB project on the power T&D side and if yes then what is our strategy as a capital commitment on an annual basis going forward once you become debt free and monetizing noncore assets what is our strategy, how much commitment we are comfortable with annual basis, so that we do not leverage further on a capital commitment side?

Manish Mohnot: Good morning Amber. Yes we definitely are looking at bidding for a new TBCB assets not all of them but at least 2 to 3 of them to make sure that we continue to be in this business and we continue to build this. We have seen in the past and we have been very successful in bidding, building and exiting, so as far as capital commitment is concerned I think our strategy is very clear Amber and that was in the past also that a lot of this investment could happen from free cash flows so if you look at the debt of today of KPTL, a debt of around Rs.750 Crores net debt after investing more than that money in all the TL BOOT assets clearly gives the signal that we bid only out of our free cash flows so going forward also our plan is whenever free cash flow is visible so portion of it would be invested in long-term BOOT assets and again with the strategy that you win, you build, and you exit, so it is no longer a strategy of saying that we want to a build a long-term asset portfolio, but you bid, win and exit, so I do not think it would have a impact on debt from a bidding perspective, a lot of this would be out of free cash flows.

Amber Singhania: Okay and secondly what is the status and your thought process towards the logistics business on monetization or continuation on that part and also what kind of funding the road BOOT will require this year from JMC side?

Manish Mohnot: So let me answer the first one and for the second I will ask SKT and Vardhan to chip in. As far as Shubham logistics is concerned I had said that earlier also we have appointed some advisors, we are revisiting the entire strategy of how do we get the strategic investor on board, strategic or financial because there is a lot of interest in that space. We were too busy in Q1 because that is the business that was not shut even for a day because they fall in essential commodities, but very soon we should be spending a lot of time and I am hoping that Q4 sometime or Q1 next year we should have some commitment from some large bidders who are interested in this space, but advisors have been appointed, the process has started, it is only a matter of time. As far as road is concerned, I will request Vardhan or S. K. T to just chip in for that.

Vardhan Dharkar: So as far as road assets are concerned first quarter we have not made any investment in the road assets and overall so for the year we expect the investment to be much lower than what we had done in FY2020. FY2020 it was around 75 Crores. I expect that this year it should be in the region of 50 Crores or less than that.

Amber Singhania: So despite the lower toll collection we are confident of that?

Vardhan Dharkar: Yes.

Amber Singhania: Okay and Manish ji just last thing if I may ask slightly different than the business side, if you can comment on some thought process towards pledge by the promoters and also are couple of rumors which keeps on floating on the street about the realty business, there are significant trouble on the book assets which might impact on the lesser entity. If you have any thoughts or any comments on that?

Manish Mohnot: Sure. We have officially been communicated by the promoters over the last week about their exact plan on the pledge of shares and I am pleased to share that it is an official communication by the promoters to us. The promoters in the last 5 months from March till now have reduced their debt against pledge of shares by around Rs.60 Crores, they were at around Rs.780 Crores in March and they are around Rs.730 Crores now and they have a clear plan to reduce further Rs.70 to 80 Crores in the next 4 to 5 months even during this difficult times, their focus was to reduce debt against pledge of shares and they have a clear plan of further reducing it and that is a commitment they have made to the board and as well as to the KPTL management, so from that perspective once that number comes down below Rs.650 to Rs.600 crores you start seeing a lot of release of pledge of shares also, we might not see much whereas driven lot of factors including the market cap and the price and all of that, and that data is available to everyone if you can collect that data from various sites and you will reach that number of around reduced by Rs.50-60 Crores from March till now. As far as KPTL is concerned I think that commitment is good enough for us because it does not impact our business, but it is clear commitment to shareholders and stakeholders that the promoters have a plan to reduce loan against pledge of shares.

Amber Singhania: That is really helpful. Thanks a lot. That is all from me.

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

Ajay Sheth: I have a two question, one question is I am not sure whether my understanding is correct, but if you take a rough figure I am not go into the exact figures KPTL today has a standalone around Rs.800 Crores debt and JMC on a standalone basis has around Rs.800 Crores so total our debt is 1600 Crores and we have pledge more or less that KPTL will become debt free, so is my understanding correct that over a period next 2-3 years, if you do not invest substantial money KPTL at a consol also can become a debt free in the next 3 to 4 years.

Manish Mohnot: So Ajay yes if you ask me from a two year perspective we should be there because a lot of money blocked in the Indore Real Estate and Shubam and also the restructuring of road assets will release a lot of cash flow so if you ask me JMC standalone and KPTL standalone without JMC road BOOT assets I think end of 2022, mid 2023 we should be there, road BOOT assets clearly it is a perspective of restructuring and what happens there, but as far as KPTL and JMC standalone including Shubam so whatever portion we will continue to hold we should be there closer to being low debt if not a nil debt in the 12 to 18 months after March 21.

Ajay Sheth: Okay the second question is that how do you see KPTL, JMC on a consol level in terms of the top line margins and bottom line over a period of next 3 to 5 years, I am not talking about next 2 to 3 quarters but 3 to 5 years?

Manish Mohnot: So we have a plan and since you have asked me the specific question, we want to be a Rs.20,000 Crores top line company three years from now, we are at around Rs.12,000 Crores now clearly we want to be aiming to that and this was a plan we have done pre-COVID this plan could be plus minus a quarter or two quarters depending upon this impact, but today with a visibility of around order book of Rs.25,000 Crores, L1 of Rs.3,000 we have Rs.28,000 to Rs.29,000 Crores even if it comes to two years order book we should be doing a revenue of Rs.14,000 to Rs.15,000 Crores consol in FY2021 to FY2022 itself, so clearly we are aiming towards Rs.20,000 crores in the next 3 to 4 years with EBITDA margins being at double digit and I am hopefully with low interest cost keeping EBITDA and PBT very close to each other.

Ajay Sheth: Okay thank you so much.

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

Parkishit Kandpal: Hi sir. Congratulations on a good performance. Sir by this year end we will be standalone level almost no debt will be there so are we looking deploy some of the capital for any international acquisitions or you evaluating any acquisition in international market?

Manish Mohnot: Within the core businesses where we exist today which is TL, railways, oil and gas, infrastructure business, we continue to look at opportunities globally where it can add value to us, so there is a lot geographies globally where you cannot be successful being an Indian company, the entire Nordic is an opportunity. We have been trying Nordic for 10 years, we finally after we got the company and we are amongst the top ones there. We do continue to look at opportunities in some of this market, but smaller opportunities not very big so I believe take a small company with a good management and then build it up. Yes we continue to look at it. There are a few geographies we are looking it and as and when things materialize we will come back to all of you.

Parkishit Kandpal: But how big could be deployment in investment or acquisition size?

Manish Mohnot: There would be not be very significant as I said our philosophy continues to be same, all of this would happen out of free cash flow, there would not very big, $20 to $30 million something in that range, $20 million to $30 million whenever something in that range, but not very big.

Parkishit Kandpal: $20 to $30 million.

Manish Mohnot: Yes.

Parkishit Kandpal: Second question was for JMC so one thing is that we are looking at restructuring of these assets and the second thing is that there is a huge debt repayment which coming up and there is any high premium which may kick in, Sir if you quantify little more granularity on how these liabilities will be dealt with without restructuring and with restructuring what would be the numbers which are coming due for payment next two years on debt side and premium and post restructuring how this will basically get distributed?

Vardhan Dharkar: As Manish had pointed out we are actively engaged with the lenders for restructuring two road assets and we expect actually that process to get completed or to at least have a good progress made in second half of current financial year and once that happens then the debt repayment pressure on account of this will be significantly reduced in the near future and it will get aligned with the liquidity and the cash flow of the project. So to that extent I think we are making good progress and we are on track to achieve that and as far as premium is concerned, I think that is something which once issue is tackled and handled, I think premium is something which we will be able to handle more peacefully and in a good fashion, so I do not expect both this to remain a challenge going forward once the restructuring activity is completed.

Parkishit Kandpal: Now RBI has allowed case to case basis, they have allowed one time restructuring, so your own interaction so there is one process which you are already running before RBI coming up with policy and the guidelines will come shortly so in your own interactions with the bankers so you will be comfortable both the sides with the current way the restructuring discussions are progressing and even if there is a guideline on the other side so there also we stand to qualify, are you complying with those conditions as of now at least the indicated once?

Vardhan Dharkar: So we have already specific discussion pre-COVID with the lenders. The current guidelines that RBI has announced are explicitly to address the stress which has been caused due to COVID so I am not very sure whether the current guidelines will be applicable to the road assets of JMC. In any case with lenders we have initiated discussion and there is a progress that is being made, so I expect things to move forward positively.

Parkishit Kandpal: Sir just lastly if all these discussions which are progressing and in very less likely chance, suppose remotely it may be not be reaching to a conclusive conclusion so is there is a possibility that KPTL may give a loan because at the standalone level you maybe debt free, so is there a possibility that you can invest and support JMC to come out of this loan thing which the large repayment which are coming up over two years you can made good from this, any backup plan on that?

Manish Mohnot: As of now, we do not have any backup plan. We are confident that the original plan would work but historically wherever this was required we had provided that support as KPTL but as of today I think the JMC team as well as when we look at the operations we do not believe that they would need any support. In case they would need support we would look at it at that appropriate time.

Parkishit Kandpal: Okay. Thank you that is all from my side and all the best.

Moderator: Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

Vijay Karpe: Thank you for giving me this opportunity. My question pertains to JMC. Sir we have already like almost met the order inflow guidance we have given of Rs.5,000 Crores my question was on the sales growth guidance 5%, this one looks a little tougher, what is the probability of this getting met because asking rate is very high, also what is the sales mix of B&F and infra this quarter, what was it last quarter and last year?

S. K Tripati: Yes. Hi Vijay good morning. SKT here. As you are seeing the order inflow we are close to the target by Q2 itself, that gives us confidence that we should be able to grow by 5% based on our earlier guidance. As far as the mix is concerned that remains largely 50/50 basis, even the order inflows are in the same ratios, so since the order inflows are in the ratio, and also luckily these orders have the good payment visibility and whether it is a B&F or infra and that is why we are reasonably confident that we stick to our earlier guidance of 5% growth.

Vijay Karpe: In Kurukshetra project which we are trying to restructure, SREI is one of the partners which BoB has put them on the watch list, so what is the implication of this on the proposed restructuring?

S. K Tripati: So far the process is going smoothly. We are not facing any headwinds from the BoB side, so it is going on smoothly because banks are also looking for reprice.

Vijay Karpe: Gross margins improved this quarter substantially, what is the reason, are they sustainable? What is the reason for the increasing debt and lastly what are the claims that we have lodged to NHAI the loss claims and what is the status on them?

S. K Tripati: I will answer your last question first. We have lodged the revenue loss claims on the BOOT jobs and they are in the various stages of arbitration commencement. As far as your first question is concerned, the revenue loss. Can you repeat your first question? Your voice is breaking in between.

Vijay Karpe: Okay my question was on the gross margin we improved a lot this quarter, what was the reason, are they sustainable?

S. K Tripati: Yes. They are sustainable. Definitely they are sustainable.

Vijay Karpe: Not the EBITDA, but the gross margin?

S. K Tripati: Yes they are sustainable.

Vijay Karpe: Okay what was the reason for increase in gross margins?

S. K Tripati: So this is basically the business mix which we are currently handling that is good enough to give this gross margin.

Manish Mohnot: I will just answer that specifically, Q1 a lot of revenue of JMC came from infra business, water and not as much B&F. Water business comparatively is slightly better in terms of margin as of now, so that is why the gross margin so as SKT explained it was primarily the business mix on annualized basis we are confident of delivering what we have targeted.

Vijay Karpe: The mix was 50/50 right so this is the improvement compared to the last quarter and last year right, B&F was a little higher last year and last quarter?

Manish Mohnot: Yes exactly so this time it was lower, water was higher, so that is why the improvement in the gross margins.

Vijay Karpe: What is exactly the claim that we have launched NHAI, the amount and what is the reason for increase in debt further?

S. K Tripati: So the claim exactly as I said is the loss of revenue claim as well as the diversion road which has been constructed around the project, total value for all the 3 assets, the claimed value is about Rs.1,200

Crores.

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

Bharat Sheth: Hi good morning Mr. Manish and Mr. Tripati. Thanks for the good set of number. Manish in your remark on Shubham you said there is a lot of interest and since recently government has also announced about huge investment in agri infra so what sales are we getting, I mean earlier we wanted to exit fully now we are talking of strategy so if you can give little more color from 2 to 3 years time perspective?

Manish Mohnot: I think from a long-term perspective we are clear that we do not want to be a majority shareholder in this business so if it means I need to divest x or 2x whatever that number because we believe that there is an opportunity in this business, but there could be other players who might be best fit to run the business. It requires a very different mindset of running it. We can continue to be minority shareholders, we can exit full or continue it exactly depends on what is the offer, at what price and at what time and all of that.

Bharat Sheth: Okay and Sir on JMC side if one can give little more color on the bidding pipeline as well as color on this L1 position which we have and earlier we were looking Africa market, where we are in the whole process?

S. K Tripati: The order pipeline looks to be good in all the 3 fronts, B&F, water as well as international and as we said last year our focus remained towards as far as international is concerned on Africa and were other opportunities are coming and domestic side particularly the water sector is seeing lot of traction and that is where you must have seen the orders coming in the Q1 and now in this month. B&F luckily we are placed very well toward south historically and that has not been affected by COVID much so far. This is what we have seen even will all our customers with whom we have 10 to 15 projects, they have been paying regularly, they are launching new projects so order visibility side we have a good confidence and you have seen I mean we are already Rs.2,500 Crores roughly we have booked the order, we are lowest position in about Rs.1,700 Crores and as we clearly can see next quarter, we will be putting bids of another Rs.6,000 to 7,000 Crores, it will be a mix in all the 3 areas, so there is a good visibility as far as the order pipeline is concerned.

Manish Mohnot: And just to add to what SKT said, sorry to intervene. There is also one very big tender international I think where we are expecting the LOI to be there in the next few weeks SKT.

S. K Tripati: Yes.

Manish Mohnot: It is 3 digit million in that range so we are expecting the LOI to come in as early anytime in August itself. We are already L1 in that.

Bharat Sheth: I mean in the 1700 Crores this L1 what is the mix roughly?

S. K Tripati: So that is what Manish said. One will be large Rs.800 to 900 Crores from overseas and balance Rs.1000 crores from domestic.

Bharat Sheth: Okay again some African country is that or we are expanding our beyond Africa?

S. K Tripati: We are going beyond Africa also, so it is other than Africa.

Bharat Sheth: So it means Sir our order book what target we had given Rs.5000 Crores will be exceeded much large?

S. K Tripati: So we will be definitely able to achieve it and our endeavor will be there that how much further we can get the orders, since the opportunity size looks to be good and we are placed well to harness that opportunity. I would not give the number today but yes there is good visibility available.

Bharat Sheth: Thank you all the best.

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

Prem Khurana: Good morning Sir. Thanks for taking my question, so two questions in JMC. Sir first one was I think somewhere in your comments you said you are looking at almost around 5% kind of revenue growth this year, so if I adjust for Q1 although seems revenue would have to deliver more than 20% odd and balance of the FY2021 and if I look at historical numbers, we have not been able to do that on a consistent basis at least in the recent past wherein we have delivered more than 20% kind of growth so one, how do you intend to achieve that and second would be, I mean is it fair to assume that infra would have to do heavy lifting this year because you would want to be very sure of private sector residential orders given the fact the market is still fluid and you are not sure how the residential real estate demand pan out?

S. K Tripati: So you are right. We have a high asking rate in second half, but we are confident because the business mix proportions have changed compared to the last few years and as our water business and the particularly water business as it gets traction that is significantly contributing in the second half and we are confident that that is the business which is going to give the traction to the number what we want to achieve. As far as the B&F is concerned, I have said in my previous reply also, yes we are very watchful in every geography before taking the order, the payment capability of the customers but we have seen even in last three months even in the COVID times the developers in south the have paid as the due become payable. There was not even a week delay so it was a normal business as far as the south developers are concerned. Yes we are very cautious in the other areas, but at the same time, where the visibility is good, we are moving ahead with the business as usual.

Prem Khurana: And also if you help us understand why this debt of this quarter despite top line down by 50% odd what would explain the raise in your net debt number sequentially?

S. K Tripati: The net debt has gone up marginally because while we did the good collection in this tough times, the payables were also there. So we had a large LC payment of about Rs.250 Crores during this quarter and that is why the debt has marginally gone up and now when the execution cycle starts we expect this to come back again in the normal lines.

Prem Khurana: Sure and just one last. The bid pipeline which you just spoke about almost Rs.6000 to 7000 Crores odd. Is there any mix in terms of how many of these could be private sector, how many would be public or buildings or infra?

S. K Tripati: So roughly we can say it will be a mix of 50:50 or 60:40, 60 could be government and 40 could be private. Today we are at 50:50, it will hover around the same range.

Prem Khurana: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Rakesh Rai from IMB Securities. Please go ahead.

Rakesh Rai: Sir my question regarding railway. How much order in railway side?

Manish Mohnot: As of today on the railway side on KPTL we do not have any L1, now we have a small project of around Rs.80 Crores where we are L1 around Rs.70 Crores but there is no significant L1 as of today as far as railway business is concerned.

Rakesh Rai: Now oil and gas**?**

Manish Mohnot: Oil and gas also as I said earlier Q1 we bid for a lot of projects but we do not have L1 as of now. We got a few projects in March, we are not L1 as of now in any, but we bid for a lot of projects in oil and gas over the last few months.

Rakesh Rai: Right and next question related to this one how much orders we are looking at industry level from railway and oil and gas pipeline?

Manish Mohnot: So oil and gas pipeline if I look at the large 4 or 5 players we should see orders of approximately Rs.8,000 to 10,000 Crores coming in the next 6-8 months and this has big one IOCL, GAIL, ONGC, GSPL at India level. We have been a large player in this market. We are being among the few players who has been in this business for long and expect to have significant share of that. As far as international business is concerned, we have seen some traction in Middle East and Africa on oil and gas, we have submitted some large bids also and as I said earlier that is something where we are expecting at least a $50 to $100 million win in the current year. So from a totality perspective this is reasonable business in that space. As far as railways business is concerned, the entire electrification space itself has a lot of order in the domestic front and the international is just opening up so I think electrification itself will have bids of around Rs.5,000 to 6,000 Crores over the next 3 to 5 months.

Rakesh Rai: Sir my next question regarding your Linjemontage currently we are taking order from Nordic region or we are looking for order from different country also?

Manish Mohnot: As far as Linjemontage is concerned that is more focused on the Noridc region. As far as KPTL is concerned the entire world is our market.

Rakesh Rai: Right Sir, so how much order book as on 30th June for Linjemontage?

Manish Mohnot: I think the number was around Rs.1,000 Crores if I am not mistaken, I can just confirm. Ram if someone can help me on that number.

Ram Potadia: Nordic we have orders of around Rs.1,000 Crores.

Rakesh Rai: **Rs.**1,000 Crores, if I am right in March also it was Rs.1,150 Crores. For Q1 there is no inflow for Linjemontage or any order inflow?

Ram Potadia: We received some orders during this year also. Do you want the exact number how much order you have received during this year?

Rakesh Rai: Sir my question is how much order inflow in Linjemontage in Q1?

Ram Potadia: Rs.128 Crores for this year till date

Rakesh Rai: Sir my other question is related to Linjemontage. Currently we have our margin of 5 to 6% for Linjemontage are you targeting to increase the margin in future and how much Sir?

Manish Mohnot: So we have already improved margins from 4.5% to 5.5% levels in the last one year. We would continuously be focused on improving that margin. It is continuous process. Obviously it is not going to be reaching the levels at which we are here because that is a different part of the world, but we definitely targeting 5.5% and 6% for the current year and then we will again target some improvement in the next year.

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

Ajay Sheth: Manish just a follow-up question of what do you say over a period of say 3-4 years, if we talk about KPTL, JMC etc going to a turn over level of Rs.20,000 Crores per annum and obviously with the economies of scale with some improvement in margin, are we talking about something Rs.2,200 to 2,500 Crores kind of operating profit?

Manish Mohnot: You are much better in numbers than what I am, but definitely we would like to keep a double digit EBITDA, interest should continue to fall given that we will start from a zero debt and lower debt numbers with clear strategy on exiting noncore assets so yes the PBT margin should improve, there would still be depreciation but as I said improvement is given, exact quantification is difficult today but yes we will doing from 8% level going up.

Ajay Sheth: And also then you have only 25% tax with the government continues that 25% level so you know the bottom line could look very, very healthy?

Manish Mohnot: Sure this is something which is beyond us so we will be happy with whatever you have said, our entire organization is lot more focused on EBITDA and PBT.

Ajay Sheth: Yes. Thank you so much.

Moderator: Thank you. The next question is from the line of Mihir from Capgrow Capital. Please go ahead.

Mihir: Thanks for taking my question. Congratulations for reporting such a great set of numbers. You threw light on the pledging side of the promoters. If you can throw some more light on the real estate side of the promoters that will be really helpful?

Manish Mohnot: Unfortunately we do not have lot of clarity on that, That is a completely different business run by a different set of people. We have never gone into those details. Our interaction with the real estate team is primarily on the pledge of shares and the lending against that, so we are not aware of it. Our business itself has so much potential and opportunity that we are not spending too much time on that.

Mihir: Okay that is it from my side. Thank you.

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

Bhoomika Nair: Thank you very much for giving us an opportunity and answering all the queries very patiently. Thank you all the participants and on behalf of IDFC Securities I would like to thank everyone for being on the call today.

Manish Mohnot: Thank you very much.

Moderator: Thank you. On behalf of IDFC Securities that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.