



“Kalpataru Power Transmission Limited Earnings Conference Call”

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KALPATARU POWER AND TRANSMISSION
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MS BHOOMIKA NAIR –IDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Kalpataru Power transmission limited and JMC projects Q2FY 12 results conference call hosted by IDFC Securities Limited. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Bhoomika Nair from IDFC Securities Limited. Thank you and over to you Ma'am

Bhoomika Nair: Yeah thank you. Good morning everyone. Welcome to Kalpataru Power Transmission and JMC 2QFY results call. We have the management today being represented by Mr. Pankaj Sachdeva – Managing Director, Mr. Manish Mohnot – Executive Director, Mr. Kamal Jain – President and CFO. I would now like to hand over the call to Mr. Manish Mohnot for the initial remarks post which we will take up for the Q&A. Over to you sir.

Manish Mohnot: Thank you Bhoomika, good morning everybody. We have declared quarter 2 results of both KPTL and JMC on Saturday and I believe that all of you would have seen the copy of the results and press release which is being loaded on the website. Before proceeding for the Q&A session, I would like to give you highlights of the results from our perspective. On a consolidated basis, we have achieved a topline growth of 11%, which includes the JMC growth in excess of 60% and a Kalpataru degrowth of close to 9%.

In Kalpataru, we were not able to achieve our planned target for the quarter, although, we had not budgeted for a significant growth in the quarter, primarily due to extended monsoons and delays in approvals on a lot of our projects. While there have been delays on projects in quarter 2, we still continue to maintain our target of double digit growth for Kalpataru as far as the current year is concerned. We are still confident that we will achieve the double digit growth which was planned. Although slightly lower than what was planned for the current year. If you look at, on a consolidated basis, we still continue with our planned growth in excess of 25% for the current year as we were confident will be able to achieve that. On the margin fronts, we were in line with what we had expected. We have achieved 11% plus EBITDA margin in Kalpataru without including the other income and JMC also being able to achieve 8% plus EBITDA.

If you look at the order book right now, Today at Kalpataru, we have an order book of close to Rs 6,000 crores and around Rs 5,000 crores in JMCs. So consolidated order book of Rs 11,000 crores today gives a very good visibility in terms of what we need to do over the next couple of years. One good factor is, more than 75% of our order book today has variable price clauses. So given the current volatility in all markets, we believe that we are adequately covered in terms of protecting our margins. During the quarter, we have received around Rs 650 crores plus orders in Kalpataru and around Rs 550 crores plus order in JMC and this exclude all the L1 orders because as a practice we have stopped declaring our L1 orders. On a BOT side, our first transmission BOT project which we won last year is on track and expecting the COD to happen by may be later this quarter or early next

quarter which is on schedule. Even on our JMCs ,road BOT projects Rohtak-Bawal is on schedule and for Agra-Aligarh we have achieved the financial close and we are on the verge of achieving the financial closure for the third project. In our order book today, domestic order book constitute closure to 60% and overseas is around 40%. I think I have given you a brief update on numbers and happy to take the Q&A from here onwards.

Moderator: Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Nihag Shah from Care Ratings, please go ahead.

Nihag Shah: Good morning sir. Congratulation on a good set of numbers sir. Two questions, one is can you give me an EBITDA margin for you T&D business? And second question is related to your interest cost on a standalone basis. I mean it was 19 crores in Q2FY11. It has jumped to 24 crores, any particular reason for that sir?

Manish Mohnot: Okay, let me answer the second question first, which is much easier.. Interest costs have gone up primarily because of three reasons. One obviously interest rates have moved up as compared to what we were in QOQ the entire market interest is going up and for us also interest rates have gone up by nearly 200 basis points in the last one year. While borrowing is continued to be at the same levels, actually if you look at the balance sheet, you will see that our borrowing have not gone up, but it's the interest rates which have gone up that's why the interest cost is higher. Second, I think there is also small impact of some of the Forex movements in prices. As per the AS11 requirements, there is a need to do mark to market which eventually is not a big hit as we are hedged on all our exposure. So there is small impact because of that also. So the interest rate, it's both the impact of increasing interest rate as well as small impact of Forex borrowings are at similar levels, there is no significant impact because of the borrowings going up. To answer the first question, on EBITDA margin on the T&D side, we are closure to 11.7% and excluding the other income and typically our EBITDA margin is always in the range of 11 to 12%.

Nihag Shah: okay. And sir one more question regarding JMC, sir we have seen a tremendous revenue growth sir. Was there some order bookings which were done? And sir secondly the EBITDA margins in JMC have gone down so any particular reason for that?

Manish Mohnot: The JMC is, remember at the beginning of the year, why only at the beginning of year, even last year fourth quarter, we have indicated that current year JMC would grow at 40-50%. Even order book had gone up significantly last year itself, so we had planned this growth and we are on track in terms of achieving that growth. Again if you look at margins, it is plus minus 10-20 basis point. Our plan was in the range of 8% as far as EBITDA is concerned. We were very closed to that. while we say so, yes, there are cost which have gone up, but I think this 8% plus minus margins are easily achievable at JMC.

Nihag Shah: Sure sir or for the next rest of year, we expect 7.5-8% margin at?

Manish Mohnot: At JMC level. At EBITDA level, definitely we should be able to.

- Nihag Shah:** And sir when would be the revenues from your road projects start coming from sir?
- Manish Mohnot:** If you look at the BOT projects, let me remind this , the Kalpataru transmission would start in the fourth quarter of the current year. On the road BOT for JMC, revenue starts only in financial year 13-14.
- Nihag Shah:** Next year?
- Manish Mohnot:** Not next year, the year after that.
- Nihag Shah:** Okay sir, thanks a lot sir.
- Manish Mohnot:** Thanks.
- Moderator:** The next question is from the line of Anubhav Gupta from Kim Eng Securities, please go ahead.
- Anubhav Gupta:** Good morning everybody. My first question is related to the transmission business. Don't you think it's a matter of concern that orders are slipping to the next quarters like in Q1, the execution was delayed because of long monsoon in Maharashtra and in Q2 also, the execution has been delayed a lot, what gives you confidence that bulk of revenue would come in H2? How do you expect to pick up the execution in second half?
- Manish Mohnot:** It is a concern, I would be lying if I tell you that it's not a concern that orders are slipping, but then in our nature of business, there are a lot of things which are beyond us and that's why we have to be compliant with what the nature and environment all of that does so. If you look at history also, typically our first two quarters have been giving us 35-40% revenues in the last two quarters, I mean giving a 60-65% revenue and that has been the history of a lot of EPC contracting companies including Kalpataru and JMC. Given that its always that the quarter 3 and quarter 4 does much better than quarter 1 and 2 both in terms of revenue as well as order book then that's been the last 10 years history of the sector. So to answer your question, are we concerned yes we are and deploying all our efforts to ensure that whatever best we can do, we will do. Will we achieve what is planned, yes, but there could be some spurred variations, but they seem beyond our control. And the large impact, does it reduce in order book. There is reduced in our visibility. There is having an impact on margins, the answer is no. Because the great extent, we have protected that, so I think we should be able to still maintain our margin. May be a slightly reduce growth, but continue working of creating larger order book for future.
- Anubhav Gupta:** Okay so you do maintain the double digit growth in transmission business?
- Manish Mohnot:** On the standalone and as far as the consol, the 25% plan.
- Anubhav Gupta:** Okay. Alright, my second question is for the biomass business which you have shown like loss of like 1 million, can you give some guidance on this business. How will this impact the overall consolidated earnings for FY12 because there has been a lot of fluctuation in this business?

- Manish Mohnot:** Yes it is, we have some fluctuation, but biomass business, you know the last quarter, there was shut down due to annual maintenance, which we always do once in a year and that shut down gets planned based on the lower requirement of the state and various other things. If you asked me the next two quarter, the PLF will continue to be at good levels and in the range of 90% plus and we should be able to achieve a plan targets. Now the costs have definitely gone up. I think the big issue with all biomass plant seeking across the country, is the availability of raw material as well as a cost of raw material. So that is a concern, we are trying to see what are the basis of doing it, trying to work with this government, trying to work with the farmers, trying to work with everyone else, but on PLF, we will definitely see a significant growth in these two quarters. On margins, it's going to be subdued the way it was in the last year as well as going forward. Because of the increase in raw material cost, but we will be definitely positive in terms of you know the overall margins.
- Anubhav Gupta:** Right, my last question is on your tax rate, I think in H1 , with tax rate has been going 29% versus 25% for last year, so for full year, the tax rate we should take like 29-30% or it should be?
- Manish Mohnot:** More in the range of 29%.
- Anubhav Gupta:** So is it because of your tax incentives.
- Manish Mohnot:** EOU benefits which we had on our EOU unit at Gandhinagar has been scrapped, I am sure all of you are aware of that and there is some other business with benefit which are coming in, but they might not have any impact on the tax rates.
- Anubhav Gupta:** Okay.
- Manish Mohnot:** They are more in the form of subsidiaries.
- Anubhav Gupta:** Okay. Alright, that's it from my side.
- Manish Mohnot:** Thanks.
- Moderator:** Thank you. We have the next question from the line of Sandeep Tulsian from JM Financial, please go ahead.
- Sandeep Tulsian:** Yeah, good morning sir.
- Manish Mohnot:** Good morning.
- Sandeep Tulsian:** Sir can you give me some break up as an how much exposure do we have coming in from MENA region in an order book currently?
- Manish Mohnot:** Sure, I don't know exactly what's your definition I because everyone's definition of MENA is different, but let me give this to you and you need to take a call as to what we are, right? Today if you look at in the MENA region, our key exposure continues to be in Abu Dhabi, Kuwait project is nearly

over. So Abu Dhabi, we have a small project, Algeria we have some projects which are outstanding. Besides Abu Dhabi, Algeria and I don't know which part of Africa do you count in MENA.

Sandeep Tulsian: But primarily I would be wanting to know what is the exposure in Algeria?

Manish Mohnot: Excellent, now this makes your question very straight forward, good to answer. Okay Algeria, the pending orders which we need to deliver right now while we speak are in the range of \$30-35 million which needs to be delivered over the next I would say four to six quarters. Our planning for Algeria for the next two quarter is more in the range of \$10 million of revenue coming out from that country, but overall outstanding orders are only in the range of \$30-35 million.

Sandeep Tulsian: Alright and secondly sir, I would like to know in the recent tender, which have been given by PGCIL, what are the pricing trends? What kind of competition are you seeing? What's the general feel about out there?

Manish Mohnot: I mean, competition continues to be there, right. I would be lying if I tell you the competition is not there, but yes we have seen reasonable prices being put in by people now. People have stopped quoting the way they were quoting very low in the past because a lot of people have burnt their fingers and I am sure all of you know that the people who I am talking about. So we also are at favorable place in a couple of orders. I think we already have one order in the last quarter and a couple of order with Power Grid we are favorably placed. So competition continues to be there, but price levels have improved to significant extent from the low price competitors and hence we see a lot of us getting some orders there. So I would say it's a healthy competition which is visible now as compared to unhealthy competition which was visible in the past.

Sandeep Tulsian: Alright, and secondly sir apart from PGCIL also, which states are likely to go along with the tendering process? I mean in the second half, how do you see the ordering environment to span out given the interest rates have really increased and what kind of order intake are you targeting in the second half of the current year?

Manish Mohnot: If I give you an indication of what kind of order intake I would be giving you indication of what are L1 numbers, which I want to avoid, but in a nutshell, we expect to end the year end more at the range of as far as the Kalpataru is concerned, more in the range of Rs 7,000 crore of order book at the end of the year, that is the target, which we are moving towards. So that it clearly gives us more than two years of clarity in terms of order when we start the beginning of the next year, right and if you ask me traction in terms of bidding, yes we are bidding for a lot of tenders. Power Grid, Overseas as well as SEBs. Some of the SEBs like Maharashtra, which seeing a lot of traction, Gujarat we are seeing a lot of traction, Tamil-nadu, we are seeing a lot of traction, Chhattisgarh we are seeing a lot of tractions. So some of the developing states and some of the states who are going to get the benefit of the ultra-mega, we are seeing a lot of traction there.

Sandeep Tulsian: And sir secondly, I was looking at a working capital, I mean we have maintained a very good control over the working capital cycles seen in the first half, however I see a significant increase in the current

liabilities, not a significant and there is a good amount of increase over there. So just would like to know the breakup of customer advances that we have received, so I can compare it on a YOY basis?

Manish Mohnot: I don't think I have this break up readily available, but I will definitely ensure that someone from our office provides you those details at the earliest, but as far as our current liabilities are concerned, if you ask me, it's on track in terms of keeping in line that what the requirement of steel is and requirement of a lot of our raw materials is, majority of it pertains to procurement of raw materials and the lot more on all the fix price projects will be trying and keep the steel instead of keeping ourselves open to a great extent. So if you need the breakup of customer advances, advances from customers, okay I have this data. We are closure to numbers of Rs 400 crores while we speak today.

Sandeep Tulsian: 400 crores.

Manish Mohnot: Yeah.

Sandeep Tulsian: And can I have a comparable number for last year same?

Manish Mohnot: Basically its Rs 258 crores.

Sandeep Tulsian: Rs 258 crores, and obviously I mean, customers are not charging an interest over the same right?

Manish Mohnot: Some of them are, right but as a philosophy, we always believe that it's better to have customer advance even if they charge interest, because to that extent, you know the commitment of a customer is a lot-lot much higher.

Sandeep Tulsian: So it had nominal rate.

Manish Mohnot: Yeah, nominal rates, exception of few clients.

Sandeep Tulsian: And sir lastly, could you just give a highlight as the JMC order inflow which we have got during the quarter, which sectors are these from and also in terms of the order book of JMC, which sectors are contributing how much proportion in terms of percentage?

Manish Mohnot: Sure, if you look at the last quarter, a lot of orders which we got are primarily in factory and buildings and railways, in factory and building, we got orders close to Rs 442 crores in the last quarter and railway we got orders in the range of Rs 200 plus crores in the last quarter. Primarily order received in the last quarter has been factories and buildings and railways. Now if you want to on an overall basis, if you look at the JMC order book closure to 50% of order book is factories and building, around 20% is coming from power and railways together and a balance 30% comes from infrastructure, which is basically roads, bridges, water and all of that .

Sandeep Tulsian: Okay sir that's very helpful. Thank you very much sir.

Manish Mohnot: Thank you.

- Moderator:** Thank you. The next question is from the line of Kirti Dalvi from Enam Asset Management Company, please go ahead.
- Kirti Dalvi:** Few questions, what's your consol debt currently?
- Manish Mohnot:** Console debt currently is more in the range of Rs 1,000 crores.
- Kirti Dalvi:** Okay and how much of this is are overseas borrowing?
- Manish Mohnot:** Overseas borrowing is very-very limited while we speak today. Majority of our borrowing is in domestic segment, I don't know whether we would call PCFC and the export shipment as overseas because that's more local. Today our overseas borrowing is extremely limited. It would be less than 5%.
- Kirti Dalvi:** You didn't mention that in our interest cost. We have some ForEx impact, so the question was related in that?
- Manish Mohnot:** See the ForEx impact comes out of two aspects, one is your FCNR borrowings which you do for export shipment and the pre-shipment and post shipment credit. Right that is one, which is more we borrow from local banks. One of the impact, which comes out of that because that's always money available at LIBOR plus a very minimal price. And second is also advances from customers which we have with us. Like suppose we have a customer advance, we got at X price, but if the price has moved up, we have to re-valuate the advance.
- Kirti Dalvi:** Okay, could you just elaborate what would be the quantum of that debt in our interest cost currently?
- Manish Mohnot:** The impact of this foreign currency is around Rs 3 crores.
- Kirti Dalvi:** Okay, three crores in the current quarter.
- Manish Mohnot:** Yes.
- Kirti Dalvi:** And sir little bit details on the Shubham logistics, what are revenues and EBITDA and PAT if you could have it?
- Manish Mohnot:** Sure, if you look at quarter 2, I will give for half one. On half one basis, the Shubham has done Rs 73 crores as compared to Rs 49 crores of topline in the previous year. On quarter 2, we have done Rs 48 crores as compared to Rs 25 crores in the previous year. Our PBT for the current quarter is at Rs 2.5 crores, which is closure to 5% and we have done EBITDA of Rs 8.3 crores in the current quarter closure to 18% with EBITDA of Rs 12.8 crores in the first half.
- Kirti Dalvi:** Okay and sir infrastructure division actually the topline has come in this quarter, but margins have disappointed a bit, could you elaborate on that?

- Manish Mohnot:** Our infrastructure division now consists of both railways as well as oil and gas pipeline some of the new railway orders, railways have started delivering only in this quarter significantly. You will see margins improving you know the first stage of any projects and we are conservative companies historically, typically for any new segment, we do not recognize margin still be reached a reasonable shape and that's what we did in this past for pipeline also, so you would see some improvement coming later. This is primarily because of the new orders which we have just started the delivery
- Kirti Dalvi:** Okay so for the whole year, where do we see infra margins?
- Manish Mohnot:** An EBITDA level more in the range of 10% plus.
- Kirti Dalvi:** For the whole year?
- Manish Mohnot:** Yeah.
- Kirti Dalvi:** Okay and the growth of 20% would be maintained?
- Manish Mohnot:** Yeah, we should be able to achieve that growth as far as the infrastructures segment is concerned.
- Kirti Dalvi:** Okay and sir, we were planning some investments in Shubham, if I am not wrong, what the update on that?
- Manish Mohnot:** Yeah we have invested some component of QIP funds, which we had planned. We have invested on buying land in two more states and I think we have achieved around 60 to 70% out of this 13 planned locations we have achieved, already eight locations we have done that. other locations should happen in the next few months. It has been on track as far as the plan investments for getting into two more states from logistic perspective.
- Kirti Dalvi:** Sure, it is very much to same till date?
- Manish Mohnot:** We are at 85%, it gone from 80 to 85 hopefully before year end our stake should go up further.
- Kirti Dalvi:** And sir what could be our investments in our all put together like BOTs and the other investment which should go into the Shubham Logistics, what could be the full year quantum for the company as a whole?
- Manish Mohnot:** You are seeing the incremental investments which we planned in the current year?
- Kirti Dalvi:** Yeah, I mean FY12, what could be the investment which will go into the BOT projects in terms of the equity as well as in the Shubham?
- Manish Mohnot:** I think the total additional investments in the current year which were planning on equity plus Shubham, our share operate excluding the share of our partners. Some of them we are alone, some of them we are with partners. To be more in the range of Rs 250-300 crores.

- Kirti Dalvi:** Okay and how much we did already in the first half?
- Manish Mohnot:** I think we have done and I think I will take the help of Kamal, I think we have done closure to Rs 125 to Rs 150 crores in the first year. So Kamal can you correct me, it has?
- Kamal Jain:** Rs 110 crores
- Manish Mohnot:** Rs 110 crores.
- Kirti Dalvi:** And excluding this investment, our CapEx would be in the range of Rs 200 crores?
- Manish Mohnot:** We are trying to gain limited to closure to Rs 175, but just to be on a safer side, lets plan for Rs 200
- Kirti Dalvi:** Fair enough sir. Thank you very much and wish you good luck.
- Manish Mohnot:** Thanks.
- Moderator:** Thank you. Then next question is from the line of Summit Poddar from Birla Sun Life, please go ahead.
- Summit Poddar:** Hi this is Summit here. I just wanted to check what is the status on the real estate projects we are having at KPTL?
- Manish Mohnot:** Sure, we internally called it the developmental projects. Yes that gives us the right flavor. At Thane our IT park should be ready by February March and we expect the revenue to start from next year. Indore is still on the drawing board. There have been some changes which happen in terms of the government norms and rules and regulation. Indore, we are still on the drawing board and I personally believe that we need to, we will have a perfect decision on what we need to do with that property by next quarter.
- Summit Poddar:** Okay
- Summit Poddar:** What kind of rental are we envisaging in Thane project?
- Manish Mohnot:** You know I wouldn't have exact clue of what per square feet, but I know that we are expecting revenue more in the range of Rs 18 to 19 crores per annum starting from next year.
- Summit Poddar:** Okay that's it from my side. Thanks a lot.
- Manish Mohnot:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Pawan Paras from Espirito Santo, please go ahead.

Pawan Paras: Hello sir good morning.

Manish Mohnot: Good morning.

Pawan Paras: Sir just wanted to understand your revenues are bit better, you may highlighting for last two quarter of some delays in approvals and things like that, can you please throw some light on what's are delay at these end and how do we expect these overcomes with the execution challenges?

Manish Mohnot: Sure, okay lets divide this entire thing with the two areas which you spoke about, one is the extended monsoon which all of us know about what happened. It's a good for the country as whole and that's beyond the control of all of them. Second delays are primarily occurring on account of two things, one is the right of way issues which are occurring on a lot of our projects and which is a common thing across and there is nothing new in it except that the gravity of it is much higher than what is used to be in the past. Otherwise these issues we have faced throughout our life. Second is from clients which normally sometime get delayed, but that's not so significant. Okay now that's a part of our normal day to day activity. There is a two big issues one monsoon which is now history for the next two quarters. We don't need to look at that again. And the second obviously is the ROW and clearance issues which is the issue happening to all of us. I am seeing not only we as a company, but entirely EPC sector and we need to work along with the client to ensure that that gets clear because in majority of the projects, that's not our scope, those are the scope of the client, but we have to be with them to ensure that that gets clear at the earliest.

Pawan Paras: Okay so sir do we have any slow moving order in order book now?

Manish Mohnot: Yes we do, but I would not like to identify one or two as you know because all of EPC contracts typically would have some problem or the other. Some of them are slow moving, but we are working to ensure that they get that contract including a few international orders.

Pawan Paras: And sir there were ROW issues I mean are they so significant through us, do you can quantify and give that number to us, what percentage of that of the total order book is actually stuck up due to the ROW base issues?

Manish Mohnot: See to put it differently, I think ROW issues exists on every project. Majority of the project that client is responsible for providing them. What I quantify today would be a very different number, tomorrow will be different number than yesterday and has a nature of our business. It definitely is impacted our growth and that's why you know from a growth percentage which you are saying 15 plus we have come to more in the range of 12% plus level. It's definitely impacting growth, but it is very difficult to quantify. This is a problem which happens, let me tell you like five times a day on every project. And that's the nature of our business.

Pawan Paras: Okay and sir could you throw some light on newer projects coming up in the MENA region and execution of an existing projects?

- Manish Mohnot:** Sure, I think we are expecting a few large projects coming up in Africa, not necessarily in the MENA region and some problems which we have bid for middle east, which we don't still know the outcome, so we are seeing a lot of traction coming in from the entire region, but we right now not bid for any of those countries, which we did not present there at all, so today if you look at Libya, Iran, Iraq, we are not there at all. In the short run, we don't have any plan to be there also, but the existing countries where we continue to be there like Abu Dhabi like, Kuwait and if you go to Congo, Kenya all of this countries to be continued to focus on some more larger size projects.
- Pawan Paras:** Okay but sir in this season wherever we operating, is execution still on track, I mean as you were expecting it to be or, is it still recovering on a bit slow moving then what we expected to be?
- Manish Mohnot:** Our expectations were changed a big time after as to what we saw last year. We reduced our expectation itself for the current year. So after the reduce expectation, I would say we are on track. Till last year, if our expectation on a particular project was x months, this year we made it 1.2x or 1.3x depending from country-to-country. So we are aware of all those issues in some of these countries. So with those reduce expectations, we are closure to track but we still have a few projects where we have difficulties and we are working hard to ensure that they can resolve.
- Pawan Paras:** Okay, so we are expecting this to end this year with Rs 7,000 crores of order book, so I mean which implies we are expecting some Rs 2,500 crores of new orders coming up in H2FY, are you expecting both of these order so in the T&D segment or we bidding in some good orders in the infra segment as well?
- Manish Mohnot:** I think it's going to be combination of all T&D, Infra, railways all, but significant obviously in the T&D.
- Pawan Paras:** Okay, sir finally could you provide the breakup of your order book in terms of domestic T&D, infra, and international? I mean 60% at domestic of which how much is T&D and infra?
- Manish Mohnot:** Sure, if you look at the total order book breakup closure to 50% is T&D domestic, closure to 38-39% which is around 40% is infrastructure and closure to 12 to 13% come from railways and infra.
- Pawan Paras:** Okay sir, thanks a lot.
- Manish Mohnot:** Thanks.
- Moderator:** Thank you. The next question is from the line of Ashish Jain from Morgan Stanley, please go a head
- Ashish Jain:** Hi sir this is Ashish Jain from Morgan Stanley.
- Manish Mohnot:** Good morning.
- Ashish Jain:** Sir I just wanted to understand your revenue guidance a bit better, even if I assume we do a 10% of revenue growth on standalone basis for the full year, it would imply roughly you know 20% growth in

the second half. Now given the issues you spoke just now especially on the right of way thing, I just wanted to understand what gives us this clarity that you know will be doing something 18-20% , something which we have not done in the last three-four quarters?

Manish Mohnot:

Okay, if you just look at it differently the last two quarter of the previous year, if you look at as compare to the quarter before that, we saw that kind of growth. Typically quarter 3 and quarter 4 constitutes 65% of our revenues and that's being the history always between 60 to 65 depending upon year-to-year. So today the confidence primarily comes because while we have the bad six months which followed so the client is equally desperate to ensure that this projects is completed and delivered on time. We are committed and we have got all our plans and teams in place to delivery. We have a good order book at hand so that you know we know that even if one order or two order suffers here and there, unless it's a significant order, we can compensated with some other order, but while we say so, yes the significant portion of this is going to come in quarter four, that's always been the history. So with that confidence, I think we should really be able to achieve 18-20% growth in the last two quarters. And we planned it very well because we have a good order book with different kinds of orders. So not dependend as much on one particular or two particular, five particular orders.

Ashish Jain:

Okay and sir my second question is more on like three or five year strategy point of view, like you know given the issues which we are seeing on the generation side and given there prima facie in particular seems to be more linked to new generation, do you really see that you know overall like three to five year growth could be more normalizing to 8-10% kind of number or you still think that 12-15% is likely to be the trend say from three or five year prospective?

Manish Mohnot:

I personally believe for companies like Kalpataru 12-15% is the lowest levels at which we have to..... See because it's not only PGCIL, I think we need to appreciate the PGCIL is the electricity boards and thus the entire group. Right now we are working in 12-13 countries live projects. So from that prospective, I think generation is the something which is required if you go into detail and to lot of countries across the globe. And today we feel proud in saying that we are among the top three or four at a global level. And so from that prospective something else would slow down and something else would come up probably not a slowdown. And to answer your question that has Power Grid orders slow down, the answer is no. Because right now, if you look at the visibility of tender, which we need to bid in the next three months, I think they are on track as far as what they plan for the current year.

Ashish Jain:

PGCIL you mean or more global?

Manish Mohnot:

PGCIL.

Ashish Jain:

Okay.

Manish Mohnot:

So personally 12-15 should be easily achievable at least from a three-year prospective.

Ashish Jain:

Okay great sir. That's it from my side.

Manish Mohnot:

Thanks.

- Moderator:** Thank you. We have the next question is from the line of Madana Gopal from Sundaram Mutual Fund, please go ahead.
- Madana Gopal:** Good morning sir.
- Manish Mohnot:** Good morning.
- Madana Gopal:** Sir missed out on the initial part of the call, can you tell me what is the order flow for the quarter and order book as end of the quarter?
- Manish Mohnot 32.35:** Sure, order book at the end of this quarter Kalpataru is closer to Rs 6,000 crores, and JMC at the range of Rs 5,000 crores. Orders through for quarter two Kalpataru has got order closer to Rs 650 crores. And JMC is more in the range of Rs 550 crores.
- Madana Gopal:** Can you give some clarity on the states that are likely to spend, we recently saw a Rajasthan coming out of big orders and we are hearing that Uttar Pradesh is also likely to spend in a big way in the T&D space, can you give some clarity on what kind of these projects are and how are we positioned in these projects?
- Manish Mohnot:** We are seeing a traction in a lot many states and that's what I alluded earlier including UP, Rajasthan, Gujarat, Maharashtra, Chhattisgarh, Tamil Nadu all of them. We are bidding for a lot of these projects at least where we believe that we have a chance of winning it or where we believe that the funding is available with the states. We need to be careful that we bid for orders where the credit risk is minimal. So we have been bidding for the lot of orders. We are favorably placed in a few states while we speak and I think you see a traction of a lot of states coming in over the next few quarters.
- Madana Gopal:** Okay and about margin sir, you are comfortable with the margins being maintained as it was last year or you see in downside possible risk?
- Manish Mohnot:** I think on margin prospective, at EBITDA level, I think we should be able to maintain this definitely in the current year.
- Madana Gopal:** Because we here that steel prices have not gone down in the domestic market due to this iron ore disruptions and you are factored in that in your appearance?
- Manish Mohnot:** We have because more than 75% of order book is variable price. While this would become small impact, it could not be significant impact to have a big impact on margins. Plus minus 10—20 basis point, that's always possible numbers.
- Madana Gopal:** Okay, thank you sir and best of luck.
- Manish Mohnot:** Thanks.

- Moderator:** Thank you. The next question is a follow up from the line of Nihal Shah from Care Ratings, please go ahead.
- Nihal Shah:** Sir one question, this was regarding your railway EPC business, sir I believe you are planning to aggressively get into it so what is the update on that sir?
- Manish Mohnot:** Okay I don't know what is the definition of that what aggressively. We definitely have got into that project and into the entire sector of railway EPC. We have won significant project in the last 9-12 months including some projects in the last quarters so there are order book on railways which shared between Kalpataru and JMC together is in excess of Rs 700 crores. And we have focused on delivering on that, we have created a team of more than 50 people, while we speak. So thus that's the sector we are focused on, that's the sector which we are looking at in terms of growth for the future and this is the sector, which we are also looking from international perspective.
- Nihal Shah:** Okay, sir and one more question, now from now onwards sir, the railway EPC would be in the books of Kalpataru standalone or JMC sir?
- Manish Mohnot:** Depending upon the nature of the project, if it is more of civil contracting kind of projects where JMC is a company which qualified then it's JMC. And if it is more electrification, it might be in Kalpataru. So depends on project to project, it will be different.
- Nihal Shah:** Okay. Sir my next question is regarding the oil and gas EPC sir, what is the status on that sir and are we receiving any orders from that sir?
- Manish Mohnot:** We have not received any order in the last quarter on oil and gas pipelines. We have bid for a lot of tenders, we have lost a few of them, but we see the traction in terms of order book, but we have not been successful for winning any projects in the last quarter.
- Nihal Shah:** Okay and sir going forward any, are we L1 in any of the orders or Oil and gas?
- Manish Mohnot:** We are very close L1 in one of the orders, but let see today I don't have full clarity on that.
- Nihal Shah:** Okay sir. Thanks a lot sir.
- Moderator:** Thank you. The next question is from the line of Saunabh Bunabh from ICICI Direct, please go ahead.
- Saunabh Bunabh:** Hello sir.
- Manish Mohnot:** Hi.
- Saunabh Bunabh:** Sir I just wanted to know the breakup of the order book business segment wise like how much is from transmission, distribution, and infrastructure?

- Manish Mohnot:** I think you just missed it. I just gave it minute ago, but just to repeat transmission and transmission distribution domestic is more in the range of 49-50%. International is more in the range of 38 to 40% and infra put together is more in the range of 13-14%.
- Saunabh Bunabh:** And sir like, how much will be the order, the breakup of PGCLs and SEBs?
- Manish Mohnot:** Out of the domestic order books, PGCL today is in the range of 45 to 50%.
- Saunabh Bunabh:** And sir SEBs?
- Manish Mohnot:** Private sector is more in the range of 12-15% and SEB more in the range of 35%.
- Saunabh Bunabh:** Okay, that will be all from my side. Thank you.
- Moderator:** Thank you, the next question is from the line of Deepak Khatwani from B&K securities, please go ahead.
- Deepak Khatwani:** Good morning sir and congrats for the good set of number. Sir my question was regarding JMC, I just wanted to know what is the investment we have made in BOT projects till date?
- Manish Mohnot:** When you see investment is more in the form of equity
- Deepak Khatwani:** Yes sir.
- Manish Mohnot:** I think our current equity investment in JMC project is more in the range of Rs 150 crores, Kamal can you help me.
- Kamal Jain:** Right Rs 219 crores.
- Saunabh Bunabh:** And what's we plan to do in FY12 and FY13 going forward?
- Kamal Jain::** I think FY12, our plan is to put in further Rs 200 crores in this business and FY 13 might be similar number more in the range of Rs 150 to Rs 200 crores.
- Saunabh Bunabh:** And sir what are CapEx we are planning for FY12 and 13?
- Kamal Jain::** I don't have full clarity in CapEx for 2012 and 2013, but typically in the business, our core business is, we have been doing CapEx is in the range of Rs 150 plus crores on a consol basis so you should at least assuming that.
- Saunabh Bunabh:** Alright sir, are we confident of achieving minimum, we have Rs 150 crores of CapEx and Rs 200 crores of equity commitment, are we confident that will attain it through cash accruals in the business or we will be raising some debt for it?

- Manish Mohnot:** I think majority of it should come from our accruals because if we look at cash accruals in the last two years and going forward also, we would easily be able to achieve that kind of cash accruals from our core businesses. It will have a small impact on debt because they are both in different companies, but in a consol basis, majority of it should come from a cash accruals.
- Saunabh Bunabh:** Alright, what would be the debt in JMC book because of now?
- Manish Mohnot:** As of now JMC book debt is closure to Rs 300 crores
- Saunabh Bunabh:** And sir what would be the scenario for working capitals cycle, have you improved or has it been deteriorated. If you could put a picture to it?
- Manish Mohnot:** If you look at from a balance sheet prospective, given that our loans are at similar levels both for Kalpataru and JMC with a 60% growth our loan book has not grown so much, I would like to believe that we have at least manage to insure that the working capital cycle does not deteriorate. And as far as number of days are concern, we are still in that same range 150 to 180 days depending upon quarter-to-quarter, depending upon what kind of fix price orders we have in all of that. So today as far as the internal benchmarks are concern, we are on track as far as the working capital benchmark which we have set for ourselves.
- Saunabh Bunabh:** Alright sir, what are the guidance you will give for JMC FY12, revenue growth guidance?
- Manish Mohnot:** I think we already given a guidance for JMC it would be closer to about 50% for 2012.
- Saunabh Bunabh:** Alright sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajeev Mehra from JM Financial, please go head.
- Rajeev Mehra:** Hello good morning sir.
- Manish Mohnot:** Good morning.
- Rajeev Mehra:** Sir I just wanted to understand your scope of work in the high voltage transmission corridors, which PGCIL is planning to give out the 9 and out of that I think 6 have already been awarded, what would be the future, when would those orders be given and what's Kalpataru scope of work in these orders?
- Manish Mohnot:** I thinks it's very important to understand that there is no difference as far as high voltage transmission corridors are concerned as compared to a normal 765 or 400 KV line. It's only the source of funding by through which Power Grid got it. It's a difference for them. As far as we are concerned, it's a normal EPC contract. It's bid like a normally EPC contract. We bid for it, if you win it, we win it. If you don't win it, we don't win it. It's just important for Power Grid because for them the funding requirement comes from different ways.

- Rajeev Mehra:** So currently out of order book related to the high transmission corridors, what would be the amount of order intake which would be there in it?
- Manish Mohnot:** Yeah, we are little bit differently, for 765 KV and above, we are right now working on five or six large projects, right. For me that is all high voltage.
- Rajeev Mehra:** Okay.
- Manish Mohnot:** We are working on five to six projects right now today on 765 KV and above.
- Rajeev Mehra:** Okay and just going ahead in the future, when would the other transmission high corridor lines get awarded, any timeline by PGCIL for that given?
- Manish Mohnot:** See a lot of tender which have planned for the next 6 months. Well wouldn't have the exact time of win, what is the main, but in the next six to nine months, you should see a lot of orders on the higher voltage coming in.
- Rajeev Mehra:** Alright, got it, thank you sir.
- Manish Mohnot:** Thanks.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities, please go ahead.
- Sunil Jain:** Good morning sir, this is regarding JMC project, can you throw some more light on this BOT projects, what is the status of the BOT project?
- Manish Mohnot:** Sure, if you look at the JMC and the BOT projects, Rohtak Bawal was the first project which we won, which we got financial closure long time ago. We expect to achieve the COD that by quarter 3 of financial year 2014. The Agra-Aligarh, the second project we have completed the financial closure and this was mobilization we have already started, but that also we expect COD sometime in the last quarter of financial year 2013. The third project Nagpur-Wainganga, we just received the LOIs few months ago and we have time to finish the financial closure, but we are in advance stages of discussion on that. So that is on the financial project side. On the execution side, I think Rohtak-Bawal is on track and we expect to finish the project on our before schedule. Agra-Aligarh we just started too earlier for me to comment, but as of today its look on track.
- Sunil Jain:** This Rohtak-Bawal, you said that you will be reaching COD in Q3 FY14?
- Manish Mohnot:** Yeah Q3FY14.
- Sunil Jain:** Okay so major revenue will start only in FY15.
- Manish Mohnot:** FY14.

- Sunil Jain:** Okay and apart from that, in JMC projects, no doubt we have a very good order book positions, is there any delay or anything on any execution side in any of the bigger project?
- Manish Mohnot:** Yes, in the sense this is a perennial problem in the EPC contracting. In every projects we would have this issue in some form or the other, but it's an art of ensuring that we worked around it and ensure that we work along with the client to get this delays sorted up. There are delays then we continue to be delays, but we are trying to ensure that we manage as much possible.
- Sunil Jain:** Okay. And the order book is quite healthy in the JMC, are you further looking to book order in this year aggressively or normal?
- Manish Mohnot:** I think our philosophy in pricing has been very consistent all throughout our life and we would like to book orders, if it does comes at right price. As far as ability to delivery, yes we have the capability to deliver much more than what we are doing today, but if we get orders at a right price with the right client in minimal credit risk, we would definitely look at out.
- Sunil Jain:** Sir if I compare it with some other players in this JMC about the margin, why we have comparatively lower margin in JMC?
- Manish Mohnot:** There is two key reasons for it, one is because we have a very diversified portfolio and a lot of investments have gone in to create a diversified portfolio because still two years ago, JMC only used to do buildings and factories, right so one is because of that and second our strategy is ensuring that we continue to focus on newer sectors, as and when there is opportunity available. Also create the situation, but going forward may be not in the current year, hopefully next year onwards, you should see some improvement in margin coming.
- Sunil Jain:** So our order book is indicating in that direction anything, whether we can have a better margin the coming year?
- Manish Mohnot:** Yes, not in the next two quarters, because of the increase cost which is happening, but definitely next year you should see some improvement coming.
- Sunil Jain:** And sir last question, is there any thought in the mind of the management to merge JMC with Kalpataru?
- Manish Mohnot:** If you ask me today, there is no such plans or no such actions going on. Both the companies are growing well, I think today from a growth prospective both of them are going well and there is no competition between both of them. Both works on specific areas and we are fine if there is an EPC contracting. So as of today, there is nothing on the drawing board.
- Sunil Jain:** okay fine sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ronak Lodha from Nirmal Bang Securities, please go ahead.

- Ronak Lodha:** Good morning sir, the JMC Project works majorly in four segments right, so if you could please help me with the operating margins that these segment work?
- Manish Mohnot:** Sure, I mean if you look at the operating, margin which you have achieved while it's going to be different going forward, but practical buildings normally contributes the maximum margin as far as JMC is concerned where their EBITDA would have go as higher as double digit numbers, all in the range of 9-10, sometime crossing 10. It has been one sector, which because of historical growth, because of historical orders and all of that have not been contributing significantly, but you will see that changing from expert onwards in a big break. So infra is being a low margin game till now.
- Ronak Lodha:** Okay so around?
- Manish Mohnot:** More in the range of 3 to 5%.
- Ronak Lodha:** Okay.
- Manish Mohnot:** Power has been good. Power also continues to be in the range of double digit if not slightly higher than that.
- Ronak Lodha:** Okay and sir one more thing, sir is there any project in the L1 phase in the coming two quarters pertaining to infra segment?
- Manish Mohnot:** There are a few projects, right a few EPC projects, which are there in the L1 stage?
- Moderator:** Thank you. The next question is from the line of Madana Gopal a follow up from Sundaram Mutual Fund, please go ahead.
- Madana Gopal:** Sir, good morning sir, just wanted to confirm with you the CapEx, what are the parent company CapEx?
- Manish Mohnot:** More in the range of Rs 100 crores.
- Madana Gopal:** And total?
- Manish Mohnot:** Total CapEx should be more in the range of Rs 200 crores excluding the equity which we planned to invest in the BOT project.
- Madana Gopal:** Okay thank you sir.
- Moderator:** Thank you. The next question is from the line of Ashish Jain from Morgan Stanley, please go ahead.
- Ashish Jain:** Hi sir this is Ashish Jain again, sir I just had a backward looking question, If I look at the EBITDA margins of the standalone company, we have done pretty well to maintain margins in the range of 10 to 12%, say in the last four to six quarters, sir I am just trying to understand, because this has been the

period when there has been maximum talk of price competition in PGCIL in particular and to us to some extent in SEB's orders as well, I am just trying to understand what have we done right to maintain our margins at similar levels that we have been targeting all of this?

Manish Mohnot: Yeah this is very nice question and very well directed. There are two important things which we have done well, one we have not gone desperate for creating order book out of PGCIL and SEBs, so we are diversify order book to ensure that we have the right mix of products, PGCIL, SEBs, private sector, overseas all of them. Because we always had an order book while there was a lot of unhealthy competition. We always had an order book an excess of 18 to 21 months. So we did not get into the desperate level of taking orders, which is what the strategy we always work on. And second we diversified it. So we get some overseas orders, some private sector orders all of that to ensure that we don't get into this strap of bidding for a low price orders.

Ashish Jain: Okay, can you just give some idea of you margins between PGCIL, International and SEBs at EBITDA level?

Manish Mohnot: Okay, there is no formula, there is no rule for it right, every project worked at different margin levels depending upon the client, nature of the project, the duration whether it involves testing or not, whether it is fixed price versus a variable price, but typically you bid at the margin levels which we have indicated.

Ashish Jain: Okay. Thanks that's it.

Manish Mohnot: Thank you.

Moderator: Thank you. The next question is from the line of Naysar Shah from Birla Sun Life Asset Manish Mohnot, please go ahead.

Naysar Shah: Hi, good morning Manish.

Manish Mohnot: Good morning.

Naysar Shah: Manish just wanted to understand this consolidated CapEx numbers, earlier I thought you said 160 crores and now you are saying 200 crores, so which one is the correct number to work?

Manish Mohnot: I said in the range of 175-200 crores. I clearly articulated that we would like to plan for 175, but we kept a budget of 200. That exactly what I articulated earlier in this call

Naysar Shah: Okay so, if it's around the higher side in which subsidiary it will be Shubham, JMC, which subsidiary you are envisaging say higher CapEx?

Manish Mohnot: I think we are talking about difference between 175 to 200, right it could be 10 crores higher on any of this three companies, Kalpataru, JMC and Shubham any of them. **Naysar Shah:** Okay. Thank you very much and all the best.

Manish Mohnot: Thank you.

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

Bhoomika Nair: Yes I would like to thank everybody for taking time out for participating on the call especially the Manish Mohnot. Thank you very much sir.

Manish Mohnot Thank you.

Moderator: Thank you so much. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect you lines.