

**“Kalpataru Power Transmission and JMC Projects  
Q2 FY2020 Earnings Conference Call”**

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**Moderator:** Ladies and gentlemen, good day and welcome to the KPTL & JMCs Q2 FY2020 Earnings Conference call hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you!

**Bhoomika Nair:** Thank you Steven and good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q2 FY2020 earnings call of Kalpataru Power and JMC Projects. The management today being represented by Mr. Manish Mohnot, Managing Director and CEO, Mr. Kamal Jain, Director, Mr. Ram Patodia – President, Finance & CFO, and Mr. Manoj Tulsian – Whole-Time Director and CFO of JMC Projects. I will now handover the call to Mr. Manish Mohnot for his initial remarks post which we will open up the floor for Q&A. Over to you Sir!

**Manish Mohnot:** Thank you Bhoomika. Good morning everyone. I am thankful to you for your continued interest in attending this earnings call of KPTL and JMC. I am happy to inform you that we have delivered a strong quarter with good set of growth and profitability numbers for both KPT and JMC.

Our strong order book, diversified business portfolio and strong execution has helped us perform quarter over quarter. At the same time, our focus on working capital management and operational improvement initiatives has helped us to deliver profitable growth in this challenging environment with debt within controllable limits. At KPTL and JMC we continue to maintain leadership position in the T&D, B&F, Oil & Gas Pipeline and Railways EPC business with sizable order book to be executed over next two to three years.

We are taking enormous efforts to expand our international reach and we believe that this would be exciting journey for us. Overall, we are confident of delivering a minimum 20% revenue growth on a full year basis for both KPTL and JMC. Our order visibility across all our businesses remains good giving us reasonable confidence to deliver on our growth targets.

Getting to more details on the last quarter performance, first at KPTL consolidated level. On the back of a strong performance across businesses, KPTL consolidated revenue for Q2 FY2020 was Rs.3216 Crores, a growth of 29% over the corresponding quarter of the previous year.

For the first half of FY2020 our consolidated revenues had been around Rs.6000 Crores with year-on-year growth of 31%. Our consolidated for EBITDA for Q2 FY2020 was Rs.420 Crores with a margin of 13.1%, similarly for first half FY20 our core EBITDA has gone up by 31% to reach 784 Crores with a margin of 13.1%. Our PAT for Q2FY20 was Rs.137 Crores a growth of 16% as compared to

corresponding quarter of last year. First half FY2020 PAT grew by 18% year-on-year to Rs.244 Crores.

Consolidated financial for Q2FY20 and H1FY20 include three major nonrecurring items, first the capitalization of Alipurduar transmission line asset which has led to higher depreciation and interest cost compared to previous year. Second change in tax rate and deferred tax assets has lead to fall in PAT by around Rs.21 Crores. Third, our consolidated financials for financial year 2019 last year had a one off being on account of sale of Thane real estate.

As on September 30, 2019 our consol order book is Rs.24832 Crores which is well diversified across the T&D, B&F and other infrastructure segments. At consol level in FY2020 on YTD basis we have achieved order inflow of around Rs.7688 Crores and have L1 position of around 2800 Crores. We made significant progress on scaling up of the operations at Linjemontage, Sweden. Till date in FY2020 we have secured orders of over Rs.730 Crores and revenue for H1FY20 has reached Rs.246 Crores. Our order book at Linjemontage is now in excess of Rs.900 Crores.

Coming to standalone, at KPTL revenue for Q2FY20 was Rs.1967 Crores, a growth of 25% on Y-o-Y basis. For 1H FY20, revenue grew by 25% to Rs.3622 Crores on Y-o-Y basis. Our T&D business grew by 16% in Q2FY20 and railways by over 100% in Q2FY20 while our oil business growth was flat in Q2FY20. As guided earlier, for full year 2020 we expect T&D business to grow by 10% to 12% at the same time railways and oil & gas business expect to grow at much higher rate for the full year 2020. At a standalone level, we expect KPTL to deliver a minimum revenue growth of 20% against our earlier guidance of 15% to 20% for the year. Our core EBITDA has reached Rs.207 Crores in Q2FY20 with 10.5% EBITDA margin. For 1H FY20 our EBITDA margin was 11% and for the full year 2020 we are confident to achieve our guided EBITDA margin of 10.5% to 11%. Our net borrowing at the end of September 2019 was Rs.860 Crores. Our finance cost has increased in Q2FY20 because of rise in utilization of working capital facility however we are confident to maintain our interest cost as a percentage of sales at 1.7% to 1.8% for financial year 2020 as guided at the beginning of the year. Our PBT for Q2FY20 is Rs.161 Crores a growth of 15% on Y-o-Y basis and PAT of 127 Crores a growth of 40% on Y-o-Y basis. Similarly for H1FY20, PBT grew by 15% to 303 Crores and PAT grew 27% to 219 Crores.

Our order book as on September 30, 2019 is at Rs.15130 Crores, this is excluding the new orders of 632 Crores received in October 2019 which were declared yesterday. Our order flow in FY2020 till date is Rs.4939 Crores. Incrementally we have L1 position of over 2000 Crores as on that date and significant portion of L1 position is out of the T&D business.

At JMC revenue for Q2 FY20 is Rs.942 Crores a Y-o-Y growth of 28% mainly supported by strong execution in our B&F and infra business.

For H1FY20 revenue reached 1846 Crores, a growth of 30% in year-on-year basis. We are confident to achieve revenue growth of over 20% for full year financial year 2020. Our core EBITDA for Q2FY20 Rs.101 Crores and our EBITDA margin has improved by 20 basis points to reach 10.8%. For H1FY20 EBITDA was 202 Crores with margin on 10.9% a growth of 50 basis points. PBT for Q2FY20 is 52 Crores a growth of 32% Y-o-Y basis and PAT for Q2FY20 is 39 Crores a growth of 30% on Y-o-Y basis. Our standalone debt at has increased to 781 Crores at the end of September 2019 largely on account of increase in turnover.

At JMC our order book is Rs.9702 Crores at the end of September 2019. Our order flow in FY20 till date is Rs.2749 Crores largely driven by B&F projects. Additionally we have L1 position of over Rs.800 Crores. In our road BOOT projects average daily revenue was Rs.47.5 Lakhs per day in Q2 FY20 as compared to 49.5 Lakhs per day achieved in corresponding quarter of last year.

At Shubham our revenue in Q2 was Rs.34 Crores with EBITDA of Rs.13.5 Crores and PBT of Rs.1.1 Crores.

Thank you once again for being on the call and I am 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 Kunal Sheth from B&K Securities. Please go ahead.

**Kunal Sheth:** Hi Sir, congratulations on a great set of numbers. My first question is pertaining to the outlook in the market in terms of fresh orders. Can you give us some sense in terms of how is the environment especially on the domestic side. Both T&D and railways as well as if you can also throw some light on the international markets?

**Manish Mohnot:** Good morning Kunal. Kunal on the T&D front we have earlier also guided that we are expecting growth only to be in the range of 10-12% that is on order book as well as revenues. So if you look at the first half whatever orders we have declared is being closer to 50% T&D and 50% others, whatever we are at L1 is significantly on the T&D side. So are we seeing some slowdown. Yes it looks like temporarily we have not seen too many tenders coming up in Q2, but while we entered Q3, we see lot of tenders coming out both on BOOT project and T&D domestic, SEBs as well as Power Grid Corporation. We also started seeing some good traction in railways with a lot of tenders coming out from both RVNL and CORE. So our own belief is that in overall basis getting to 9000-10000 Crores of orders in the current year would not be difficult as far as KPTL is concerned.

**Kunal Sheth:** On the international market which are the key international markets where you are seeing good traction?

**Manish Mohnot:** So we continue to focus a lot on the African continent, our neighboring countries which is

Bangladesh, Sri Lanka, Bhutan and Nepal, the SAARC countries and limited focus on Middle East.

**Kunal Sheth:** My second question is pertaining to the asset sale in KPTL, so Sir that is on track so what are timelines now that we are looking in terms of cash flow coming in?

**Manish Mohnot:** So we have already indicated in our presentation to analyst that we have got all necessary approvals for the MP T&D Asset transfer and we expect that this transfer should happen in the next couple of weeks, which means this cash flow should come in this quarter definitely. As far as the ATL is concerned, which is West Bengal and Bihar, we are expecting completion this month which means by the time we get approval might be any time, so that should happen in Q4, as far as the third asset KMTL is concerned that completion itself is planned in June 2020 so that should happen in Q2 2021.

**Kunal Sheth:** Sure thank you so much Sir. Best of luck.

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

**Ranjit Shivram:** Good morning Sir, congratulations on good set of numbers.

**Manish Mohnot:** Good morning Ranjith.

**Ranjit Shivram:** Sir if you can break up your revenue in terms of T&D, railways and pipeline for the this quarter?

**Manish Mohnot:** Sure, if you look at the quarter our revenue in terms of T&D was around 1300 odd Crores, oil and gas was closer to 300 crores and railway was closer to 400 crores, so if you look at from a growth perspective, right you have compared to previous year quarter, right T&D business has grown by around 16% as compared to Q-o-Q but if you look for the first six months the growth is around 5%. Railways business has grown up by more than 100% which is what we have projected and oil and gas is sluggish.

**Ranjit Shivram:** Of this T&D how much would be roughly domestic?

**Manish Mohnot:** So far as definition of domestic is domestic plus neighboring countries which is Bangladesh, Nepal, I would say it is 55% domestic and 45% overseas.

**Ranjit Shivram:** Okay we were hearing a lot regarding this green energy corridor related orders and tenders, so what is the status of those tenders. When can see those orders coming in?

**Manish Mohnot:** The first round of tenders have already been awarded. We also got a couple of large orders in that, one from PGCIL and one large from private sector player. So these two we have declared in Q2 so I think the first round of tenders on green energy corridor to the best majority of them they have

awarded, may be one or two might be pending at a private sector level, but there are few more rounds of BOOT and BOOM projects which have been declared so we expect getting into later part of Q3, Q4 those tender should be visible.

**Ranjit Shivram:** For the full year, in the last call you had mentioned we were targeting around 2000-2500 Crores orders from the railways, so that is kind of on track right?

**Manish Mohnot:** Yes I think the railway business for the first half has done around 850 plus Crores so on revenue front I am reasonably sure that there will be at levels of around 1600-1700 crores if not higher than that. On the order book front, I think they got good orders in Q1, Q2 was not as good for them, but getting into Q3 and Q4 they should be doing very well.

**Ranjit Shivram:** In the T&D, we were expecting around 5000 Crores of orders intake so that is also on track, right. Is there a risk to that guidance?

**Manish Mohnot:** I think today itself T&D if you look at we have orders of more than 2600 crores which we have declared plus we are L1 in 2000 crores and out of that 1900 crores is T&D there is only 100 crores which pertains to railways, so as of today we have visibility already of 4500-4600 Crores on T&D front.

**Ranjit Shivram:** So around 9000 Crores of total order in take is kind of achievable target given the L1 and the order intake which we have in the first half?

**Manish Mohnot:** Yes. We have already got 5000 Crores, the L1 is 2000 Crores so to us between 9,000-10,000 Crores should not be a challenge.

**Ranjit Shivram:** Okay Sir I will join for further questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Mayuri Yadav from Equentis. Please go ahead.

**Mayuri Yadav:** Sir just wanted to understand if you could provide some order book break up from international orders say which is around 41% of your book, if you can just further provide some break up, say between African, SAARC and others which you used to provide earlier?

**Manish Mohnot:** So if you look at it out of the significant portion of our international order book, closer to 50% would be Africa, closer to 40 odd percent would be SAARC and the balance would be combination of middle east, CIS as well as Linjemontage.

**Mayuri Yadav:** Right Sir and Sir around 54% of your order in flow is again from the T&D segment, in this I am assuming a large portion would again be from the overseas market, so can you provide some understanding on to this 54% how is it divided between overseas and domestic in terms of inflow?

- Manish Mohnot:** In terms of inflow if you look at it out for first six months, out of a T&D order of 2640 odd Crores around 1800 Crores is international, but which includes the neighboring countries. Out of 1800 Crores around 500 Crores is neighboring country and around 840 Crores is domestic and this excludes the L1 position, so the L1 position we have 50% international and 50% domestic.
- Mayuri Yadav:** Sir in the international geographies, I know you partly answered that to previous participant specifically between Africa, SAARC and MENA, which is the geography where you are seeing higher traction relatively and your focus is there for on those geography?
- Manish Mohnot:** Our focus continues to be on the African bed and that has been consistent for the last 3 odd years and we see the opportunity there looks like will be much higher, besides that we are also focussed on the Nordic region given that we have a subsidiary there now, so Nordic is also a focus for us African and Nordic countries continue to be our top two focus and then the neighboring countries Bangladesh, Nepal, Sri Lanka which also has a lot of opportunities.
- Mayuri Yadav:** Sir this guidance for 20% growth in top line are we including Linjemontage numbers billing in that or that is excluding Linjemontage?
- Manish Mohnot:** No we have not included Linjemontage revenue. It is included in our consol numbers, wherever you look at consol numbers, we have guidance for that also.
- Mayuri Yadav:** Of a Nordic subsidiary, in terms of margins is it compatible with what you are doing domestic on standalone basis, or is it higher or lower?
- Manish Mohnot:** Which one are you talking of.
- Mayuri Yadav:** Linjemontage Sir?
- Manish Mohnot:** So on the Swedish operation see that is the world which does not work at double digit margin that operation margin continues to be at levels of 5-6% as of now. It should improve from here, but remember that the cost of fund is 0-0.5% on a comparable basis 5.5- 6% is much better than what we do 10% in India. So 5.5 to 6 % is where they are. We expect them to start improving getting into the next year, but current year we believe that we should be in the range of 5.5% to 6% only.
- Mayuri Yadav:** Sir are we maintaining our guidance again of being debt free in next two years?
- Manish Mohnot:** Yes we are sticking to that guidance. We should be closer to being debt free by end of March 2021 on a consol basis.
- Mayuri Yadav:** Sir in this quarter you have some 25% sales from the Indore real estate property, so the consolidated revenue how much would have come from the Indore sale of real estate?

- Manish Mohnot:** Approximately Rs.73 odd Crores have come out of sale of Indore assets and that is containing only for those two buildings where we have achieved the completion, the balance project also under completion and we expect a lot more to happen in the next year.
- Mayuri Yadav:** The interest cost for the quarter on standalone basis has gone up almost 10-15 Crores compared to Q2 2019 so any specific reason because in overall debt if you see it is grown in proportion to your revenue, but why the interest has gone up by 15 odd Crores?
- Manish Mohnot:** So post the first quarter if you see our numbers of the first quarter also our debt levels are very high, right, so July and August were also slightly difficult months in terms of collection, working capital with environment and whatever changes were happening all around. So our collections really picked up in September and that is where the debt had a big improvement so July and August was slightly difficult months in terms of interest cost and that is why the cost is higher. But at the same time we are confident that by the year end, we should be at levels of 1.7 to 1.8% of our targeted revenue on interest cost.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thanks for the opportunity. Sir on the JMC can you gave us the break up of revenue and B&F infrastructure segment?
- Manoj Tulsian:** Good morning. Infrastructure in the first half we have done around 700 Crores and B&F is 1100 Crores.
- Ankit Gupta:** Okay and how was it compared to last year in terms of growth?
- Manoj Tulsian:** In terms of growth, for the 6 months if you look at infrastructure business has almost grown by around 85%, B&F has hardly grown, but for the full year performance when you look at it infrastructure will be close to around 45% growth.
- Ankit Gupta:** Okay so majorly growth is coming from the infrastructure segment?
- Manoj Tulsian:** Yes first half for sure and since last year second half was also very good in infrastructure so this growth will taper down by the year end around 45%
- Ankit Gupta:** Okay and how much growth do you expect in B&F segment?
- Manoj Tulsian:** B&F segment this year will grow maybe at around 6-7%.
- Ankit Gupta:** Okay is it on account of the slowdown in economy and real estate which is impacting the growth?

- Manoj Tulsian:** No if you see last two years only, we are growing a big way on infrastructure. In B&F, last year growth was also in single digit only, and the base is also large, but at the same time if you see this year in the orders which we have declared close to around 2700 Crores, almost 80% of that is B&F. So going forward the growth looks to be much promising.
- Ankit Gupta:** And Sir how much is our guidance for our order inflow for the full year, any revision in the earlier guidance of 6000 Crores inflow?
- Manoj Tulsian:** So we are still keeping it at 6000 Crores for the simple reason that I have been talking that there are some two international orders on which we are working and we are hopeful that we will be able get those orders in Q4 and they are sizeable numbers, so if you get both of them then for sure we will cross 6000 crores, may be 6500 crores also. But in case we get one only, then 6000 crores is a good number at this point of time to predict.
- Ankit Gupta:** So these will be large orders from international business?
- Manoj Tulsian:** Yes, running into couple of thousand Crores.
- Ankit Gupta:** Okay secondly on the asset monetization plan if you can update us what is the status given there are so many companies who are looking to get rid of their road assets, so any developments on that front and are still maintaining that by March 2020 some positive development will happen on that front?
- Manoj Tulsian:** We are still working on that and we are hopeful that by March we would be able to come back with some good news for sure, but other than that also what we are doing is we are working on two large assets in terms of getting them either restructured or refinanced because the tail period in both these assets are quite large and our repayments obligation is there in the next five years where the tail period is close to around 20 years in both these assets. So the discussion with the banks and some of this ideas is going on at a very advance stage and we are very confident that both these large assets will go through this process, actually my requirement of funding these assets in the coming few years will drastically drop down, that may actually result in to a advantage for 40-50 Crores per annum in terms of cash outflow, that is a big change which will happen otherwise also.
- Ankit Gupta:** Sir but given the current environment where these are challenging times from the banking front on infrastructure segments, are we able to get offers for restructuring and utilizing the tail period for our BOOT project.
- Manoj Tulsian:** Well yes. I would say in one of the asset it is a good and bad news. Bad news in the sense that I have also mentioned in one or two interviews that there is a parallel road which has come up because of that the traffic on that particular stretch has almost dropped by 25% rather than what we were seeing in the last two years, there was good amount of growth on that stretch, this year we have degrown by

around 25%. We have taken up the issue with NHAI as well as the lenders. The lenders appreciate the issue and they are with us because then we have been able to tell that the debt is not sustainable and it is not possible to repay the debt under the given circumstances. In fact they are coming with us and approaching NHAI that NHAI needs to do something on such type of policies. The lead bankers have taken the position that yes it is a fit case for restructuring and they are fully supporting us to the extent that they have said that they will even approach RBI as a special case for dispensation of this particular case from restructuring process, but still do us a elongation and maybe they will also mark certain portion of the debt into some preference shares for the time being, so all those things are at a very advanced stage and that is why very confident that these things will happen in the next three months.

**Moderator:** Thank you. The next question is from the line of Monami Manna from Arihant Capital Market. Please go ahead.

**Monami Manna:** Congratulation on great set of numbers. Just one question I mean since you were betting big on the railway front and you are expecting almost doubling your revenue from railway in FY2020 as compared to FY2019 so keeping mind these slowdown that is happening all around that the economy and all and you have also guided you have raised your guidance from now 15-20 to now 20% plus the topline growth for this year, so how do you see if you can throw some color it is very good to see your confidence but keeping in mind the reality in place so if you can throw some light on that Sir?

**Manish Mohnot:** See railway order book as of September 30, 2019 is around 4000 Crores, right and we have guided for a revenue of around 1600 to 1700 Crores for the current year. Even where we are today, even if you have to grow this in the current year 1600-1700 and next year further 20% we still have a visibility of more than 2 years while we speak, that is the first. Second we are seeing a lot of traction on railway coming back from CORE and RVNL and as I said earlier we see tenders coming up, it got delayed Q2 was not much, but getting into Q3 we are seeing tendering which have started. Third our focus continues to be on the international market also on the railways as you have seen all our segments we are trying to see international opportunities not only transmission, so we got one large project in Bangladesh last year, which we are doing along AFCON which is a very big in size. We need to focus on few more countries I might not be able to tell you the exact name of the countries and we are confident that we should see some success from there in the next 6-12, with all of this I think at least 2019-2020, 2020-2021 I do not see an issue in railway is growing. 2021-2022 we have next 18 months to build our order book again and start focusing on that.

**Monami Manna:** Okay sir. basically your confidence comes not only from the domestic markets as well as from the international one also?

**Manish Mohnot:** Exactly.

- Moderator:** Thank you. The next question is from the line of Ajinkya Bhatt from Macquarie. Please go ahead.
- Ajinkya Bhatt:** Sir I have just one question on JMC. On JMC road toll collection, so this quarter you have reported toll collections of about Rs.4.7 million per day, now as I recall your cash break even level in road project was about Rs.5 million per day so does it mean that you are now making cash losses in roads and how does it affect the monetization plan if you could share some thoughts on that?
- Manoj Tulsian:** So two three things, one I just mentioned on the call that on one of the project, a large project, our revenues have degrown by almost 25%, so instead of looking at a growth which is there on the other projects, this project has degrown by 25% so that is a big hit to the overall collection numbers what we are looking at.
- Otherwise two projects have grown in double digit and one in single digit, so when you are looking at monetization plan it is on individual assets, we are not talking about monetizing of all the assets, because different assets may have different challenges like this one have a different challenge on which right now we are working with bank and NHAI and in case we get a buyer also at a reduced value then it will still be a tripeptide arrangement along with the bank, so monetization primarily we are looking at two assets during the year and the other two we are looking at different solutions. Cash loss this first six months we have infused around 5 Crores, so total infusion during first six month is 41 Crores out of which cash loss is 5 Crores rest has gone towards repayment of debt.
- Ajinkya Bhatt:** Okay which are the projects that are making cash flow is it possible for you to tell?
- Manoj Tulsian:** That I will not share on the call.
- Ajinkya Bhatt:** Okay fine thank you so much.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good morning Sir. Just wanted to understand we are looking at 500-700 Crores kind of a project in the international market, so just wanted to understand how will Capex be affected in these numbers. We are earlier guided to a 100 Crores kind of a Capex?
- Manoj Tulsian:** So in any case we are talking for this projects to come in Q4 right and then it will go through process an of contract signing to mobilizing of scheme and everything so there would not be any Capex on these project during this year and the Capex also what will happen on these projects would be in the second half of next year.
- Prem Khurana:** Sir can you give us some color on these project as to what is the size, what is the nature of the projects?

- Manoj Tulsian:** We would not be able to discuss much at this point of time.
- Prem Khurana:** No issues Sir. Sir second thing can you give me an understanding of as to which all projects is going to guide us to a revenue growth in FY2020. In terms of Madhya Pradesh irrigation project as to how they are moving, how much they have contributed or some of the other major projects?
- Manoj Tulsian:** Just now we mentioned that the major growth during the first half has come in the infrastructure side and the billing side has grown by around 5%-6%. For the full year also, we are assuming a similar number of major growth coming from infrastructure and B&F still going in single digit this year. As far as the MP projects are concerned they are going on well, in Q2 also we have done close to around 60 Crores on that project, so this year we have done close around 130 Crores in the first two quarters.
- Prem Khurana:** Sir is there any change for equity infusion target, earlier you were guiding around 70-80 Crores in BOOT toll project in FY2020, so how is it now?
- Manoj Tulsian:** We are still at around 80 Crores only for the full year.
- Prem Khurana:** 80 Crores only for the full year?
- Manoj Tulsian:** And most of it is going towards repayment, let me again mention this.
- Prem Khurana:** Sure Sir, to most of it towards repayment. I will get back in queue if I have further questions.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Hi good morning Sir and congrats on great set of numbers. Couple of questions from my side. Sir firstly just wanted a clarity on, there has been a 220 Crores increase in our investments in the first half compared to March, where has that money got deployed as I know it will be about 50-60 Crores or 60 Crores plus in SSL where has the balance gone, is it in Linjemontage or has the entire 140-150 Crores has been paid for Linjemontage?
- Manish Mohnot:** Good morning. You have the answers also, so which is good. You had the question and you had the answer also. Yes significant portion has gone into Linjemontage. The entire amount has been paid, the small amount which has gone in our BOOT asset the one which we expect to complete by next year and some amount in Shubham, so Shubham has also repaid some of our loan so the net increase looks lower. It is a combination of all three.
- Jonas Bhutta:** How would this number move in the second half, is there any deployment in real estate and any further deployment in T&D?
- Manish Mohnot:** So I do not think we have any deployment in real estate in the second half, a few Crores maybe 2-3-5

Crores here and there, on the Indore project when you say real estate I am assuming. As far as the T&D is concerned on our Northeast project we expect 50 Crores approximately to be deployed in Q3 and Q4.

**Jonas Bhutta:** Okay that is helpful and while on the real estate Indore project I was under the impression that project would be sold on a lump sum basis as in you would not want to sell individual unit now that you have mentioned that you have sold 25% of the project does that imply that is there a change in strategy which would entail for you to sort of stay longer with that project other than the expected that you would look to sell it by middle of next year?

**Manish Mohnot:** So there could have been a communication gap, we never had this intention of selling lump sum given that it is residential and commercial. Lump sum could mean there could some people who might want 7-8 flats or 7-8 shops or offices right, that could mean lump sum otherwise the focus has been primarily retail and we continue to sell that. Two of our buildings we got completion certificate in October and you know those are the two where the sales have been very good in the last 2-3 months. The balance three buildings we expect completion to come in the next 6-9 months but it is being sold as and when depending upon who is the right buyer for the right flat or shop or commercial space.

**Jonas Bhutta:** So there is a 400 Crores deployment in investments to the real estate as what would be the tentative timelines that you would recover this through sales?

**Manish Mohnot:** Our target is to complete all of this before December 2020.

**Jonas Bhutta:** Okay and my last question Sir is did I hear, could you correct me you will be net cash on consol basis hopefully by March 2021?

**Manish Mohnot:** That is a strategy we are working on at least among ourselves the senior management is very confident. If you look at debt numbers today, on a consol basis we are at around in the range of closer to 4000, around 3800 odd Crores out of it 3200 is the impact which could come out of CLP and balance is also internal cash flows and plus we have road assets, we have Indore happening, so at least on a strategic perspective we expect this number to be very low, closer to 0 if not possible.

**Jonas Bhutta:** If I can just squeeze in the last one Sir basically what we have seen is we have gone ahead and announced and at least walked the talk at least on monetization part. On the other hand, we have seen a stake sale by the promoter largely to fund real estate project which is in their other private listed company, given the current state of affairs in the real estate sector do you envisage further sell down by the promoters in the near future to fund the real estate project and what is the state of it, if you just give us a qualitatively?

**Manish Mohnot:** Unfortunately, I am also not aware of the numbers of the real estate site, but all of us know that we

had some challenges. As far as resale is concerned the promoters have given us an assurance and they do not expect any further stake in the current year and also going forward. We have also got a kind of assurance from them that we should not see any further increase in sledge in any forms from the promoters from the current levels, it will only go down but will go up from there.

**Jonas Bhutta:** Got it Sir. I will come back in the queue for more questions.

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

**Bharat Sheth:** Sir there are two question on KPTL one is outlook on oil and pipeline because we have not discussed much on this oil and pipeline, how do see on domestic as well as international? Second on earlier we would have kind of understand that this Nordic Linjemontage being a present in where the funding is very low rate and for longer terms of how do we like to utilize that opportunity for getting order in South Africa and or emerging market that is one and on JMC side some color on the building and factory outlook.

**Manish Mohnot:** Good morning Bharat bhai, so on the oil and gas side our order book is closer to 2800 Crores as of September 30, 2019. We got orders of around 1250 Crores in the first six months so we are confident of this division growing by at least 15-20% current year and order also we have target around 2000 Crores of orders for the current year, I do not see that as a challenge.

**Bharat Sheth:** Longer term I would appreciate your view.

**Manish Mohnot:** Yes on the international front, so let me just I explained you what it. On the international front, there are three specific countries where we now got qualified as Kalpataru for oil and gas pipelines. We have submitted RFQ to some of them and we expect those tenders to come up anywhere between November to January so we would be focussed on making sure that we will try and convert one of this three at least so that we can start oil and gas on the international front also. As far as long term is concerned I think the segment continues to be our focus area and we are seeing a lot of traction from all the big players whether it is IOCL, HPCL, GICL, GITL, even private players like Reliance and Vedanta, so we continue to be a bullish on this and I think this business can continue to grow at 25-30% at least for the next 2-3 years.

On the Linjemontage front, I think our focus continues to be Nordic as I said earlier and we continue to utilize the opportunities not only focus in the Swedish market but also in the neighboring countries and we will continue to do that although our wins in the first six months and we also declared one big win yesterday have been primarily Sweden but while we speak, we continue to focus on the neighboring countries also from an Nordic perspective.

- Bharat Sheth:** Okay. On JMC front Sir I mean my question was there.
- Manoj Tulsian:** See on the JMC front on the factory and building site actually speaking we have strengthen our position like anything in the last couple of years, right and then we have become preferred EPC contractors for most of the quality developers that is one of the reason you will see that the order inflow during the year, 80% of this order inflow is from B&F segment. Having said that that is also having a good impact and effect on the institutional side of the B&F because they also look now what we are doing in terms of relationship and delivery for the developer business so we are getting some good enquiries now from the institutional side also. We picked up a few institutional orders already during the year and there are at least 3-4 more under discussion. So I think that the visibility in terms of order book and future growth on the F&B side is very exciting for a company like JMC and we have become a preferred vendors for most of this quality developers in south where we have been getting one after another repeat orders and that is one of the reason that our margins are under protection, our cash flows are also under protection because we are only working with those quality developers even in the stock market of last 3-4 years, cash flow has not been a challenge to us at all. Last year if you see the order book our B&F contribution in the order book win for last year was only 20%. This year I think it will be a sizeable 50%-60% for the full year.
- Bharat Sheth:** Great thank you Sir and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.
- Ranjit Shivram:** Sir just wanted to understand this domestic T&D a bit more in a grand narrative, PGCIL has slowed down and green energy corridor and the states are the only one which is left in terms of some demand so which are the states where you are seeing some traction?
- Manish Mohnot:** So on the domestic front, there are 3-4 kind of opportunities that exist today. One lot of projects have been identified by REC and PFC tariff based competitive bidding and this are all expected in the next 3-4 months and the value of this is more than 15000-20000 Crores and you can get specific details on the sites of REC and PFC. That is one opportunity which could come from PGCIL as well as from private sector. Second SEBs we continue to focus on primarily the southern SEBs which is all Karnataka, Andhara, Telangana, and lot of focus on West Bengal and Northeast with today among the largest EPC player in Northeast and that is also a big focus for us. Third as I said earlier our domestic business division also looks at the neighboring countries and we are very, very bullish on Bangladesh and Sri Lanka in terms of opportunities. Today out of our domestic order book more than 50% is from these two countries. On an overall basis as I mentioned earlier I do not expect this business to grow by more than 10-15% in the current year as well as next year. It is not something which can start growing like railway and oil and gas at 25-30% but on an overall basis 10%-15% is possible.

- Ranjit Shivram:** Okay and of the current order book, how much will be purely domestic?
- Manish Mohnot:** If you are seeing removing the neighboring countries?
- Ranjit Shivram:** Yes.
- Manish Mohnot:** It should be closer to 2000 Crores.
- Moderator:** Thank you. The next question is from the line of Piyush Sharma from Edelweiss. Please go ahead.
- Piyush Sharma:** Hi Sir congratulation on a good set of number, so I wanted to ask that how will your EBITDA and working capital improve this year. Can you throw some light on that as the numbers have improved mainly due to debtor and inventory days?
- Manish Mohnot:** I think it is a combination of three things Piyush. One is lot of focus in collections in Q2 and the environment also was different as compared to Q1. You can see a debt numbers have reduced compared to Q1 as compared to even with a growth of 30%. Second a lot of focus on closure of projects. Lot of our projects have been at stage where the closure was not as much happening in the Q4 and Q1 of the current year, given the environment in the country and that also helped us release lot of retention and third the increased order book in Q1 also gave us a lot of advances which came in, some of them interest bearing, some of them non interest bearing and that also helped us. But on an overall basis we still expect that working capital days would continue to be in the range of 85-90 days although I know as of September 30, 2019 we have come down to below 75, annualized basis I expect it to continue to be in the range of 85-90.
- Piyush Sharma:** Okay that is great Sir and can you give us some guidance as to what will give and debt numbers at the end of this year?
- Manish Mohnot:** So I think we have sticking to our guidance at the beginning of the year of net debt in the range of 800 to 1000 Crores for standalone excluding any positive impact of the sale.
- Piyush Sharma:** Okay thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Sir what is your outlook on the HAM project?
- Manish Mohnot:** So are you asking us directly are we bidding for HAM project or not? We are reading the outlook there is enough on the news papers but the reality is we have not been bidding for HAM in the past and as a group we continue to stick to the stand that we are not keen to focus on HAM project as of

date

**Parkishit Kandpal:** So we are not at all evaluating bidding for any HAM project?

**Manish Mohnot:** No we have not bid for any of them in the last two years and as of today I can confidently tell you that is not on our area.

**Parkishit Kandpal:** Just on JMCs standpoint so that has gone up so how are we seeing the peak debt for JMC now?

**Manoj Tulsian:** Parkishit we had given a guidance in the first quarter that this year maximum the debt will increase by around 100 Crores, right now if you see it has gone up by around 135-140 odd Crores and we are very confident that by year end we will be within our guidance so the debt will be less than 750 for the full year.

**Parkishit Kandpal:** Net debt right?

**Manish Mohnot:** Yes Net debt right, so we will be within guidance only, very much within the guidance.

**Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.

**Riya Mehta:** Sir on the green energy corridor plant I just wanted to ask what is the quantum total amount that in the first round what is the total amount of bids that have been tendered and what is the outstanding or surplus that we see?

**Manish Mohnot:** Good morning Riya so I think we have got orders of approximately 700 plus Crores out of the green energy corridor, one from PSU and one from private sector in the second quarter. I think the total orders in the T&D space was around 7000-8000 Crores and out of which we have got around 10-12%.

**Riya Mehta:** How many rounds are yet to be done and what is the total amount of quantum which is going to be tendered?

**Manish Mohnot:** As I mentioned earlier there are around 15000 Crores worth of TBCB projects which REC and PFC have highlighted which have to bid between now and March and I expect a lot that includes green energy, that includes some strengthening projects, that includes projects in Southern India all of that, so approximately that much and those details are all available in the web sites of REC and PFC.

**Riya Mehta:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Meet Parik from B&K Securities. Please go ahead.

**Meet Parik:** Hello Sir thank you for taking my question and congratulations on good set of numbers. My question

is on JMC project site. So in 1Q you had highlighted that the water segment constituted 25% of the order book. Where do you see it at the end of FY2020 and how much orders will be there from that segment?

**Manoj Tulsian:** In the end of FY2020 also, given we have got two orders during the first two quarter and some more in pipeline, I think we will be somewhere around anything between 20-25% only.

**Meet Parik:** Okay and in the building and factory segment how much order inflow would you be seeing at the end of FY2020?

**Manoj Tulsian:** Well given the type of visibility what we have, see right now we have already got around 2000 Crores plus orders and even in the L1 position we have more of from the B&F side only around 600-700 Crores from B&F I think there is a good visibility plus other enquiries and discussion which is going on already from some of the developers and the type of assurances what they have already given in allotting some of those project to us and they are large size, I think this year for sure we will be 4000 Crores plus only on the B&F side.

**Riya Mehta:** Okay Sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Meet Jain from Prithvi Finmart. Please go ahead.

**Meet Jain:** Sir first of all congratulations on a great set of number, actually I joined the call late, so if I am repeating any question, my question on JMC regarding the asset monetization of the BOOT project, what is the status on that?

**Manoj Tulsian:** So as mentioned that we are looking at monetizing a couple of those assets, not all the four and we are still looking at that there is a high possibility of doing that much before March. On the other two assets, on one of the assets where the traffic has dropped significantly, we are going into a restructuring plan, which is already discussed with the bank and the bankers are happily willing to do that because they have understood the situation. A situation which is beyond our control because of a parallel road which has come near to our stretch, right, so we are taking with the NHAI and we have taken with the bankers, so their restructuring plan is already discussed with the lead bankers and it is a matter of time for that to happen, once that happens then next year our obligation of funding that particular asset will drop down significantly so that will give us a net cash savings of close to around 30 Crores on a year to year basis.

**Meet Jain:** Okay for this monetizations are you currently looking for the buyer or we already under negotiations for that?

**Manoj Tulsian:** Well when we are making this statements, then you have to understand that there are discussions for

sure which is going on, would not be able to say anything more than that.

- Meet Jain:** Okay and as I can see all of four project has dropped in the collection per day. All of our projects have been impacted due to that reduced traffic?
- Manoj Tulsian:** No it is not so, two of the projects we have a double digit growth actually during this first half and one is in single digit. The drop has only come in this one project which we mentioned just now where it is a significant drop of 25% that is one of the reasons you are not able to see overall growth in H1.
- Manish Mohnot:** I think this has to be compared with Q2 2019, you cannot compare it with Q1 2020 because during monsoons you see traffic to be very different.
- Manoj Tulsian:** So we are definitely talking on a year-on-year basis.
- Meet Jain:** Right okay that is from my side.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thanks for the opportunity again. Sir on JMC side, you know that the kind of orders were are bidding for international market, can you just throw some light on how we are looking to position JMC in international market 2-3 years down the line?
- Manoj Tulsian:** Well as we have been mentioning that we are working on the strength of our parent company Kalpataru Power. In terms of getting all those readymade knowledge and their hit and misses, right so we know that they have been successful in so many countries and then we only try to venture in those countries where we find that they had a good experience and then within those countries also we see what is the type of opportunity which exists for us especially in road and water, because water is now doing well, earlier we were only looking at road opportunities, now we are also looking at water as an opportunity, so wherever we feel that especially in road wherever we feel that there is a good visibility of infrastructure development for next 10-12 years, we start working into that particular country because going into any new country means investment to the extent of anything between 60-80 Crores on Capex and our presumption is that once we enter a particular country, we should be serving that country for at least 2-3 projects, which means over a period of 7-10 years so that we get full benefit of the capital investment which we have done and gives us a good margin over a period of this 10 years, so the prime focus right now is in Africa only and we see that there is lot of opportunities in different pocket where Kalpataru has very successfully delivered projects in the past.
- Ankit Gupta:** Sure and Sir on the asset monetization, the plan that we have told so most of this funds which we will receive from asset monetizations any thoughts on how we will we utilize that, will that be used for primarily debt reduction or some other plans?

- Manoj Tulsian:** So that will be only primarily for debt reduction in the short run and for the future growth in the long run.
- Ankit Gupta:** Capex guidance for the full year in H1 we have done close to 150 and 160 Crores of Capex in JMC for full year how much Capex do you expect.
- Manoj Tulsian:** That is what you are seeing is more from the cash flow perspective because there were lot of those cash flows which we had committed in the previous year and the payment cycle came during this year. In the coming year in the first six months, our new Capex we have raised is only to the extend of around 25 odd Crores. Full year I think we will try and keep it anything between 60-70 Crores max. earlier we were thinking of 100 Crores but I think looking at the environment we also reworked on our entire capital allocation program and wherever we felt that the assets are required on a shorter term basis we have gone on some lease and hiring also assets which might only serve us for 6 month to 8 months requirement and that has helped us in saving some amount of capital and so the next year only when we get some of this large international projects maybe we will have more Capex to do.
- Ankit Gupta:** 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:** What is the contribution of revenue from irrigation project Sir in JMC, the MP project?
- Manoj Tulsian:** It is close to around 10%-12% for the first 6 months.
- Parkishit Kandpal:** 10%-12% of...
- Manoj Tulsian:** Of the total revenue for the first six months.
- Parkishit Kandpal:** Okay Sir just what is your outlook on the infra segment now in JMC in terms of monitoring, in terms of bidding how do see it?
- Manoj Tulsian:** Well look we are primarily into 3-4 segments as you know road, water, fly overs and metro. As we have mentioned two things, which are very important is one is margin protection and then continue to look at opportunity domestic and international, right, so the good part is that even in B&F now we are one of those very creditable players in the market, because the other players for some reason or the other they have been suffering and because of our consistent execution and quality delivery now we have become a very preferred source on the EPC front on B&F also, so our worries are not that much given the type of growth aspirations what we have so what we continue to do is we continue to look at good opportunities on the infrastructure side both domestic and international. We need to protect our margins on the infrastructure side business also, so we continue to bid at our level of margin and we

will wait for whenever we are able to get a few projects at our bidding price. Given that also I think the visibility is good, so going at 15%-20% even for next couple of years should not be a challenge.

**Parkishit Kandpal:** Okay just lastly on this you said there will be 30 Crores of saving post restructuring of this asset where the competing highway has come in, so right now you have a run rate of 80 Crores of loss funding annually, so will it come down to 50 Crores post this?

**Manoj Tulsian:** So 80 Crores of run rate is most of it is going towards repayment with the first half six months whatever 41-42 Crores we have funded out of that loss funding is only around 5-6 Crores. Rest is everything repayment, so this 30 Crores reduction will also happen from my repayment side for next year and subsequent years and I also mentioned at the same time on that on more large asset also we are at an advance stage of discussion on restructuring which is again through the IDF and if that also happens then that will also give us a reduction in net cash outflow next year and subsequent years, at least in the next 4-5 years of 20-30 Crores per annum. So with these two things I think our cash infusion next year will drop down significantly.

**Parkishit Kandpal:** So as of now the second thing does not happen then we are looking at 50 Crores of at least near term funding requirement towards that debt repayment?

**Manoj Tulsian:** Yes.

**Parkishit Kandpal:** If both happens then we will significantly be scaled down?

**Manoj Tulsian:** Yes because the other asset also right now we are repaying around 25 odd Crores and we feel that that will happen, if that happens then next year that 25 Crores number will come down to 2-3 Crores so that can be another chunk of 20 Crores reduction.

**Parkishit Kandpal:** But these restructure will be triggered by a default Sir or like it is through discussions only?

**Manoj Tulsian:** No I mentioned on the call, that you know because of this significant reduction in traffic which has happened because of the parallel road, right the bankers also understand that this is extraordinary situation so they are with us and in fact they are willingly looking at restructuring plan where maybe certain portion of the debt also they are willing to transfer into preference share and they said as a special case they will also move to both NHA and RBI for dispensation of treating this as restructuring, so let's see how it pans out, but as a team we are working along with the lenders and they are with us on this particular plan. The other one restructuring which I am talking is as per the IDF financing rules that is not restructuring, I mean it is more of an elongation of the existing payment terms.

**Parkishit Kandpal:** Okay Sir thank you that is all from my side.

- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** On behalf of IDFC Securities I would like to thank everyone for being on the call and particularly the management for giving us an opportunity to host the call and answering all the queries. Thank you very much Sir.
- Manish Mohnot:** Thank you very much Bhoomika.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of IDFC Securities Ltd that concludes this conference. Thank you for joining us and you may now disconnect your lines.