



**“KEC International Limited Q3 FY '25 Earnings
Conference Call”**

February 04, 2025



**MANAGEMENT: MR. VIMAL KEJRIWAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER, KEC INTERNATIONAL
LIMITED
MR. RAJEEV AGGARWAL – CHIEF FINANCIAL OFFICER,
KEC INTERNATIONAL LIMITED**



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Moderator: Ladies and gentlemen, good morning and welcome to the KEC International Limited Q3 FY '25 Earnings Conference Call.

Today, on the call we have with us Mr. Vimal Kejriwal – Managing Director and CEO; and Mr. Rajeev Aggarwal – Chief Financial Officer.

As a reminder, all participant lines will remain 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 the operator by pressing "*", then "0" on your touch telephone. Please note that this conference is being recorded.

I now had the conference over to Mr. Vimal Kejriwal – Managing Director and CEO from KEC International Limited. Thank you and over to you, sir.

Vimal Kejriwal: Thank you, Ryan. Good morning. We welcome you all to the Q3 Earnings Call of KEC.

I will begin with an update on the key development during the quarter, and thereafter top on the performance highlights for the Quarter and Nine Months, along with the highlights of the respective business units.

In line with our strategy and targeted timelines, we are pleased to share the successful transfer of our cables business to KEC Asian Cables Limited, a subsidiary of KEC, effective 1st January 2025. This significant milestone reflects our commitment to unlocking growth opportunities and creating long-term value for the business.

As part of our efforts to diversify into high potential products, we continue to make substantial progress on multiple fronts. During the quarter, we successfully commissioned the first phase of the aluminium conductor plant at our Vadodara facility, with the final phase on track for commissioning by end March 2025. Additionally, the capital investment to produce E-Beam and Elastomeric cables is advancing well with production for this facility expected to commence in Q4 next year. We are confident that strategic realignment coupled with our focus on product diversification will drive significant growth, strengthening both revenue and profitability for the cables business in the years to come.

With a robust order book and a sustained increase in tendering activities in the T&D segment, we initiated our debottlenecking program to enhance our manufacturing capacities at some of our plants with low investment. After successfully completing capacity expansion of Dubai plant, we have now expanded the Jaipur plant and are currently working on increasing the capacity at our Jabalpur plant. On completion of our Jabalpur plant expansion, our total capacities would go up from 4,22,200 metric tonnes to 4,68,200 metric tonnes per annum. This strategic capacity enhancement positions us to effectively meet the growing demand across India as well as Middle East.



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During the quarter, we rechristened our railways business as transportation business. This change reflects our strategic vision to align with the global trends and positions us to strengthen our focus on delivering advanced and sustainable solutions in the transportation infrastructure sector. The name transportation better represents the breadth of our offerings and is in line with other global EPC companies.

Now, coming down to the “Financial Performance”:

We continued to witness strong momentum in order intake with YTD order inflows surpassing a record level of Rs. 22,000 crores, an impressive growth of over 70% year-on-year. Notably, a substantial 70% of this order intake has been secured by our T&D business across India and international markets. Additionally, we hold an L1 position of over Rs. 4,000 crores, primarily in the T&D sector, positioning us to exceed our order inflow guidance of Rs. 25,000 crores for the year. Our order book remains healthy and well diversified standing at Rs. 37,440 crores as on date. Combined with our L1 position, our total order book and L1 stands at over Rs. 41,000 crores.

In terms of revenue growth, we have achieved revenues of Rs. 5,349 crores for the quarter, a growth of 7% vis-a-vis Q3 last year. With this, our revenue growth stands at 9% for nine months. We have delivered strong growth in EBITDA of 22% in Q3, and 20% in nine months. Our EBITDA margins for Q3 expanded by a solid 80 basis points, reaching 7% compared to 6.2% in Q3 FY '24. This is our highest quarterly EBITDA margin in the last three years. For nine months, margins improved by 60 basis points, rising to 6.6% from 6% in the same period last year.

The revenues and margins could have been better, but for the deliberate moderation in the execution of water projects due to delayed payment from the clients' continued labor shortage, depreciation of the Brazilian currency, and extended monsoon in certain regions of India. Water payments have started coming in which should provide momentum to the ongoing projects. Additionally, the Union Budget announced has extended the Jal Jeevan Mission until 2028 with an enhanced outlay of Rs. 67,000 crores. This increased commitment is expected to fast track project execution and unlock greater opportunities in this segment.

During the quarter, we have successfully reduced our interest cost as a percentage of revenue by 10 basis points in Q3 and 30 basis points in nine months, bringing our interest cost down to 3.2% for Q3 and 3.3% for nine months.

We have significantly enhanced our bottom line with PBT growth of 32% in Q3 and 65% in nine months. PBT margins expanded by 60 basis points in Q3, reaching 3% compared to 2.4% in Q3 last year, and by 90 basis points in nine months, rising of 2.6% from 1.7% last year.

We remain committed to managing our debt levels and maintaining a strong balance sheet. Our net debt including acceptances stands at Rs. 5,574 crores as of 31st December, '24, a reduction of Rs. 471 crores vis-a-vis December 31, 2023. While our debt levels could have been lower, delays in collection from certain water and railway projects have impacted the pace of reduction.



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However, we remain confident in further optimizing our debt position by the end of the financial year.

Now, coming to the specific businesses:

Our T&D business has achieved revenues of Rs. 3,175 crores in the quarter, a healthy growth of 17% vis-a-vis Q3 last year. The growth has been delivered on the back of strong execution across projects, especially in India.

On the order intake front, the T&D business continues to experience exceptional momentum, achieving remarkable growth of over 2 times with YTD new orders of over Rs. 16,000 crores. Secured across diverse geographies including India, the Middle East, Africa, the Americas, CIS and Australia.

During the quarter, our India T&D business has secured several key orders and L1 positions from PGCIL, including a prestigious order in the HVDC segment. This order further strengthens our presence in the HVDC market where we are already executing a terminal station project for a reputed private client.

On the international front, we have made notable strides requiring substantial owners across diverse regions including the Middle East, SAARC and CIS. The orders in CIS has reinforced our presence in that region and further diversified our order book.

In SAE, the business achieved profitable revenues of Rs. 309 crores for the quarter, degrowing by 9%. The degrowth in revenue was primarily due to a steep depreciation of the Brazilian currency against U.S. dollar by more than 20% over the last one year. The business is witnessing significant traction in order inflows with YTD inflows surpassing Rs. 2,100 crores, an impressive growth of more than 3.5 times. These orders are for the supply of towers, hardware and poles, and they span across the US, Mexico and Brazil. With this, the business boasts a strong order book and L1 position exceeding Rs. 2,300 crores. We have successfully managed to maintain our debt levels at Rs. 300 crores, reflecting a reduction of Rs. 100 crores from March 2024 levels.

The overall tender pipeline in the T&D sector remains robust, both in domestic and international markets. We remain highly optimistic about the growth of our T&D business, driven by the increasing demand for power and the Government of India's steadfast focus on expanding renewable energy projects.

On the international front, we continue to see promising opportunities across regions such as the Middle East, Africa, CIS and the Americas. Notably, countries in the Middle East, particularly Saudi Arabia, are prioritizing investments in energy transition and T&D projects, further strengthening the outlook for the region. With a large order book and L1 position in T&D exceeding Rs. 25,000 crores, coupled with rising tendering activity across regions, we expect the business to maintain strong momentum, and continue to grow in terms of both revenue and margins in the coming quarters.



Our civil business achieved revenues exceeding Rs. 1,100 crores during the quarter. I have mentioned earlier, the growth has been somewhat constrained by the ongoing labor shortage and the deliberate moderation in the process of water projects, primarily due to delayed payments. However, the business has strengthened its order book with YTD orders totaling over Rs. 2,100 cores spanning across industrial, residential and defense sectors from prestigious clients.

During the quarter, the business has also diversified its customer base, adding renowned clients in the industrial segment. Focusing on moving up the value chain, the business is increasingly targeting EPC turnkey projects in the industrial segment and orders including MEP and finishing work in the residential segment. The outlook remains positive across all segments. With a strong order book and L1 position of over Rs. 9,700 crores, we are confident that the civil business will continue to be a key growth driver for us.

Our transportation business has achieved revenue of Rs. 456 crores for the quarter, degrowing by 30%. The business continues to make strong progress on the completion of the existing projects with 15 projects successfully completed till date. A notable milestone for the business is entering in the ropeways segment and securing an order in JV for the design, supply and construction of a passenger ropeway in the Northeast.

Additionally, the business has secured new orders of over Rs. 2,100 crores in the conventional technology enabled areas of metros and other emerging areas. These include a significant order in the prestigious train collision avoidance system, TCAS segment under Kavach, which aims to enhance the safety of Indian railways with world class technology. We remain cautious in our approach to order intake in this sector considering the margin profile, working capital scenario and execution complexities of this business. Most of the orders secured during this year do not involve execution on mainline tracks that require blocks from the client, a challenge we are currently facing in the completion of some of our existing projects. The government's ongoing focus on strengthening infrastructure is expected to drive momentum in a railways business going forward. We are strategically exploring select international opportunities also.

Our cables business has achieved revenue of Rs. 406 crores, a growth of 6% year-on-year. While revenue growth could have been higher, it was impacted by an unfavorable metal ratio skewed towards aluminium. The business continues to demonstrate strong order booking momentum across driver segments, including T&D, railways, metro, solar, metals and data centers.

In renewables, the business delivered revenues of Rs. 238 crores, a robust growth of more than 50%. The execution of existing projects is progressing well with notable milestones achieved during the quarter. The business successfully commissioned a third phase of the 500 megawatts solar project in Karnataka, bringing the total capacity commissioned to 200 megawatts. Additionally, three solar sites were commissioned for a leading auto ancillary company in India. Work has also commenced for the recently secured 500 megawatts solar project in Rajasthan, which will be commissioned in phases starting with March 2025. With a strong order book exceeding Rs. 1,000 crores, the business is well positioned for continued growth.



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In oil and gas pipeline, the business has delivered revenues of Rs. 76 crores for Q3. Growth has been subdued primarily due to a slowdown in tendering activities. However, the business has widened its footprint by securing its first order in the composite space, including design, supply and build. Looking ahead, the business remains focused on exploring international opportunities and strengthening the necessary pre-qualifications to increase the addressable market size.

Two days ago, the Finance Minister presented the Union Budget 2025, reaffirming the government's commitment to economic growth with a substantial boost in capital expenditure. The budget allocated Rs. 11.21 lakh crores for the infrastructure, reflecting a 10% increase from the previous year. If you add the capex by the public sector enterprises and also the grants which the central government gives to states for capital expenditure, it aggregates to over Rs. 19 lakh crores, a robust 16% increase from last year. We welcome this forward-looking vision which places a strong emphasis on power, transmission and distribution, renewables, water and urban infrastructure. This strategic focus not only strengthens the nation's infrastructure landscape, but also aligns seamlessly with our growth aspirations, creating substantial opportunities for growth.

In conclusion, I would like to emphasize that the outlook remains healthy across most of our businesses with a formidable and diversified order book plus L1 of over Rs. 41,000 crores, improved execution visibility, and a robust tender pipeline of over Rs. 1,50,000 crores. We are well positioned to deliver sustained growth in the coming quarters.

Thank you. We are now open to take questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Yes. Hi sir. Congratulations on a decent quarter. Sir my first question is that the ordering has been driven by T&D, so how do you see next year? Do you think this kind of performance can repeat? Are there enough opportunities in the market, both in domestic and global? So, if you can help us understand that, the demand scenario on the T&D side for the next three-four quarters.

Vimal Kejriwal: Thanks, Parikshit. I think we are very positive on the T&D scenario. And especially, I would have earlier said four countries, but right now it would be three, which would be India, Saudi Arabia and Abu Dhabi. We were talking about Americas also, but I think with all the tariffs wars going on, we will just wait and watch what happens, although we clearly see that there will be a lot of infra spend in America also. But primarily today, I think India, UAE and Saudi will drive the growth. And we are very confident that the growth would continue.

In fact, what is going to happen Parikshit is that this year we got a lot of orders. We also had legacy orders which we were working on, and which were completed. Now that all that is getting over, we will be able to focus a lot more on the orders which we have secured in the last 12 months or maybe earlier, so which will also add a fillip to our revenue and margin profile in transmission going forward.



- Parikshit Kandpal:** Okay. Sir, out of this Rs. 16,000 crores of inflows from T&D, do you have a number on how much will be the HVDC's share in this?
- Vimal Kejriwal:** HFDC order intake would probably be Rs. 600 crores, Rs. 700 crores right now, but we also have L1s okay in that sector, so maybe we will cross Rs. 1,000 crores or more overall. Right now when we are bidding for a couple of more ones, then one which has been awarded to a private sector client also is talking to, we are looking at that part also. So, I do not know where we will end up, but I think it will be decent. In addition to that, Parikshit is that, there are some very large HVDC tenders which have come out in the Saudi Arabia also. So, I think there we will be focusing on those also.
- Parikshit Kandpal:** Sir, did we get anything from Khavda sir, the power grid package?
- Vimal Kejriwal:** We are doing a lot of work there. Actually, I think we have got five or six projects in that area or maybe more.
- Parikshit Kandpal:** Is it part of L1 or is it already part of your firm orders?
- Vimal Kejriwal:** No, they are under execution. In fact, a part of that will get commissioned in this March.
- Parikshit Kandpal:** No, this Power Grid Khavda package which Power Grid got, the Rs. 25,000 crores one.
- Vimal Kejriwal:** I am not sure, but we have got three or four packages, one in KPS4, then KPS3, then there are extensions and everything else. So, we have got I think four or five packages from Power Grid. Then we are doing a project for NTPC, we are doing a project for GIPCL. So, I think as I said, I think we have six or seven or maybe eight projects, and the new HVDC is also coming there.
- Parikshit Kandpal:** Okay. Then the other question is on, if I see your revenue between Q1 and Q3, it has gone up almost by Rs. 838 crores, Rs. 840 crores, and your debt has also gone up by Rs. 830 crores. If I am minus the proceeds from the QIP which is Rs. 870 crores, that debt is almost flat from Q1 to Q3. So, if you can help us understand, I mean, if this QIP would not have happened the debt would have been substantially higher. So, just give us a little more granularity on the working capital side on current asset and current liabilities, is it you are paying your payables down? So, why is this, I mean, why the entire revenue growth has gone into working capital?
- Vimal Kejriwal:** So, maybe Rajeev can talk in detail, but broadly if you look at it, I think we have reduced our debt by around Rs. 200 crores, okay, if you adjust the QIP. And as I said, the primary reason for that has been a few receivables which we thought we would be able to liquidate like water I do not think anyone expected that till now water money is always used to come on top and all that. There was a considerable sum, I think we have more than Rs. 500 crores of receivables in water which should not have been there, to me that is one clear.
- Secondly, on the railway side, we are expecting a lot more faster settlement of our disputes and issues with them, which has not happened. So, we have an AR and also an impact on the margins,



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we would have loved to have a slightly higher margin, but because of the slowdown or I will say the delayed results of some of our arbitration or resolutions, etc., so some money did not come in.

And I think lastly, although Afghanistan we have received more than Rs. 450 crores, we were hoping that we will get another Rs. 100 crores, Rs. 200 crores from Afghanistan in that quarter, but I think that has got delayed now to Q4. So, I think these three or four things put together have put I think almost a pressure of around Rs. 1,000 crores in a way on our collections, which should have happened in the normal course, and that would have been reflected in the numbers. I hope I have answered your question, Parikshit.

Parikshit Kandpal: Yes. Just a last question on revenue guidance and now in nine months we have done a growth of 9%, so versus 15% guidance now what kind of numbers you are looking at for the year as a whole?

Vimal Kejriwal: So, we are still hoping to do 15%, but I do not think the way things are happening, depending upon how my supply chain is able to push more numbers, I think we could end up anywhere between 12% to 14%.

Parikshit Kandpal: Okay. Sure, sir. Thank you.

Vimal Kejriwal: Thanks, Parikshit. Thank you.

Moderator: Thank you. The next question comes from the line of Renu Baid Pugalia from IIFL Securities. Please go ahead.

Renu Baid Pugalia: Yes, hi. Good morning, sir. A few questions from my side. First, if you look on the revenue front, YTD growth in civil is flattish, SAE also has seen a marginal drop. You have marginally downgraded your guidance from 15% to 12% to 14% range. So, how should we look at these two businesses stacking towards 4Q? And given the order backlog, how is outlook for FY '26 for both the civil and the SAE piece of the business?

Vimal Kejriwal: So, I do not have the exact number of guidance for the individual business for next year, but definitely civil will grow. SAE, I do not see it growing too much because one is the currency depreciation is still continuing, and it's a finite business which is dependent upon the capacity of the plants. So, SAE will keep on growing by 5%, 6% year-on-year, provided the currency remains stable. If the currency strengthens, we can see a better growth. Civil, in my view, will grow by almost let's say 15% or so next year. And what you don't answer but let me say, overall I think we are still working out our numbers, but we will definitely have a growth of at least 15% for the company next year.

Renu Baid Pugalia: So, among the downgraded things, the big missing piece would be civil because you were initially expecting double digit growth in civil revenues, and YTD it has been flattish. So, the labor issue in your view has impacted this part of the portfolio more severely than the others?

Vimal Kejriwal:

So, Renu, there are two issues, one is clearly the labor issue which was impacted mostly by residential and the industrial part of the revenues. And secondly, as I said, water is part of our civil revenues, so water has been a disappointment in terms of the payments and consequently we tried to work on it. But I think after some time most of us have had to slow down the business, okay. So, these are the two major reasons. We have an order book, so I do not think it's an issue. If you look at my numbers versus order book, our execution ratio is not our standard KEC ratio. But then because of following issues what we are doing is we are trying to catch up on that.

Renu Baid Pugalia:

Got it. Secondly, if we see the growth in T&D orders have been pretty impressive, you have highlighted a very strong pipeline as well. So, with that share increasing in the backlog, when do we expect the margin profile of our portfolio improving on a consol basis? There are still just about 7% on the margin side with respect to guidance, so when do we see those margins inching closer to double digit levels?

Vimal Kejriwal:

So, Renu, if you look at it in transmission, I think we are already at double digit, okay. The issue has been on the non-T&D where especially on the railways where we have been seeing a much slower recovery in the margins. And also civil we have planned, as you rightly said, a higher growth than what we did. So, we had built a much larger organization. So, we are now having the reverse impact of leverage on civil EBITDA as well as the railways. So, that's impacting us. But given that, as I said earlier that we expect our T&D ratios this quarter, we are already at 59% revenue, nine months was 57%. Next year, I am very sure we will cross 60%, maybe we may reach 64%, 65%, I do not have the exact number, but we should reach there. Given that, the margins will definitely go up. We had earlier been talking about 9% to 10%, I still do not know where we will be. But I am sure it will not be very different from the 9%, at least base line which we talked.

Renu Baid Pugalia:

Got it. And on the competitive intensity you think given the way the market has come back on the growth side in the core T&D portfolio, both domestically and internationally, the current bid margins are turning to be much better than what would have been expected in the normal cycles and upturn? Or just tight in terms of competitive pressures?

Vimal Kejriwal:

No, I think the margins are in line with this FY '25, whatever margins we got which was significantly higher than the earlier margins and we expect those levels to continue going forward also, looking at the volume of business, both in India and as I said Abu Dhabi and Saudi. On the competitive intensity, because of the amount of work which is there, clearly the competitive intensity has mellowed down a lot on the larger value orders, let's say orders above Rs. 500 cores or so, okay. So, clearly I think we are seeing a benevolent sort of environment on the competitive intensity for larger T&D orders, especially from Power Grid, I will say.

Renu Baid Pugalia:

Got it. And lastly if I can, the impact of US tariffs as seen on China, Brazil, Mexico, at this point in time though it's early, how do you assess its impact on SAE as well as the Dubai facility which we have for tower supplies?

Vimal Kejriwal:

So, Dubai as of now does not service US, so it will not have any impact today. The servicing of the US orders are done from our Mexico plant and the India plant. And I think what we have done in the last few months is that we have converted all our orders through ex-works, both in Mexico as well as in India. So, even if the duty actually materializes, right now they have postponed the duty by one month, then it will still not impact our current orders. Going forward, in any case I think our India factory was not competing with Mexico. China or what supplying to the US in any case, our competition is more with Turkey, and we will have to see how the geopolitical equations work out between America and Turkey.

But if there is a duty imposition of 25% in Mexico, I think the India plant will definitely get much more orders. And we have typically seen that supplies from India are more profitable than the supplies from Mexico, that's one part. The second part is that, if you look at our current order book, I think almost half of the order book of the local supplies. In Mexico, we are seeing a lot more projects coming up on the back of the green energy where we are actually getting through the last six months or so we have got a lot more local orders in Mexico. So, in an unlikely event that we have to give up the US market for some time, I think today we have got enough orders either on the ex-works basis or from the local supply. So, I do not see any impact. And do not think it will continue for a longer period, maybe three months, six months, till Trump has his way. So, I do not think so. Are we worried today? No, we are not worried today.

Renu Baid Pugalia:

And if at all you see, you see some positive tailwinds for the overall portfolio from India and Dubai facility for exports against the impact on SAE because of local opportunities?

Vimal Kejriwal:

Absolutely, completely.

Renu Baid Pugalia:

Thanks, best wishes. Thank you.

Moderator:

Thank you. The next question comes from the line of Vaibhav Shah from JM Financial Limited. Please go ahead.

Vaibhav Shah:

Sir, firstly on the revenue side. So, for the civil segment we have seen some weakness in the last couple of quarters, so Q4 also should also be a similar weakness you should see given the delayed payments in the water segment?

Vimal Kejriwal:

No, I think water, as I said that some payments have started happening. We just got almost Rs. 150 crores or more in this month, January, okay. And hopefully with the announcement in the Budget, I think last two budgets I did not hear, but this time we heard a lot on Jal Jeevan Mission and saying that we want to ensure that every house has a water connection. I think that will push the funding in the business. If that happens then there is enough of tailwind in this particular business. So, I think, going forward, civil should show better numbers.

Vaibhav Shah:

So, Q4 also should be a flattish quarter in terms of revenue for civil?

Vimal Kejriwal:

Q4 will have some growth definitely, okay. It will not be flat, that I am very clear.



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- Vaibhav Shah:** Okay. And sir, also we are open for future orders in JJM maybe over the next year?
- Vimal Kejriwal:** I think what we will do, Vaibhav, we will have to wait and see how this translates into actual cash flow, okay. I do not think we are going to jump tomorrow. We will wait and see that whatever Rs. 67,000 crores they have promised, out of that how quickly does it have an impact of push and starts revenue, and cash flow starts happening. Then we will decide. But I think we are optimist that from Rs. 25,000 crores or whatever number they have gone back to Rs. 67,000 crores, and there's a clear statement of intent. So, I think it should turn out to be good. And also, what is happening is that the current tenders which are being talked about are from, I will say, reasonably decent states with good financials of their own. So, I think something should happen good.
- Vaibhav Shah:** And what would be your JJM order book right now as of December?
- Vimal Kejriwal:** I think it's roughly just about Rs. 2,000 crores.
- Vaibhav Shah:** And sir lastly, on the margin side you said that we still maintain that 9% to 10% guidance for '26, but we are confident to achieve the lower end at 9%?
- Vimal Kejriwal:** Yes, I think that's what I was saying that we had earlier said 9% to 10%, too early to right now do it. I think maybe at the end of Q4 we should be able to do it. But I think on the lower end, I think we are reasonably more confident than on the upper end today. But maybe we will have a chat after the Q4 results. By the time we know also how things are panning out. We have a benevolent cost environment today with metals and all being stable, steel and cement being at a lower end. So, I think let's wait for a couple of months. But I think we should be okay.
- Vaibhav Shah:** And lastly working capital we still maintain at 110, 115 days target for March?
- Vimal Kejriwal:** Yes, I think we are fully quite confident to maintain about 110 days of target for the year end.
- Vaibhav Shah:** Thank you, sir. I will fall back in the queue.
- Vimal Kejriwal:** Thanks Vaibhav.
- Moderator:** Thank you. The next question comes from the line of Samarth Khandelwal from ICICI Securities. Please go ahead.
- Samarth Khandelwal:** Sir, congratulations on achieving good margins this quarter. Sir, my question is on the --
- Vimal Kejriwal:** Samarth, we cannot hear you, I think you are on speaker or something.
- Samarth Khandelwal:** Am I audible now, sir?
- Vimal Kejriwal:** Yes, better.



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- Samarth Khandelwal:** Yes. Sir, congratulations on achieving a good set of margins in the T&D and overall. My question is on the transition distribution side, sir. Firstly, how is the order prospects coming in, specifically for the T&D? And are any hiccups that we see in execution of the T&D order book that we have?
- Vimal Kejriwal:** So, I think the order prospects are very good. We were discussing it earlier also. And the way things are happening and now that government has said, from 500 gigawatts they want to do 600 gigawatts in 2032 and the new NEP policy and all that, we are very clearly seeing, and with our discussions with Power Grid, and I think they will be having an investor meet today or tomorrow and you can see the numbers which they are talking about. I think we are very positive on the T&D side. You asked on execution, execution I think I will say is improving on T&D. We were having a lot of ROW issues both in Rajasthan and Gujarat. I think some of them have been resolved now. So, that is something which will continue for some time. But supply chain is slowly easing out, we are seeing some more conductor supplies and some transfer etc. Happening, plus our own conductor manufacturing has started so I think that will help us on the revenue side in T&D.
- Samarth Khandelwal:** Sir, if you could put a number, out of like Rs.1,50,000 crores, much would be for the T&D order pipeline?
- Vimal Kejriwal:** No, out of the total or Rs. 1,50,000 crores I think normally we have T&D of around Rs. 50,000 cores. I do not have the exact number right now, but it's broadly around that.
- Samarth Khandelwal:** Thank you. Sir, the next question is on the balance sheet side, if you could help me understand what exactly is contract assets and how is it different from trade receivables?
- Vimal Kejriwal:** The contract assets, essentially there are two components to it, one is, revenue which has been taken which has not been billed to the client due to the milestones not having been achieved. So, that's one part. And second part is a margin adjustment as per the construction contract guidelines, which is AS7 guidelines wherein whatever individual margins on the components gets listed towards the overall contract completion. So, these are, as per the AS7 methodology, the margin adjustment tool which is prescribed by the accounting standards for construction companies. So, these are the two components which are classified as contract assets.
- Samarth Khandelwal:** Okay. Sir last question if I may, on the Kavach order like what is the value of the Kavach order? And what is the scope of work that we will do, is this with the Kernex that we have a tie-up?
- Vimal Kejriwal:** Yes, it is broadly with Kernex, some are EPC, some are on the supply side, so we are doing some EPC work. And we are also working with them on the supply part of it where they are doing the overall integration.
- Samarth Khandelwal:** Okay. Thank you.
- Moderator:** Thank you. The next question comes from the line of Bhoomika Nair from DAM Capital. Please go ahead.



Bhoomika Nair:

Yes. Good morning, sir. Sir, we have seen a very strong nine-month order intake, particularly coming from T&D. Now, as we move ahead, how do you see the trend kind of continuing, both for international and domestic markets? And also, if you can talk about the competitive intensity, so on T&D as also in terms of civil, because civil has seen a significant slowdown in the current year in terms of order intake. So, these two parts if you can just talk about first.

Vimal Kejriwal:

As far as civil is concerned, we are not seeing any major increase in competitive intensity or something, okay. I think what is happening is that based on our last five, six years' experience we have become much more selective on what orders we are taking, what clients we are working, and the size of the orders. And that has slightly, I will say, narrowed down our universe of pipeline, which is the basic thing. I do not think we have seen any change in competitive intensity. It is not very high, okay. Especially if you look at orders beyond Rs. 500 crores and all that, typically there will be three or four people. It's only when you come down to Rs. 300 crores and all, the number remains the same, but the quality of competition changes with a lot more local players coming in where then you will not stand a significant chance of winning at your margin level. So, civil I think continues where it is. If you want to take more orders, we can take by dropping margins by 100 basis points. I do not think we are that game right now, but T&D is doing very well. As far as T&D is concerned, I think --

Bhoomika Nair:

Sir, in civil where do you see the order intake for the year and how is it kind of moving ahead, which areas within civil are you seeing more ordering activity where you are getting the comfort of the margins and payment terms that you are looking for?

Vimal Kejriwal:

So, civil I think the ordering or inquiries are coming more from the residential part and the industrial part of it, okay. And off late, we have seen some more coming on the hospitals, etc. But broadly, it is residential and industrial. And in industrial also, I will say more or less it is still metals and mining, okay, it's all focused more on steel and aluminium and all that. And we are not seeing a widespread inquiry across all the businesses or all the verticals, but it's more steel. Residential, there are lot of inquiries. And residential is an area where your steel and cement are actually on pass through cost, etc. So, where you can maintain the margins, wherever they are if you are able to execute it well. That has been a little bit of a challenge with the labor shortage, and which is why we have been going a little bit slow. As far as, Bhoomika, especially with T&D growing at that level and all that, I think we are happy that we do not take marginal orders.

Bhoomika Nair:

Sure. Sir, on T&D if you can talk about international and what is the pipeline in domestic, the ordering pipeline is very strong, how is the international pipeline and the competitive intensity as well out there?

Vimal Kejriwal:

So, international pipeline, especially on the Middle East is very good, okay. As I said, Saudi and Abu Dhabi are two areas where we are very well focused, and we are seeing a huge pipeline. Saudi had a 2030 projection, now they have come out with 2040 and all that. So, I think they are doing very well. Abu Dhabi, we are seeing a lot of work coming on the back of oil and renewables. And actually to me, Abu Dhabi has been a surprise because of all the recent orders which were



announced in Middle East, all are in Abu Dhabi rather than in Saudi. But Saudi has a very, very strong pipeline. So, as far as competitive intensity is concerned, I think Abu Dhabi on the larger orders like India has very little competition, hardly two or three people. And then because we have a factory in Dubai, we have some sort of inherent advantage in Abu Dhabi. Saudi depends upon contract to contract, but typically there are three or four serious bidders. The bidders keep on changing, but typically we have seen three or four serious bids in every tender. But clearly, the intensity has come down, the pressure on margins has come down while quoting.

Bhoomika Nair: Right, got it sir. Sir, the last bit is on the working capital, which expanded because of water and all of that. Now with the government really bringing more allocation towards water, do you think that the working capital will actually come down and where do you expect the year end debt and interest as a percentage of sales settling at, both for this year and next year?

Vimal Kejriwal: Bhoomika, we are expecting the debt to go down by at least Rs. 500 crores, if not Rs. 1,000 crores, that's what we have been discussing internally. But at least Rs. 500 crores we are very clear that we will be able to generate cash surpluses during Q4. The debt should definitely go down. I do not think we have any doubt about that piece. Interest cost I think we are at 3.2 right now, so I think we are still hopeful of that, and because of our large revenue which we are expecting in Q4, it should end up below 3, Rajeev, right? So, I think it's about 2.9 or something like that, so around 2.9 we should be able to achieve.

Bhoomika Nair: Got it, sir. Great sir. I will come back in the queue. All the best.

Vimal Kejriwal: Thank you, Bhoomika. Thank you.

Moderator: Thank you. The next question comes from the line of Teena Virmani from Motilal Oswal Financial Services. Please go ahead.

Teena Virmani: Hi. Thanks for taking my question. Sir, my questions are related to railway and SAE. When we see the order inflow for both the two divisions, order inflow for nine months period have been very good. On the railways, you talked about the Kavach related opportunity. So, my first question is related to this Kavach related execution, will it also be having a relatively comfortable working capital or will it be similar to the previous railways related projects where working capital challenges were seen, and you had slowed down on the execution side?

Vimal Kejriwal: So, Kavach is a much better I think contract in terms of cash flows. Also, most of these contracts, Teena, are for six months to 12 months. And what happens is that if you work on let's say 10 locos or 20 locos and all that and you can get --

Moderator: Ladies and gentlemen, we have lost the line of the management. Please stay connected. Thank you.

Vimal Kejriwal: Yes, Teena why don't you continue? Sorry, we had disconnected.

Teena Virmani: Yes, no problem. So, on Kavach you were talking about the execution timeframe.

- Vimal Kejriwal:** So, I said that Kavach the projects are I think less than 12 months, and the payment happens in blocks where the railway gives you certain locomotive certain stations and all that, and that happens pretty quickly. I think the lead time is only on getting the basic equipments which have started coming in. So, I think given the current orders we will start getting in some revenue hopefully this quarter itself, and cash flows are pretty good for these projects.
- Teena Virmani:** Okay. So, in this case, how would the revenue scale up happen for the railway division? Given the way that order inflow has also been good and the payment cycle will also be better in this particular set of projects.
- Vimal Kejriwal:** So, if you look at our order intake for this year of around Rs. 2,000 crores, what we are generally seeing is that these orders are, a large part of it is towards the metro part of it where we are doing power supply and balance-track. Then we pick up one very large order on ventilation which has a large component of supplies. So, we think we will have some fast tracking of revenues, but I do not think it will be very fast, okay, railways has its own style of working. So, I think next year again our revenues in railways would be flat or at best maybe 5%, 10% growth, not more than that, but revenues from the new projects will start coming in quickly.
- Teena Virmani:** Okay. So, maybe a 5%, 10% kind of sustainable growth can still be seen in railway segment revenue?
- Vimal Kejriwal:** In sustainable it should be even more, but I think right now we are looking at, seeing the problems where we are, we are first trying to close all the old projects, etc. So, I do not think we are pushing for a revenue on railways right now or for the next year. But going forward, with the with the plans that the Government of India has on railways, etc., the sustainable growth should be much more than that in the long term.
- Teena Virmani:** Got it. And on SAE, sir, SAE inflow also has been very good for the nine months period. So, why is it that the revenue growth will only be to an extent of 5%, 6% for SAE going forward?
- Vimal Kejriwal:** So, what happens in SAE is that you get very lumpy orders, and these orders have to be executed over two years and all. But typically in SAE the Capex cycle for the developer is four to five years. So, there, similar to US, the orders you get is, I will say, at least eight to nine months ahead of when you are supposed to start delivering. So, these orders also will not get delivered in one year, number one. Number two, obviously, since it's a product supply order, it's also constrained by the capacity of the plants. And right now I do not think we are expanding the tower part of the plant, we have expanded the hardware plant, but so I think it will be constrained by that. I do not think at best probably it will go to 10%, but 5% to 6% is a reasonable number to take.
- Teena Virmani:** Okay. So, these inflows would be spread over a period of let's say three, four years?
- Vimal Kejriwal:** Not three, four years. Now we have already started manufacturing, so I think in the next 24 months these orders will get executed, especially in Brazil. Mexico is normally very quick, okay. Brazil

gets executed over a time. And we have L1s also, so we will get some more orders which will come for execution around Q3, Q4 of next financial year.

Teena Virmani: So, I mean, my main question is, then the revenue growth should be slightly better than 5%, 6% if the prospect pipeline and inflows are good?

Vimal Kejriwal: It depends upon how the currency also behaves. We are also factoring in that there could be a further depreciation of the currency. So, in local currency maybe it may be higher, but when you translate into USD and all that, it may go down unless rupee also falls equally.

Teena Virmani: Got it. And my last question is related to the debt levels, you talked about a reduction of somewhere around Rs. 500 crores by Q4, but what would be your outlook for debt for let's say in the coming years FY '26, '27, and going forward? Because the order inflows for the whole company as a whole have been very good, and execution will also ramp up in the quarters following quarter four. So, would the debt not move up further from the current levels or maybe from the levels of quarter four?

Rajeev Aggarwal: So, Teena, Rajeev Aggarwal this side. So, basically what we are saying, on a conservative basis we should go down at least by Rs. 500 crores to Rs. 600 crores. So, that means our debt level for March will be around Rs. 5,000 crores. But in a best case scenario, I think we can go down to Rs. 4,500 crores. In fact, the way we are looking at the collections which has panned stand out in the month of January at least for the water, we had collected almost Rs. 160 odd crores from the water in January itself. So, going by that, probably we should be in a position to improve our debt level less than Rs. 5,000 crores. But let hope that continues in the remaining two months also. Plus, there are other collections which are likely to be collected and some claims are yet to be settled in the railway business. If all of these get settled in the next couple of months, I think our debt levels will be better than Rs. 5,000 crores and probably we can reach to about Rs. 4,500 crores. So, that is what we should expect the debt level between Rs. 4,500 crores to Rs. 5,000 crores for the quarter ending March.

Teena Virmani: And then in coming years '26, '27?

Rajeev Aggarwal: So, for '26-'27, Teena, we are actually expecting the growth, as Vimal has guided for 15% growth, although we are still working out on our budget for the next year. But we expect given the kind of an order book that we have, around 15% growth definitely next year. So, I do not think that we will be able to reduce the debt level significantly considering the growth level of 15% for the next year.

Teena Virmani: Understood, sir. Thank you. That's it from my side.

Moderator: Thank you. The next question comes from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Yes. Hi. Thank you for the opportunity. So, you are seeing strong order prospects pipeline in the Middle East. Wondering, would it be possible to compare and contrast the margin profile as well as working capital profile for the large projects in the T&D business?

Vimal Kejriwal: So, if you look at the margin profile, I think margin profile could be virtually similar, okay, because both India and international now are on fixed prices, etc., timelines are similar from 18 to 24 months and all that. And I will say, even competitive intensity is virtually similar, so margin profile would be similar I would say. As far as working capital, etc., the cash flow are concerned, typically I think India has better. If you look at the NWC also, the India NWC is half of or maybe even better than that of international. The primary reason being, at least in Saudi there's a 20% retention, so that money you will get only once you complete the project. Whereas in India, the retention is much lower. And in many cases you are allowed to draw the retention against bank guarantees.

Also what happens is that, I will say, the transit period and all that are much lower in India, you sell the goods from factories within four days, and then you can bill it, etc. So, in a way, you will have at least another one month or so additional timeline by which you can bill and collect. So, typically in today's scenario, at least, India is significantly better than international, okay. But we are working on the international to see how do we bring it closer to India. I do not think we can reach the India numbers, but it will definitely improve. And Rajeev said that debt levels will go down, one of the items was that we were really working on how to reduce the NWC in international.

Shrinidhi Karlekar: Understood. And sir second question, you have seen strong orders on domestic T&D. Just wondering, one of the industries peers announced kind of indicated that there has been some deferral in awarding from both Power Grid as well as state transmission utilities, just wondering, did you also see awarding deferrals because project bidding are coming out higher than the budget?

Vimal Kejriwal: So, typically we do not bid for state transmission, so I am not able to comment on that part of it. As far as Power Grid is concerned, I do not think we have seen a dip. I think the only project, if you ask me, which I know of has been HVDC in Rajasthan where the prices were very high as compared to the estimates, so that went for a rebid amongst the developers. Otherwise, I have not seen a single project which has been rebid on account of prices, okay. Delay, I have not seen, if you ask me, I do not think we have seen any significant delays in the award of the projects.

Sometimes what happens is that because of the availability of land and ROW etc., we have seen that the BPC and all that keep on changing the route or make some change in the substation location, etc., which may cause some deferral, but I do not think the significant. So, I am a bit surprised if someone has said that, at least we do not subscribe to that view.

Shrinidhi Karlekar: Understood, sir. And sir last one, there is this sharp jump in JJM funding in Budget, so just wondering, should we read that as a very strong order prospect or should we largely read it as a more payments to the contractors of already awarded projects and consequently better execution?

- Vimal Kejriwal:** To me it is both. And also let me clarify that in the last year's allocation the budget was similar, but they did not spend the money. The spend was hardly to 30%, I think 40% of that, less than 40% of that. So, they have just reiterated the same budget number as last year. But I think I did see a lot of large statement of intent saying we want to ensure that every house has a water connection. So, I do presume that this has the backing of the PMO, etc. And so this money would actually start flowing into the states and to the contractors. So, it would help us in the current execution and, hopefully in getting your business, which had actually gone slow.
- Shrinidhi Karlekar:** Understood. Thank you for answering my questions. All the best.
- Vimal Kejriwal:** Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Ashwani Sharma from Emkay Global. Please go ahead.
- Ashwani Sharma:** Yes. Good morning. Thanks for the opportunity. Sir my question is again on the opportunities in the railway, more specifically to Kavach and the oil and gas pipeline. So, out of this Rs. 1.5 lakh crores that you mentioned, how much is oil and gas, how much is Kavach, if you can just give us some sense?
- Vimal Kejriwal:** I do not think I have the breakup right now with me, and you can speak with Abhishek later on to get some breakup.
- Ashwani Sharma:** Okay. Secondly, there have been lot more talk on the railway labor issues. Can you just give us some more granular idea of what is the challenge that we are facing and when do you see this getting typically normalized?
- Vimal Kejriwal:** I do not think anyone can tell us when we will get normalized. It's a serious issue and the basic problem still is not, I will say, not of getting people but of retaining people. Typically what used to happen is, once a labor or a technician came to a site, he would work for 11, 12 months and then go back for annual, and then we will pray that he will come back. Off late now we are seeing that people are going back in three months, not turning up and all that. So, attrition of labor has become a serious issue across all the industries. Also, one of the major reasons would be the MGREGA money which they are getting and also the freebies, etc. So, I think the entire industry and everyone has been talking about it saying what needs to be done. So, we are trying to take long term steps of providing better incentives for them to continue to work for longer period retentions and other things which the industry as a whole is working. Hopefully, it should start improving with all these efforts, but when it will become zero is difficult to answer.
- Ashwani Sharma:** Sir, lastly just to confirm, you mentioned '25 revised guidance is 12% to 14% revenue, is that right?
- Vimal Kejriwal:** Yes.



- Ashwani Sharma:** But sir, in that case, our ask rate for Q4 will be around Rs. 7,000 crores number. I mean, are we confident to achieve that, sir?
- Vimal Kejriwal:** That's how we set that number, based on that.
- Ashwani Sharma:** Okay. Thank you very much, sir.
- Moderator:** Thank you. The next question comes from the line of Subramaniam Yadav from SBI Life Insurance. Please go ahead.
- Subramaniam Yadav:** Can you just give some numbers on the legacy revenue orders where the margins are lower? How much would that quantum be in our order book?
- Vimal Kejriwal:** So, I think we still have around 15, 20 orders in the railways, which are I will say 95%, 97% complete, somewhere marshalling yard is pending, or an FOB is pending, etc. So, I think in the next maybe a quarter or two, maximum, we should be able to physically complete all the legacy orders, okay. What will remain would be the commercial closures where lot of them have got, I will say, disputes and which are related to some of them are in Dispute Resolution Board, some of them are in arbitration, etc. So, commercial closure of this probably will continue for one more year, so we will see definitely some issues continuing for one year on the commercial side. Physical side, they will get over. The balance value would be probably Rs. 100 crores, Rs. 200 crores or maybe in that region, I do not think the value of these orders, the balance worked, but that is very high. It's just the closure which is causing a lot of pain and time.
- Subramaniam Yadav:** Okay. And sir, what would be kind of margin in this thing, orders?
- Vimal Kejriwal:** Right. I do not think these orders have any margin, which is why you can see, I said that our T&D margins are close to or maybe double digit, and our overall margins are 7%. So, right now most of the legacy orders will not have any margin.
- Subramaniam Yadav:** Okay. And sir, what about the last two quarters, this quarter and last quarter we had seen some traction in the railway order, how are the margins there?
- Vimal Kejriwal:** So, now whatever orders we take are normal margins, they range from 8% to 10%, 12%.
- Subramaniam Yadav:** Right, 8% to 10%, okay. And sir, how much would be Kavach order in there?
- Vimal Kejriwal:** I do not have the exact number, but it would be around Rs. 700 crores or Rs. 800 crores or so.
- Subramaniam Yadav:** Rs. 800 crores in last two quarters?
- Vimal Kejriwal:** In the Rs. 2,000 crores order intake which we set for railways this year, I think Rs. 700 crores or Rs. 800 crores are the Kavach orders.
- Subramaniam Yadav:** Okay. That's fine. Okay, thank you.



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- Vimal Kejriwal:** Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead.
- Sagar Gandhi:** Sir, my question is again on the working capital side, so you highlighted --
- Moderator:** I do apologize to interrupt you there, could you please speak up, your audio is too low?
- Sagar Gandhi:** Yes. So, sir, I mean, the amount which is under contention on the receivables side for the water and on the railway side, if you can quantify that, that will be great.
- Vimal Kejriwal:** So, on the water side it is roughly about Rs. 500 crores or so. And railways, it is difficult to quantify because there are few claims which are yet to be settled with them. But we do expect roughly about Rs. 250 crores to Rs. 300 crores amount to be received from settlement of those claims.
- Sagar Gandhi:** Thank you, sir. And of the Rs. 500 crores water number, you said Rs. 150 crores is already received in January.
- Vimal Kejriwal:** Yes.
- Sagar Gandhi:** Okay. Thank you. Thank you so much.
- Vimal Kejriwal:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Gaurav Uttrani from Axis Capital. Please go ahead.
- Gaurav Uttrani:** Thank you for the opportunity, sir. Sir just needed to ask on that, like our order book is majorly composed of T&D now like 55% of the order book, and we are very selective in taking orders on the civil side say for any of the other non T&D segments. So, if that segment is not performing as per expectation in FY '26 and challenges such as for labor and supply chain challenges continue for power T&D, so are we positive on achieving our revenue guidance of 15% FY '26, if other segments are not performing and slowdown in T&D segment, if you see any sort of --
- Vimal Kejriwal:** Gaurav, we have taken into account all that, and that's how we have talked about this number. I think we are very confident. But I said that actual numbers we probably will talk about more once we do Q4. But with the current order book plus L1 or Rs. 41,000 crores, I do not see any challenge of achieving at least 15%.
- Gaurav Uttrani:** Okay, sir. Got it. And sir specifically on the oil and gas segment you mentioned about there being some inquiry in the domestic market from steel manufacturers and all. So, are you seeing any order conversion on that side? And apart from that, on the African region, you said about a second qualification on that region, so what is the progress in that part?



- Vimal Kejriwal:** I think we are talking about two different things. One is the oil and gas business where we talked about getting some orders in Africa and doing composite work. etc. So, I think we are seeing some more tenders coming out of the oil PSU in terms of India and a little bit of Africa. When we talk about metals and all that, that was for our civil business where we said that on the industrial front we are seeing lot of inquiries coming from the metals industry.
- Gaurav Uttrani:** Got it, sir. That's all my question. Thank you, sir.
- Vimal Kejriwal:** Thanks Gaurav, thank you.
- Moderator:** Thank you. The next question comes from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Yes. Namaste, sir.
- Vimal Kejriwal:** Namaskar Saket ji.
- Saket Kapoor:** Sir, when we look at our nine months business revenue breakup, the decline which we see in the transportation, oil and gas segment, what should be outline sir going ahead for the fourth quarter? And I missed your number for the revenue, how are the revenue execution going to be as a whole for Q4?
- Vimal Kejriwal:** So, Saket ji, what we have said is that we were still hoping for a 15% increase overall, which right now looks a little bit difficult, challenging by 1% or so. So, what we have now said is 12% to 14% for the whole year, okay. Which effectively means at least 22% or 23% in Q4. That's the number we have been talking about now for the revenue in Q4.
- Saket Kapoor:** Right. And taking these two segments, in particular, like you said about transportation and oil and gas which are declining, so how do you see the segment performing next year? And sir the key reason why oil and gas pipeline segment has shown a significant decline? And this is particularly on the company which we acquired, the business that we attribute from there.
- Vimal Kejriwal:** Saket, in this the major issue is, last year for whatever reason tenders were very less. So, it is not a question that why did the decline happen. Decline is happening because we are not getting the orders. And when less orders are there then what happens is that there's a bidding war which takes place, that's they reason why we do not get the orders. Because we do not reduce the margins, so we try to get the orders by trying something else. So, that is the reason why we are not getting orders. But as I said, now we are seeing some more tenders coming in, hopefully it should improve. But I am not sure. And you should also keep in mind one thing, that's a very small portion of our revenue. Rs. 80 crores will become Rs. 60 crores or Rs. 100 crores, it won't matter much on the overall numbers. Once we get the international orders then these revenues may become larger, then it will impact materially.



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- Saket Kapoor:** Lastly sir, in the cable segment the capacity expansion plant that you have set up for conductor and all, in this how do you see the revenue profile? In nine months it has been flat, Rs. 1,200 crores, so going ahead how do you see the utilization levels? And sir, in the Budget as well it was emphasized, focus was more on transmission segment, so how do you see the cables outlook?
- Vimal Kejriwal:** Cables outlook is okay, we expect growth to be 11%, 12%. Now what happened was, like I said, because of the difference in price of copper and aluminium, most of the clients are shifting to aluminium. So, you are doing the same physical work, but it is getting sold for \$2,500 rather than \$10,000, which is why the revenue growth has shown very muted growth, okay. Coming to the aluminium conductor, we just commissioned the plant, so the revenues will now start coming in. Q4 we will get some revenue, hopefully Q1 onwards we should start getting full revenue. For the full year we had already said that around Rs. 600 crores revenue will come from the conductor plant. So, next quarter onwards we will get somewhere around Rs. 150 crores impact quarter-on-quarter from aluminium conductor.
- Saket Kapoor:** Right. And lastly sir, Aggarwal ji, if you can walk us through the FOREX impact for the quarter and nine months, how has the FOREX been?
- Rajeev Aggarwal:** In the quarter I do not think it is a significant number, but YTD gain has been about Rs. 21 crores.
- Saket Kapoor:** Okay. And sir, on EBITDA you had talked about one-off arbitration award as well, which quarter did we book that in, the Rs. 2,400 crores, Rs. 2,500 crores?
- Rajeev Aggarwal:** We booked it in quarter one.
- Saket Kapoor:** Okay, sir. Thank you, sir. And all the best to the team, sir.
- Vimal Kejriwal:** Thank you, Saket ji. Thank you.
- Moderator:** The next question comes from the line of Abhijeet Singh from ICICI Securities. Please go ahead.
- Abhijeet Singh:** Yes. Thank you for the opportunity. Sir my question is on our expectation of margin expansion in FY '26 by about 150 to 200 bps. Sir, what is the incremental delta that will lead to such kind of expansion? Like we have mentioned we are already about double digit in T&D. And the other bigger piece in the order book is civil. So, do we expect civil margins to catch up or something else?
- Rajeev Aggarwal:** So, I think there are three or four things which will happen. One is, obviously, the T&D margins, as I said, we are almost at double digit now. And with most of the legacy orders in T&D getting completed, we do not see any negatives in T&D happening. So, that will obviously be a primary driver. Civil, I think we had a few large orders on metros where the margins have been not very great. And I think most of these orders are getting over this March. Out of the four lines which we are doing, I think three we will hand over fully to the clients in Chennai and Delhi. So, that part of

it where the revenues were there, but we were not getting so much margin will come down. So, what will happen is next year the civil EBITDA will also grow.

And thirdly, I think on the railway side, because we have got new order which are at the higher margin and if we are able to execute them well, which we are confident, then the railway margins also should start showing something better than what they are. So, I think these are the three. And fourthly what we have not discussed, at least at the PBT level, we do expect that the interest cost will come down significantly. So, if you go down further beyond the EBITDA, then we expect the PBT to improve much more.

Vimal Kejriwal:

And other thing which Rajeev is saying is that today T&D is at 59% for the quarter, 57% for nine months. So, we expect the next order should be around 65% or so, at least above 60%, and at a higher margin. So, I think that we will in a way combine together to help us in bridging the margin gap which you are talking about.

Abhijeet Singh:

Right, sir. Sir also on the railway side, like last two quarters we have seen the order book inching up sequentially after a fall of about five to six quarters. And nine months order inflow has been dominated by the Kavach orders. Sir, what gives us confidence that these orders from railways are better in terms of the working capital profile compared to what we saw in the last two years?

Vimal Kejriwal:

So, Abhijeet, what has happened is that in the last two years most of the orders were on an EPC basis, on electrification and speed upgradation, etc. And most of them had required us to work on the, let's say, speed upgradation on the Bombay Delhi track. Now Bombay, Delhi track is very, you hardly get 5 minutes 10 minutes between two trains. But the promise in the tender was that we will give you 4 hours, 5 hours of block every day. Unfortunately, that has not materialized, that is the reason why we are losing money and this arbitration and all that is happening. What has happened is that now most of the orders, now virtually all the orders which we have taken are either to set up let's say doubling of a line or gauge conversion where the existing line is shut down, or we are doing a tunnel ventilation power supply for metro. So, in short, most of them have got more dependence on getting a shutdown from the railway or a block from the railway. So, once that is there, I do not think execution is a challenge if you have an open field to work on. Which is why I think they are very confident that whatever were doing now good will execute well.

Abhijeet Singh:

Right, sir. That would be it from my side. Thank you.

Vimal Kejriwal:

Thanks, Abhijit. Thank you.

Moderator:

Thank you. The next question comes from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.

Uttam Kumar Srimal:

Welcome. Good morning and thanks for the opportunity. Sir, you have mentioned in your railway transportation and about ropeways. So, just wanted to understand what kind of opportunity we are looking at in the ropeways segment? And what would be the margin in this particular segment, particularly in ropeways?



- Vimal Kejriwal:** Uttam, margin, at the time of bidding, we bid at a similar margin of not less than 8% to start with on all the businesses. So, difficult to say, this is a very small order of around Rs. 50 crores, Rs. 60 crores, Rs. 70 crores. But I think the opportunity today, if you look at, government has been talking and they have announced at least, I have a list of 15, 20 projects in ropeways. The issue is that we will have to see in what format and how they come. Earlier they were supposed to be all on an EPC basis, then the government converted some of them on HAM, etc. So, it would depend upon the final module in which the projects will come. Right now there's a very large tender we are talking about in Himachal Pradesh, which is on EPC. So, I think we have to wait and watch the opportunity. We just wanted to put our foot in because the work is similar to what we do in transmission of setting up poles, etc. and stringing and all. And we have some good technology partners also, they are very few in the world. So, we thought that let's see, it's a new area. And now that it has been given to NHAI, we do expect that it would be contractually good.
- Uttam Kumar Simal:** Okay. And sir, in the civil segment you have mentioned about some defense orders and all that. So, what kind of defense orders we are trying to get?
- Vimal Kejriwal:** What we have got is actually more civil in defense. There could be residential and office complexes and all that stuff. And commercial part where they have command centers and all that stuff. But it's more or less civil. Along with obviously some finishing and all that, but it's primarily civil jobs.
- Uttam Kumar Simal:** Okay. Now sir coming to the last question with regards to tariff. Suppose the tariff is levied, so what kind of impact we will have on our balance sheet and profitability moving ahead?
- Vimal Kejriwal:** It won't impact much, if you see Mexico, its turnover is around \$50 million, \$60 million. In that almost more than half is consumed within Mexico. So, what we are supplying to US is \$20 million, \$30 million. We are expecting to increase our supplies, let us see what happens. Tariff is being levied on everybody; it's not only for me. The positive part which I was talking earlier is, maybe that may divert a lot of orders to India. And typically, we have seen the India orders for US and all are more profitable. So, I think we will have to wait and watch the impact. I personally do not see, looking at our Mexico business into US being impacted much more, and it's not even that large. And secondly, Mexico is receiving a lot of work itself. So, I think we are happy. Other thing you should understand is what types of orders were going to Mexico. Maximum orders were clients who wanted Made in America as they call it, the government utilities which are there. And there too what was happening is that we were buying a lot of steel from America and then giving it back to the American market. So, I think they will have to find a solution for that, because if they do not allow then their own export of steel will reduce. So, if you ask me am I worried, right now we are not worried. We will have to wait and see what happens. And the impact for us is that the numbers are very small.
- Uttam Kumar Simal:** Okay, sir. That's all from my side. Wish you all the best.
- Vimal Kejriwal:** Thank you, Uttam.



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Moderator: Thank you. The next question comes from the line of Harshal Mehta from Smart Sync Services. Please go ahead.

Harshal Mehta: Good morning, sir. Congratulations on good set of numbers.

Vimal Kejriwal: Thanks, Harshal.

Harshal Mehta: Sir, so in last concall you mentioned that our existing Kavach project might be completed in next three or four months, so any update on that? Were we able to conclude that project?

Vimal Kejriwal: I do not think we have concluded finally. I think one or two stations' work is pending, it should finish anytime now. It is not like it is going on, very little work is remaining. But have we completely closed? I don't think so. I do not have a clear update on it, but I do not think so. But it will happen soon, there's no issue in it.

Harshal Mehta: Okay. And the new projects that we have got on the Kavach part, are they on the same lines, as in related to railway tracks and stations? Or they are also related to wagons also?

Vimal Kejriwal: So, it's not related to wagons, but yes, related to locos. So, a large part is also on the installation of the equipment and the software in the locos.

Harshal Mehta: Understood. And this is also in JV with our JV partner, right?

Vimal Kejriwal: Yes, we are working with Kernex, yes.

Harshal Mehta: Okay. Thank you. Thanks a lot sir. All the best.

Harshal Mehta: Thank you.

Moderator: Thank you. The next question comes from the line of Mayank from Amsec. Please go ahead.

Mayank B: Thanks for the opportunity. Sir, one clarification on the conductor part, are we going into the AL59 for the aluminium?

Vimal Kejriwal: Yes, we are already manufacturing AL59, yes.

Mayank B: Where we would be competing with the top two three players which is approved with the Power Grid?

Vimal Kejriwal: So, to me, Mayank, it is not a question of competing, it's not supply.

Mayank B: And sir on the renewables, just wanted to understand what would be our scope of work in terms of per megawatts, any number you can give?

Vimal Kejriwal: Scope of work meaning we have to do everything. I mean, except the modules, we do not get into the module supply part of it, minus the module supply we do everything. But module installation



we do, so the scope includes a job where the modules are free supplied by the client, rest we do everything, both on the AC side and the DC side.

Mayank B: Okay sir. Thank you.

Moderator: Thank you. The next question comes from the line of Riya Shah from Aequis Investments. Please go ahead.

Riya Shah: Hello. Thank you for giving me the opportunity. My first question is in terms of the water projects, the collection issues we are facing are majorly from the center or the state projects?

Vimal Kejriwal: So, ma'am, the client is a state for us. But what happens is, if you look at the funding of these projects, typically 40%, 50% comes from center, and the balance comes from the state, depending on each state the ratios are slightly different, but broadly you can say half half. So, I do not know where the problem is. Sometimes when we talk to them they say center has not given, sometimes you talk with the center they say we have given it to them, state is not ready to give equal so we are not dispersing. So, it's a little bit of a cat and mouse game. I think now I think it's improving because the work is suffering.

Riya Shah: Got it. And in terms of railway, you mentioned that we have a certain labor issue. So, typically how do we employ these laborers, are there some agencies, organized, unorganized players, how do we go about it?

Vimal Kejriwal: So, we did not talk about labor in railways. We are having a major problem of labor in civil and partly in T&D. But what happens is that we have two types of contracts. One is we employ a labor contractor and you give him on a piece rate basis saying this much foundation this much this and you pay per cubic meter or whatever it is. That's the way it is. But wherever the work is sporadic and there are issues and when it may not be economical for contractors to come in, we do hire labor and technicians again through contractors, but it could be on a time rate rather than a piece rate. These are two models which we follow.

Riya Shah: Okay. These are all organized players or we are local and unorganized players?

Vimal Kejriwal: Most of them would be unorganized. But now, looking at the issues which you are facing, we are seriously looking at things should we more do some organized players, which obviously would be more expensive and all that, but I think with the continued shortage we may have to do that.

Riya Shah: Got it. In terms of oil and gas, you mentioned you are seeing a little slowdown in orders. So, typically, what kind of projects are you seeing slowdown in?

Vimal Kejriwal: So, these would be projects from let's say linking from the port to the refinery or to consumption centers or wherever CGD is coming, then they may want to have gas lines going in from the refinery or the depots and all that. See, we are basically cross country running across three or four states, etc. So, getting the right of way approvals, etc., it's taking time. And I do not know, for

some strange reason we did see a slowdown in the overall market. But now I think there's a lot of talk saying that they, they talked about the national gas grid etc. which now they are again talking. So, we are hopeful that this business will improve.

Riya Shah: Oil and gas would typically be for private CapEx-led, right, not public CapEx?

Vimal Kejriwal: So, most of it would be on the public CapEx, which would be let's say Indian Oil, ONGC, Oil India, etc. But there are some which have been talked about in the port connectivity, etc., where private sector may come in. Also, the other piece which we are doing is slurry pipelines which are for steel production. So, we are doing a very large slurry pipeline for one of the private players.

Riya Shah: Okay. And now for railways, you mentioned that Kavach will be the new trigger for us. Going forward, how do you see this sector apart from Kavach growing? And what were the issues you currently faced, if we could just elaborate on that?

Vimal Kejriwal: See, the government even in this Budget has allocated Rs. 2,52,000 crores for railways. Of which our addressable market we serve was around Rs. 1,11,000 crores. So, there's tremendous business, no doubt. It's just a question of how the contracts are executed. I think all the contractors are facing serious concerns, serious problems with the railway, railways are looking at it saying what do we need to do to improve it. If they do that then I think it will become a big area. Otherwise, then you are picking up selective orders where the contracts are much better, payments can be faster, not linked to very long milestones, etc. So, I think that's the reason why our railways order book has been going down because we have been very selective looking at the history, and then the problems which we are facing today.

Riya Shah: Okay. Thank you so much.

Vimal Kejriwal: Thank you.

Moderator: Thank you. The next question comes from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you, sir, for the opportunity. Sir, when we look at our line of operation and the segment, our PAT margins hover around 1% to 2% mark. So, what steps is the management taking or in the anvil? And what should be a sustainable PAT margin, taking into account we are leaders in the T&D segment, so if you could give us some color, how should this PAT margin shape up going ahead? And also sir, for equity raising are we looking further to raise further equity?

Vimal Kejriwal: No, I do not think we are looking at raising any further equity. Sustainable PAT margin, my view, could be anything around 4% to 5%. And on the steps, very clearly we are talking about EBITDA going up by at least 150 basis points sort of next year. Then we talked about interest cost going down. And a lot more revenues are coming from Middle East where hopefully the tax rates are slightly more benign than India. So, I think below the EBITDA line, both on the interest cost and also on the tax part we should have some beneficial impact. So, EBITDA will go up, tax will

reduce, interest will be less, so I think we will see improvement in PAT as well. To me, the improvement in PAT, Saket ji, would be more than the improvement in EBITDA. You look at this quarter as well how much PAT has grown and how much EBITDA has grown. So, that is bound to happen slowly.

Saket Kapoor: Sir, in this quarter your other income which was there last quarter is not there this quarter, so PBT has increased significantly. If you knock out Rs. 25 crores, so instead of Rs. 100 crores it is Rs. 160 crores year-on-year, so it is a growth definitely. Sir, if we look at the other expenses line item, that has also shown a growth which is Rs. 464 crores for this quarter, so what are the key elements of it if we take the other expense line item?

Vimal Kejriwal: Saket, it is very difficult to answer this because it is a basket, you know, we do not know what all is there in it. There is commission in it, freight is in there, FOREX is there, we do not know what else goes into it. So, it is very difficult to make you understand what reduced what did not. If you still want some more clarity, kindly get in touch with Abhishek later on. But as I said, it is a basket of at least 15, 20 items, legal fees is there, if someone sues us so legal fees would be involved, or something else happens. So, don't focus too much onto it, I mean, there is no trend in it, let me put it this way.

Saket Kapoor: Okay. And lastly, sir, in the cable segment what is the breakup in the category of cables where you operate, and did we foray into the EHP segment as well already?

Vimal Kejriwal: I do not have the full number, but if you take the numbers for the whole year then we would get around Rs. 500 crores from EHP and HP. Rest we have from LT and others, and now we will also get little bit from conductors as well.

Saket Kapoor: In conductors you said Rs. 150 crores, right, from next quarter?

Vimal Kejriwal: Rs. 150 crores from next quarter and Rs. 600 crores is for the whole year.

Saket Kapoor: Okay, sir. And lastly on the Jal Jeevan Mission that you mentioned, in this as well exactly last year government was unable to spend the allocated amount. So, what could have been the reasons on allocating Rs. 70,000 crores and spending only Rs. 29,000 crores, and then creating a total ecosystem where all EPC players are facing issues? So, what has resulted into these, because the government revenues do not reflect in the same direction, they have gone up significantly? So, if you could explain.

Vimal Kejriwal: To maintain the deficit they will have to save some place, right. So, you should ask this question to the Finance Minister, she will be able to tell you as to why the money has not been spent when the contractors have done work.

Saket Kapoor: Thank you.

Vimal Kejriwal: Okay Saket ji, you now please close the call or Finance Minister will remove me from my job.



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Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vimal Kejriwal for his closing comments.

Vimal Kejriwal: Thank you very much for your continued interest. And I think as I said that we have a large order book and L1, so I think we are very confident of delivering on growth in the coming quarters. Thank you so much. Thanks, Ryan. Thank you.

Moderator: Thank you. On behalf of KEC International Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.