



“KEC International Limited
Q3 FY '26 Earnings Conference Call”
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**MANAGEMENT: MR. VIMAL KEJRIWAL – MANAGING DIRECTOR AND
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LIMITED**
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Moderator: Ladies and gentlemen, good day, and welcome to KEC International Limited Q3 FY '26 Earnings Conference Call. From the management, we have with us today Mr. Vimal Kejriwal, Managing Director and CEO; and Mr. Rajeev Aggarwal, CFO of the company.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Vimal Kejriwal. Thank you, and over to you, sir.

Vimal Kejriwal: Thank you. Good evening, everyone. Welcome to the Q3 Earnings Call of KEC. Our apologies for a little bit late release of results because the Board meeting just got over. I'll start with a snapshot of our financial performance for the quarter and the 9-month period, followed by a few key business highlights.

We have delivered record revenues of INR6,001 crores for the quarter, reflecting a strong growth of 12% year-on-year, led by healthy execution momentum in our T&D business across India and International. For 9 months FY '26 with a revenue of INR17,116 crores, our growth stands at 14%. Aligned with our strategic focus, the T&D segment's contribution to overall revenues increased to 67%, up from 57% in 9 months last year.

Our EBITDA has grown by 15% in Q3 and 22% in 9 months. EBITDA margins for Q3 have increased by 20 basis points year-on-year to 7.2% vis-a-vis 7% last year. The performance on EBITDA margin front reflects lower progress in water projects, closure costs associated with the completion and delay of RODs for metro projects and delay in settlement of some of the claims. Notwithstanding the same, the EBITDA margins for 9 months have increased by 50 basis points to 7.1% vis-a-vis 6.6% last year.

Our interest expenses as a percentage of revenue have reduced by 30 basis points in Q3 and by 40 basis points in 9 months, resulting in an interest cost of 2.9% for both Q3 and 9 months. We have achieved a healthy operating PBT growth of 37% in Q3 and 53% in 9 months. Operating PBT margins increased by 60 basis points in Q3 to 3.6% vis-a-vis 3% last year and increased by 80 basis points in 9 months to 3.4% vis-a-vis 2.6% last year.

We have achieved an operating PAT of INR171 crores in Q3 and INR457 crores in 9 months. The growth in operating PBT and PAT continued to outpace the EBITDA growth. The operating PBT and PAT numbers do not include the exceptional provision of INR59 crores made during the quarter in line with the new Labor Code.

In terms of order intake, we have achieved YTD order intake of INR19,300 crores. Notably, a substantial 70% of this order intake has been secured by our T&D business across India and the International markets. Additionally, we hold L1 positions of INR4,500 crores, primarily in the

T&D segment. We have a strong order book of INR36,725 crores as on date. Including the L1 position, our order book and L1 stands at over INR41,000 crores.

Coming to our debt levels, our net debt, including acceptances, stand at INR6,806 crores as on 31st December vis-a-vis INR5,574 crores on 31st December '24. The increase in debt level is on account of strong revenue growth, increase in strategic inventory due to benign commodity prices, muted payments in the water projects and spillover of certain large collections, which happened in the current month.

The debt levels have already come down by almost INR300 crores in January '26 and are expected to normalize by March '26 end. We continue to maintain a watch on working capital and remain committed to balance sheet strengthening.

Coming to specific businesses. Our T&D business continues to be the primary growth driver, delivering revenues of INR4,161 crores, a remarkable growth of 31% for the quarter. This stellar performance is backed by consistent execution across geographies.

On the order intake, the business secured YTD orders of over INR13,500 crores across India, Middle East, CIS and the Americas. In India, several large intrastate transmission projects, earlier executed by state utilities, have transitioned to the TBCB route driving heightened participation from private developers and utilities. This shift has led to a notable increase in private sector involvement with six new private players entering the TBCB segment during the year.

As a result, the market share of private players has expanded significantly to 75% this year compared to 45% last year. Aligned with this structural change, we continue to steadily increase our order intake from private sector clients.

During the quarter, the business has secured its largest ever order of INR1,050 crores in India T&D from a reputed private player for a 765 kV transmission line and a 765/400 kV AIS substation. In International, the business continues its momentum with multiple L1 orders across the Middle East and Africa. We expect these L1s to get awarded in Q4.

In SAE, the business achieved revenues of INR525 crores for the quarter, reflecting a robust 70% growth. During the quarter, the business secured a few large tower supply orders in Mexico/U.S., signaling a clear uptick in the North American market.

On a YTD basis, SAE has secured order inflows of approximately INR1,250 crores for the supply of towers, hardware and poles across North America and Brazil. Consequently, the business now has a robust order book and L1 position exceeding INR2,600 crores, providing strong revenue visibility going forward.

Capacity expansion initiatives are progressing well. Following successful capacity enhancements at our plants in Dubai, Jaipur and Jabalpur, the expansion of our Butibori facility

in Nagpur is expected to be completed by March '26. We have also invested small amounts for expanding our hardware and manufacturing facilities in Brazil. These expansions will further strengthen our ability to cater to rising demand for transmission infrastructure across domestic and international markets.

The overall tender pipeline in T&D continues to be healthy in both domestic and international markets. In India, peak power demand continues to rise with record highs recently and sustained growth expected driven by economic expansion, electrification and changing weather patterns.

With transmission increasingly emerging as a critical bottleneck amid rising grid congestion, there is a heightened policy and execution focus on strengthening transmission infrastructure, supported by the government's emphasis on renewable evacuation corridors, green transmission and interregional interconnections. This is translating into a robust multiyear pipeline of opportunities for the sector.

I'm actually pleased to announce that yesterday, we commissioned a large transmission line, Ahmedabad-Navsari, ANTL from Ahmedabad to Navsari, a large part of it. We also commissioned the Ahmedabad substation and the power is from Navsari substation, which has also been built by us. And as of today, almost 2,600 megawatts of power started flowing in this line, mainly from the Khavda Renewable Park.

Coming to the International front, the market outlook remains strong and encouraging. The Middle East continues to be a key growth engine with significant opportunities across Saudi Arabia, UAE and Oman. At the same time, we are witnessing a clear pickup in opportunities across Africa and the CIS region.

Africa, which experienced a slowdown post-COVID, is now seeing a gradual revival with multiple tenders coming to the market. In addition, demand across the Americas remains robust, particularly in Brazil, Mexico and the U.S., driven by requirements for towers, and hardware and poles. With an order book and L1 position in T&D of over INR26,000 crores, we are confident of delivering sustained and significant growth in this business.

In Civil, the business continued to strengthen its order book with multiple orders of over INR4,000 crores in the Building & Factories vertical from reputed clients. During the quarter, the business has achieved success across hospitals, thermal power projects, metals and mining and residential building segments, including an order for additional civil and structural work of 150-megawatt thermal power plant from a prominent private sector player, two orders from a leading steel manufacturer for execution of upstream and downstream facilities, a luxury villa development project from one of India's largest real estate developers. The business is also well placed for securing orders for a few greenfield hospital projects.

The business delivered revenues of INR923 crores for the quarter. The revenues could have been higher, but for labor constraints, delayed release of work front in some projects and slower release of payments in the Water projects. While the labor situation is gradually improving, it

remains below optimal levels. We continue to adopt a calibrated approach to execution in Water projects given the current payment scenario in this segment.

With a large order book and L1 position of over INR10,000 crores, gradual improvement in labor availability and expected collections from Water projects, we expect that the Civil business will deliver good growth in the coming quarters.

The Transportation business recorded revenues of INR349 crores for the quarter. During the quarter, the final section of the Ahmedabad Metro Phase 2, in which KEC executed the Ballastless Tracks, BLT works was flagged off by the Honorable Prime Minister. The business continues to focus on the Train Collision Avoidance System, TCAS projects under KAVACH in partnership with our JV partner. The business has successfully implemented KAVACH across 611 route kilometers and is currently deploying the KAVACH system on an additional 1,836 route kilometers of the railway network.

With the government's continued focus on railway safety, modernization and indigenization initiatives such as KAVACH, are expected to see wider deployment across the rail network over the medium term. We expect to secure additional orders in this segment.

The business is also well placed to secure orders in the Automatic Block Signaling, ABS segment that increase the railway line capacity through automation. We are actively pursuing international opportunities, especially in the MENA region. With an order book and L1 of over INR3,000 crores, our priorities remains clear: accelerate completion of ongoing projects, optimize working capital and selectively bid for high-quality margin-accretive opportunities in both domestic and international markets.

Our Cables & Conductors business has achieved healthy revenues of INR556 crores, a strong growth of 37% year-on-year. The profitability of this business is also witnessing consistent improvement driven by better product mix and cost optimization. Notably, it has also achieved its highest ever profitability for the nine month period of this year. The business continues to witness steady inflow of orders for supply of cables and conductors.

Our capital investment for E-Beam and Elastomeric cables is progressing as planned. And we expect production for Elastomeric cables to commence by the end of this financial year.

Our Renewable business has achieved revenues of INR122 crores. In a significant development, the business has forwarded into the Wind Energy segment with a breakthrough order for a 100-plus megawatt wind project in Southern India from a renowned private developer.

The execution of the existing 500-megawatt solar projects in Karnataka and Rajasthan are progressing well towards completion within this quarter. We continue to bid for select opportunities in solar, wind and BESS. We are well placed to secure a few more orders in Renewable in Q4.

The Oil & Gas pipeline business has secured its third international order for a pipeline laying project in the Middle East. Given the subdued domestic tender pipeline and heightened competition, the business continues to strategically focus on expanding its global footprint.

We expect the upcoming union budget to introduce supportive measures that further accelerate infrastructure development, particularly in power transmission, renewables and transportation segments.

To summarize, with a strong focus on execution, expanded capacity, a robust and diversified order book and L1 of over INR41,000 crores and a current tender pipeline of over INR180,000 crores. Particularly in T&D and Civil, we are well positioned to deliver sustained profitable growth in the coming quarters. Thank you.

We are now open to take questions.

Moderator: Thank you. The first question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Thank you so much for the opportunity. On the Transportation side, we have seen pressures on the revenue side as well as the order book inflow is also muted. And I just want to understand how this segment is being repositioned and what is the strategy to regain momentum? I think earlier, you mentioned about focusing on technology-led projects like KAVACH, TCAS and strategically away from low-margin field work. I just want to understand, how the mix will change over the next 3 to 5 years timeframe? And if you could share more details about Transportation segment side?

Vimal Kejriwal: So the strategy is that we will focus on completing the existing legacy projects so that we can realize our cash flows and also the various claims which we have in the system. We have clearly defocused on the Civil projects in the country, because of intense competition. In some tenders, we have seen 13, in one of them, I saw, 41 bids coming in, mainly from local, I'll say, road contractors because of a slowdown in the, I'll say, NHAI business.

So our focus has been on, as I talked about KAVACH, so some more orders are expected to become in KAVACH maybe within the next couple of weeks or so. Then we are focusing on PSI, which is Power Supply, as well as on the Automatic Signaling, ABS. Those are three, four areas where we are working on. On the metro side, we are looking at BLT as well as Power Supply and also third railway line electrification.

The other piece here is on the international, we have started bidding. I'll not say aggressively, but we have started bidding especially in the MENA region. So, a couple of countries are where we have a large T&D presence and focus are the countries where we are bidding.

So, looking at the revenue and order book, we have very clearly -- and I'll say it's a very conscious decision to degrow the business for a couple of years till we get out of the old projects.

This year, we are, I think, L1 orders are of around INR700 crores, INR800 crores already. We may get a few. We are L1 in a large private sector railway siding contract also.

So, the focus is that we stay away from projects which require large block work or working on existing high-density railway lines. We do expect that in the coming budget, there is a talk of high-speed -- new high-speed railway corridors coming, which would be new lines and all that, not on existing, which is where you require blocks. So, we are waiting and watching. We are not very aggressive on this business, at least for the next 1 year.

Balasubramanian: Okay, sir. Sir, currently, we are executing five HVDC projects and also one another project from another developer. What is the total HVDC opportunities in India and internationally and how we are going to take a leverage on that?

Vimal Kejriwal: I don't think I have the number on what is the total opportunity as such, but there is a talk of, I think, two more HVDC projects coming in India, one in the South and one in Rajasthan. And there is a large HVDC project under bidding right now in Saudi. Typically, each one of them is around INR25,000 crores, typically. I don't know the exact value of each of these projects, but they will be -- so if you add three of them, there'll probably be INR75,000 crores or more.

Balasubramanian: Okay, sir. And sir, my last question on Civil only data center pipeline is INR2,000 crores. And how much we are bidding, entire pipeline or like what is the expected win rate and margin profile for data center project? And how it is aligning with our building and factory side?

And secondly, I think we have entered wind energy with 100-plus megawatt order. And we are also bidding for solar and battery storage side. And currently, the government is planning to open up -- opening up for China or other countries. How this landscape is changing, especially for renewables and how the landscape will change, especially for renewables in the next 3 to 5 years?

Vimal Kejriwal: So if you look at China, we are an EPC player and we don't compete -- no Chinese EPCs do not compete in India. We are actually happy if the government opens it up. Because it eases out the supply chain constraint about which I've been talking every quarter.

So to me, as an EPC, I'm very happy if that happens because today, a typical substation project, which used to take 12 months or so is now going into 18 to 24 months. So if things start happening, we are generally happy about it, especially on the T&D side.

We don't take any module responsibility. So whether the Chinese modules they are coming, they continue to come on, will not have any impact as far as we are concerned. On data center, we have executed five data centers till now, and we are actively bidding for more data centers.

I think the issue with data centers, what we are finding is that most of the data center orders are getting split across various parties. So there's no -- although the entire cake appears to be very

big, but what comes in bids are very small slices of it. So, we are looking at it and choosing and deciding what segments to play.

Right now, we are bidding for -- in some cases for Civil, in some cases for Civil plus MEP. We think it is going to be an exciting sector. But as of now, there have been large announcements, but all these need to get translated into hardcore tenders and all that. Right now, there are very few tenders open in the market. But I think it will open up. So I don't think we are too much worried about it. It will grow definitely, yes.

Moderator: The next question is from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Yes. Sir, firstly, on the Civil side, what would be our JM exposure right now in terms of order book and receivables?

Vimal Kejriwal: So, our total exposure in terms of order book would be roughly around INR1,400 crores. Okay? And AR would be around INR900 crores, which was I'll say virtually similar to last year, except it has gone up by INR75 or INR100 crores or so. So as mentioned earlier, what we have been doing, Vaibhav, is that it's almost like a cash and carry. whatever money we get, we invest in it. So whatever money we get and we are exposed to two states only, Odisha and MP.

And we have generally been getting money from both of them, not to the extent we want them to pay. But whatever they pay, that is a sort of, I'll say, investment we are doing in the projects.

Vaibhav Shah: So sir, if you look at our order backlog of INR11,000 crores from the Civil segment, if I remove this INR1,400 crores, it will be roughly around INR9,000 crores, INR9,500-odd crores, if I remove the JJM part. So is that portion, which is roughly around 10%, 11% of the order book impacting the execution so much? Or...

Vimal Kejriwal: It will impact. Because what happens is in the Civil piece, generally, the execution cycle is pretty fast. So if some orders don't get -- let's say, don't get kick started early. And early part also what happens is you do raft and other things, so the revenues in the early part of projects are pretty high. So since some of the projects have got delayed because of non-availability of front, it has impacted.

Plus I think I'd say, INR400 crores, INR500 crores impact would be from our Water business. So in all, if you just want to take a ballpark number, maybe Civil could be probably a INR1,000 crores impact on the revenues in terms of the overall number.

Vaibhav Shah: Okay. Sir, for the entire year, last year, we did around INR4,500 crores of revenue from Civil. So this time, we may see a decline of roughly 15%-odd?

Vimal Kejriwal: I don't know the exact number. There will be a marginal decline, okay? I don't think it will be a significant decline, but there could be some marginal decline.

Vaibhav Shah: Okay. Sir, secondly, on the margin front, you are guiding for a 100 bps improvement on a Y-o-Y basis for the entire year, for FY '26. So the first 9 months margin is roughly around 7.1%. So how do you see this target for the entire year now?

Vimal Kejriwal: So I think the margins will definitely come down the way things are happening. Okay? Because of the slowdown in Water, which is obviously a much higher margin and some other newer projects plus I think the way we had expected that our legal where arbitrations and cancellations, etc., were going on.

So since they have been taking much longer than what we have, so we have also, based on prudence, have started providing for some of these numbers, which earlier we had thought that we will be able to get the orders and close the books accordingly.

So I think right now, if you look at -- look at the numbers, probably will be anywhere between 7% to 7.5%. Okay? We are hoping that it goes to 7.5%. But today, I don't have the confidence to tell you that it will be 7.5%. It should be between the two numbers. So I think what we have achieved till now, 7.1%. And maybe there could be some improvement in Q4. But overall, numbers could be between 7% to 7.5%.

Vaibhav Shah: In '27-'28, it should be around 9%, which you were targeting earlier or...

Vimal Kejriwal: I think it's too early right now to say. I don't know whether we can maintain 9%, but I think it's a little bit early. Maybe when we do the annual accounts, we'll be able to look at the numbers, but it will definitely be better than what we are achieving this year.

Vaibhav Shah: And sir, lastly, on the debt side, we maintain our target of roughly INR5,500 crores of debt by the year-end?

Vimal Kejriwal: I think so. I think, honestly, we have been talking internally that we should try to reduce it further, but I think INR5,500 crores is a safe number. We will definitely achieve that number.

Vaibhav Shah: And the working capital days?

Vimal Kejriwal: How much will it be Rajeev?

Rajeev Aggarwal: 110 to 115 days.

Vimal Kejriwal: 1110 to 115 days what Rajeev is saying.

Moderator: The next question is from the line of Parikshit from HDFC Securities.

Parikshit: Congrats on a decent quarter. So my question is on debt. So I mean, if I see quarter-on-quarter, the execution has largely been flat. And despite that, our debt has gone up. So any particular reason why that is going up given that we have not seen any ramp-up on the execution on quarter-on-quarter basis?

Vimal Kejriwal: See, but on quarter-on-quarter debt same -- I think, Parikshit, what has happened in quarter-on-quarter, Rajeev?

Rajeev Aggarwal: INR 300 crores...

Vimal Kejriwal: Quarter-on-quarter, I think it's roughly around INR300 crores. INR300 crores debt. I think the only reason why that happened was that there were some large receivables from Saudi, which got moved into the first week of January. So, we have already brought our debt down by INR300 crores. So, we are actually now back at the September numbers.

Parikshit: Okay. Secondly, I mean, on the margin, we are -- we have reduced our guidance. I mean, last quarter also 8% to 8.5% -- you have said 8% and now we're going to 7%, 7.5%. I know there are pressure. But just on this commodity increases, which we have seen in copper and other material, largely in copper, so how does it impact our margins for next year? How are we covering the risk on the commodity side? So help us understand that how are you hedging this?

Vimal Kejriwal: So, Parikshit, on copper, we hardly have any exposure, except in our Cable business. And Cable business is 100% hedged. So there, we have a very clear policy that the moment we take an order, we hedge it. Okay? So as far as copper is concerned, I don't think we have any exposure, maybe something minor here and there, but you can take it as good as not having an exposure.

In fact, to me, if my Cable team is able to get more manufacturing clearance and all that, the revenues may grow. Because then it will be at a much higher copper than what it was last year. So, I don't see any impact of copper on my numbers.

Parikshit: Sir, just coming back a little bit, I think, more on the margins, we have been highlighting in every quarter that now the legacy projects and the low margin legacy projects are getting over. So now what has come back is hitting us again on the margins? And do you think that there could be pressure on margins will continue for some more quarters?

Vimal Kejriwal: So I think, Parikshit, what is happening is that we have been honestly very a little bit unhappy with the delays in the closure. We were expecting that gradually projects will get closed. We have closed at least, I'll say 10% of our railway projects, overall numbers, I'm just saying another 20% will close in this quarter.

So, what is happening? And I'll give a simple example. We take a project and we expect that the project will be closed because the client has agreed for de-scoping a part which is not executable. Now, the client comes back and says, no, no, I want you to execute. So, you are stuck there for another six months. So, things like that are happening.

I have got three metro projects where the Viaducts are ready. CMRS has been done, ready for commissioning. Unfortunately, they have not been inaugurated. So, you continue to keep on maintaining them and spending money of INR15-INR20 crores a month. Okay, they'll all get into claims. But right now, we have made provisions for that.

So unfortunately, there are issues which are hitting, which are something which you would not have predicted saying that will -- what will come. And ultimately, we are running -- doing around 270, 275 projects. So, some way or the other, you keep on -- you do get some surprises. I don't think we are happy downgrading our, I'll say, estimates. But what is happening is what is happening. So we have to tell you this is what is there.

When last time we said 8%, we were very pretty confident that we'll achieve 8%. But now seeing what has happened and the delay in some of the projects which are -- like as I said, Water. Water is a double-digit margin project. Now if it's not executing, that's impacting some of the newer projects, which have got delayed.

Like I'll give a simple example. I've got a couple of projects in NCR. Now because of a little bit of some earthquakes which came and all that, the seismic zones have been changed, the design parameters have been changed. So all those projects have been on hold. Because the developers are redesigning all the projects. So, there are various reasons.

One is a little bit delay in closure of old projects and also a delay in start-up of more profitable projects where the revenues, in some cases, have come slower than what we were expecting. I think basically, those are the two reasons of that. However, I would like to assure you that our new orders or the current order book is reasonably profitable, which gives us the confidence for these numbers.

The other thing what you should also look at is one is EBITDA, but you should also look at the PBT and all that. So if you look at that interest cost, while it has not come down in absolute numbers, as a percentage, it has been going down. So at the end of it, 30%, 40% increase is happening on the -- below the line also.

The other piece, I think, is we discussed Civil and I did say that we are run short of INR1,000 crores of revenue because of various reasons. This has also led to an under recovery of overheads. That's another one piece which is happening for which now we are running a special program and all that to see how do we cut down costs, etcetera. But it's taking its time. I hope I'm clear, Parikshit.

Parikshit Kandpal: So just -- just to summarize, I think one way you are getting impacted on Railways and Civil where your working capital is blocked and your debt is bloated up. And secondly, the margin pain points continue in these two segments, right? So, on a normalized basis, so if one has to see -- if these two headwinds are behind us, so what kind of margins on the core business etcetera one should look at while marking the margins?

Vimal Kejriwal: So if you're asking for margins on T&D, then they are -- the question was not very clear to me, but if you're asking margins on T&D, then we'll be -- we are in double-digit margins.

Parikshit Kandpal: So my question was excluding all these pain points in headwinds related to metro projects and some part of the civil projects. So on a core basis, what kind of margins you would have reported if the headwinds are not there?

Vimal Kejriwal: Then you will be closer to 9% to 10%, very clearly.

Parikshit Kandpal: And when do you expect to start hitting it on a quarterly basis? Are we two quarters away from that or three quarters away from that?

Vimal Kejriwal: If you're looking at 9% to 10%, then I can always say FY '28. But that's why the earlier question I did not answer for FY '27, what your margins are, but I said we will definitely be higher than this. Okay? 9% to 10%, I need to clean up that entire closure of all the projects of -- mainly more of railways and also some part of the civil metro projects which are there, which are now getting commissioned. So I think that will get cleaned up.

So I think by FY '28, we'll definitely be at -- I don't know whether it's 9% or 10%, whatever number we are talking. But next year, it will be better than what we are talking. This year, we said 7% to 7.5%, next year, I'm clearly saying it will be better than that. Number, I think in a couple of months, we'll be able to give an exact number of what we expect to achieve.

Moderator: The next question is from the line of Amit from PL Capital.

Amit: Sir, again, you did explain very -- in detail what are the reasons for reduced margin guidance. Just wanted to understand what is holding back your clients to do this delay? You gave an example of three metro projects getting delayed because the dispatches are not happening. Just wanted to understand with your customers, is it an issue of -- some issues which are letting them delay the projects? So what is happening at the customer side?

Vimal Kejriwal: So Amit, there are various reasons. But if you look at two or three reasons, one, I just now said that in Gurgaon and all that because of the zone changes what has happened and the design -- the safety parameters, which the government has notified, many of the projects especially on the high-rise residential have to be redesigned with much, much larger foundations, etcetera.

Or the alternative for them is to cut down the number of floors etcetera, which obviously no developer wants to do. That is one reason. The other reason in a couple of cases, right now, we have in two cases in Mumbai is the developer has not been able to acquire the plot fully, which is now under acquisition. That has delayed by, I'll say, almost two quarters the work front.

In another industrial project, I think the client wanted to change the technology because he got a much -- I'll say, cheaper and a better technology. So he has put the project on hold saying that let me redesign that entire project and come back and talk. That was I think, INR300 crores project. It's on hold completely.

So there are different reasons. And when I say due to delays in work front it is always on account of client. I'm not saying that on my account it is delayed. If it is my account, it is my problem.

So these are all various reasons which are happening or I'll give another example. I talked about gridlock and all that. We have got at least I'll say, four or five projects in transmission, which are moving at I'll say, snail's pace. Because ROW is not available.

I have one project where the substation land is not available for the last 8, 9 months, which was there in our revenue targets and which was a higher margin. Now 8, 9 months, the land is not available. So we are stuck in terms of the growth projections and the margin projections which we had given. I hope I'm clear, Amit, on these points.

Amit: Yes, sir, sure. Sir, about the prospects of INR180,000, which you highlighted, what is the portion from Middle East? Some color on segment-wise prospects out of this INR180,000 and domestic versus international?

Vimal Kejriwal: Give me a minute. I'll just give it to you. So roughly if you look at transmission, it would probably be around INR50,000 crores would be out of transmission across India, International. Middle East would be probably around INR15,000 crores or so crores okay? Then you have Railways then you have Civil is a large portion almost INR60,000 crores, including INR20,000 crores from International. And Renewables would be around INR30,000 crores. That's the broad numbers.

Amit: Right. So sir, with these prospects, I'm assuming is for next 12 to 18 months. So what one should think of this year, I think order intake has been reasonable with INR19,000 crores already won and close to INR5,000 crores L1. Any color on the order inflows and conversion in the next three, four quarters?

Vimal Kejriwal: So typically, this is not for 12 to 18 months. This is more tenders which are in the pipeline announced. So I'll say more for 6 months sort of thing rather than 12 to 18 months. So the order pipeline will -- and even last 1 year, we have been seeing the same order pipeline, give or take INR5,000 crores here and there.

So this almost remains like a constant whatever tenders come in, new tenders keep on getting added. Typically, if you look at it in transmission, we have been having a success ratio between 10% to 15% and for other businesses, it would be actually lower. Renewable would be much lower than that. And civil is also. So we would look at maybe some around INR30,000 crores, INR35,000 crores should be our order intake target for next year, we have not yet firmed up because the budgets are getting firmed up. But I think we should be looking at around INR35,000 crores.

Amit: Understood. Sir, lastly, again, on margins. So I think T&D, you said is kind of doing double digit. Just wanted to ask on water. Is there any hope that this can again come back after maybe a couple of quarters? What is the situation in terms of your collections? What is the collection pending and now we are seeing many players going deliberately slow. Any hope in terms of budget for water or these things getting resolved in next maybe a couple of quarters for water?

Vimal Kejriwal:

So Amit, during the -- I'll say, let's say, take the 9-month period, I don't know the exact number, but I think we got around INR600 crores of cash flow. And we did a INR600 crores of projects. So around INR50 crores, INR60 crores, INR70 crores is coming in a month. Let's see what happens in this budget whether the allocation goes up from the INR65,000 crores, which they did last time. They have spent only INR25,000 crores, which I was told. I don't know how much they have spent actually.

Let's look at what announcements they have in the water -- for water. But typically, most of this money has finally come from the states. So we do expect -- if you extrapolate the same this, then by next year we should be able to get out of our water projects because this year also by the end of the year, we'll probably do around INR800 crores of revenue. So let's keep our fingers crossed that some more money can come. Optimistically, I think if the same thing continues, then within 12 to 15 months we should be able to close all our projects.

Amit:

Understood, sir. Sir, lastly, on update on SAE Towers, how the performance has been there in terms of balance sheet and order wins for that?

Vimal Kejriwal:

SAE has been doing well. We have an order book of roughly -- order book plus L1 around INR2,600 crores. So that's almost 2 years of turnover for them. So I don't think we are worried. We are -- margins have been more than -- have been double digit easily. Orders have been very good, especially from the North America market.

And also what is happening on the balance sheet is that whatever profits we are making are using for repayment of debt. Debt has come down. I think last few years by almost INR200 crores and it will continue to come down by INR100 crores, INR150 crores every year. So I think that business is doing very well.

Amit:

Right, sir. Sir, just one clarity on Chinese. You said that the Chinese impact should benefit. So I just wanted -- didn't get that point. So is it that some components which are not getting manufactured or there's a shortage where the projects are getting stuck and Chinese imports there will help. If you can name where that's going to help, yes?

Vimal Kejriwal:

I don't think I want to get into that naming, because all my OEM friends will come and fight with me. But I think basically, what is happening is that this is also putting a lot of pressure on the players in India. Because still now the transformers will give after 18 months. Now they think that if they don't give and if we bring from China then what will happen.

So some imports I think I heard that they have started coming in. I'm not sure about it and that's hearsay. But clearly, I think the delivery timings we are seeing are improving in India. And for me as an EPC, it helps me because instead of doing a project waiting for 24 months to complete a station substation, I can now do it in 15 months, 17 months. That will cut down costs and help me in a better turnover and faster turnaround. So that's how we look at it.

Amit:

So you're saying there has been some imports of the final product also, is it?

Vimal Kejriwal: I understand that orders have been placed. I don't know whether any products have yet come in or not. But I do hear that components have started coming in, some very critical components which were holding back, some of the substation commissioning, GIS commissioning and all that, I think some have come. That's what my understanding is. But to me, it's all, honestly, hearsay.

Amit: Sir, your understanding like what percentage of component probably -- just an understanding or what is -- this is a large value of products?

Vimal Kejriwal: It's not a question of value being large or small. It's just a question that one small component can hold back the entire commissioning. So Amit, you'll have to come back on the queue. There are a lot of people waiting.

Amit: Thank you so much.

Moderator: Thank you. The next question is from the line of Ashwani from Emkay Global Financial Services. Please go ahead.

Ashwani: I think most of the questions have answered. Just one question, sir, on -- so last calendar year we received one oil and gas pipeline in Middle East. How is the opportunity coming up now? Crude has been stable of late at around \$65. So do you see any new opportunities coming up there for us?

Vimal Kejriwal: So I think we are still not in the big league and all that. So I think whatever we are right now targeting and all that, those are not going to get impacted by -- in fact, the order which we got in this was this year, okay? So I personally don't think -- we are not large players like some of our competitors that we could get impacted by scrapping of projects are not coming. For us, it's still a little bit just testing the waters, let me put it this way.

So I don't feel any issue. Also, since you raised this issue of oil prices, some other people were asking me on payments on transmission. So clearly, we are seeing the transmission pipeline being very robust and payments coming absolutely on time. So we have still not seen the impact of crude oil and all that on these projects.

Maybe some very marquee projects or projects like NEOM and all may get impacted. But otherwise, we have not heard of any transmission line projects getting impacted. Oil and gas, since we are not large players, we are not keeping a large track of what -- very close track of what is happening.

Ashwani: Do you see any renewable opportunities in Middle East, sir, for us?

Vimal Kejriwal: 100%. There are large opportunities. We were deliberately staying away because we really wanted to get our act together in India. And this year, we are commissioning -- actually, we commissioned almost 850 -- 950. So, we have commissioned almost 850-megawatt already of solar capacity spread over two large plants. So that has given us a large confidence saying that,

yes, we can do larger projects. So we have now started looking at those markets, okay, both in, I'll say, Saudi and UAE.

Ashwani: All right, sir. Thank you very much.

Vimal Kejriwal: Thanks, Ashwani. Thank you.

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

Harshit: Thank you for the opportunity, sir. Sir, can you please talk about the labour shortages, which we were facing in the past? And what has been its impact on our current quarter? And by what time can we see the normalization of the same?

Vimal Kejriwal: We don't know when the normalization will happen because you know this problem has been going on for many years. And in fact, right now, in our Board also, we were discussing the same issue saying, is there -- I think the only discussion was that with MGNREGA going and the new scheme being funded by state, maybe more people may start working outside. Because they may -- the scheme may not be -- it will take some time for it to settle and all that.

So if that happens, it's not what the government wants, but if that happens, then maybe the labour supply may improve. But let me put you something -- some time back, we had 18,000 labourers, now it's become 24,000. As the order book and the execution is expanding, the need goes up. So I think we will have a shortage of 2,000 to 3,000 or 4,000 people. We are taking various steps, but difficult to say that when this labour shortage will get over. Very, very difficult.

Harshit: Sir, any quantum on it, like I mean, what sort of a quantum impact we are having it on a quarterly basis or something like that, if any color you can give it on?

Vimal Kejriwal: So if you look at numbers, maybe INR500 crores, INR600 crores for the quarter could have been impacted where we could have got more revenue, especially on the Civil side.

Harshit: Okay. Got it, sir. Thank you.

Vimal Kejriwal: Thanks. Thank you.

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

Saket Kapoor: Yes, yes. Thank you, sir. Sir, firstly, sir, you were mentioning about the NEOM project getting affected because of the oil prices. So can you just throw some more light what you were trying to convey, sir?

Vimal Kejriwal: Whatever I read in the paper I told you that some marquee projects in Saudi which are getting impacted. Yesterday or day before, I saw on that golden cube and all that also getting impacted.

All I was told the main project of NEOM was done at 6% instead of 100. That's what we are hearing, okay?

So the talk was you know the question was what is being impacted by the oil price. So Saket ji what is the impact of the oil price is that your aspirational project is getting impacted. That if we don't do it today then we will do it tomorrow. But the essential projects, okay, whether it is in transmission whether it is in oil. Like, I will tell you they had a large HVDC project which they had put on hold for 1-year.

Now it has come back. Which we had thought that they will not do the because of the problem of oil, but they have come back. So the project which they have to do which is necessary what they are doing. If you look at most of our business in T&D in Saudi has been to connect from renewable power. What they are also doing like what we are doing is that they have oil but they want to sell the oil and take money. Okay.

And power they want to produce from renewables. So we have to understand one more thing that even if the price goes down their internal consumption in my view is going down, because they are relying a lot more and more on renewables. So they may have the same amount of revenue coming in. May be from a even if the price is lower because the Qunatum is going up very clearly.

Saket Kapoor:

Secondly, sir, you mentioned about this Chinese entry into the EPC segment as a supplier, would be benefiting us? So sir in our cable segment the capex that we and other people have done, is there any threat for them participating there in the cable segment and then lowering of margins. Because they compete on lower levels margins. So how will that happen?

Vimal Kejriwal:

Saketji, the discussion that is going on in the market and the recommendation is not an opening up of the sector for everything. What they have talked about is that the product which is in shortage and which is technically having a lot of problems.

On substations, transformers etcetera, they are talking about opening up power plants also. Because you have to set up a lot more fuel based power plants. So I think it is more on that segment rather than on items like cables. And cables have not been too much of import. At least I am not aware of any major imports happening on cables.

Which is coming from outside has been very high quality 400 kV, 500 kV cables and all that. I have not seen normal cables and conductors. I have never heard of a conductor coming into India. So I don't see any impact of that on my cable and conductor business, no.

Saket Kapoor:

Okay. And what are the ground pillars, sir, from the Cable segment exactly? We have done capex also and going ahead what if our outlook for order booking and the trajectory going ahead?

Vimal Kejriwal:

If you look at this quarter, we have improved our revenue by 37%. Okay? So, I think we are looking well. And a large part of the increase is also coming from our Conductor business. So

right now, we are full for the next couple of quarters. And I am not worried about the order bookings.

Order booking is a little less because of the very high aluminium and copper pricing. So there are many customers who are still waiting to see that prices get better and book after that. So I think order booking is slightly on the lower side. But it is a matter of time that it will get picked up. I don't think we are worried because we have enough orders today.

Saket Kapoor: Correct. Thank you, sir, and thank you for hosting the call in the evening. Thank you.

Vimal Kejriwal: Thank you, Saketji. Thank you.

Moderator: Thank you. The next question is from the line of Rupesh from Nayan M Vala Securities. Please go ahead.

Rupesh: Sir, first of all, I just want some clearance. I seem to have missed the guidance that you had given on margins. So if you could just repeat that?

Vimal Kejriwal: Margin guidance?

Rupesh: Yes, sir.

Vimal Kejriwal: We have said that we are at 7.1% for the 9 months, we should be -- for the year will be between 7% to 7.5%.

Rupesh: Okay, sir. And sir, earlier in a few calls, you had mentioned that you would be shifting the focus of civil to building and factory with high realization buildings, high ticket size orders for the Civil segment. So if you could provide a mix on the building and factory order book of Civil as against the other projects?

Vimal Kejriwal: I don't have the exact number, but I think out of that INR11,000 almost 60%, 65% would be buildings and factories. But let me tell you one thing. The order intake for civil this year, everything is on buildings and factories, 100%. And also the size has been going up, okay?

Rupesh: Okay, that's great to know. And just one last question, if I could squeeze in. The PGCIL, this is the entire situation with the PGCIL, is it affecting the domestic T&D revenues at all? Or is there a minuscule impact?

Vimal Kejriwal: So let me put it this way. I don't think the revenues are getting impacted. We have a large order book, number one. Number two, I think you joined later. So I had said earlier that this year on the TBCB, 75% of the orders have gone to private sector.

Okay? And we are -- we have got orders from almost all the large private sector clients, whether it is Adani, Sterlite, IndiGrid, you name it. So we are getting that enough. To say that nothing is getting impacted will not be correct, but I don't see if there is any significant impact of that.



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Especially on the revenues for the year, I think our India business has grown very well even this year also.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand over the conference to Mr. Vimal Kejriwal for closing comments. Over to you, sir.

Vimal Kejriwal: Thank you, everyone, for participating and your continued interest in KEC. 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. Thank you.