KALPATARU PROJECTS INTERNATIONAL LIMITED
(Formerly Kalpataru Power Transmission Limited)

"Kalpataru Projects International Limited

Q4 FY24 Earnings Conference Call"

May 09, 2024

MANAGEMENT: **MR. MANISH MOHNOT - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. S. K. TRIPATHI - DEPUTY MANAGING DIRECTOR
MR. SANJAY DALMIA - EXECUTIVE DIRECTOR
MR. AMIT UPLENCHWAR - DIRECTOR, GROUP STRATEGY
MR. RAM PATODIA - PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

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Moderator: Ladies and gentlemen, good day and welcome to Kalpataru Project International Limited Q4 FY24 Earning Conference Call hosted by Dam Capital Advisors Limited. 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 the 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 the conference over to Ms. Bhoomika Nair from Dam Capital. Thank you and over to you, ma'am.

Bhoomika Nair: Thanks. Good morning everyone and a warm welcome to the Q4 FY24 Earnings Call of Kalpataru Project International Limited. We have the management today being represented by Mr. Manish Mohnot, Managing Director and CEO, Mr. S. K. Tripathi, Deputy Managing Director, Mr. Sanjay Dalmia, Executive Director, Mr. Amit Uplenchwar, Director, Group Strategy and Mr. Ram Patodia, President, Finance and CFO. At this point, I'll hand over the floor to Mr. Mohnot for his initial remarks, post which we'll open up the floor for Q&A. Over to you, sir.

Manish Mohnot: Thank you, Bhoomika. Good morning everyone and thank you for joining us for Earnings Call today. As always, it's a pleasure to interact with all of you. Let me first start with major highlights of our performance for financial year 24. The last year has been a remarkable year as we achieved several important and strategic milestones. We have achieved highest ever annual consol revenue of INR 19,626 crores, EBITDA of INR 1,628 crores, and order book of INR 58,415 crores.

Our order inflows were at highest level of over INR 30,000 crores. Furthermore, we achieved major breakthrough in strategic order wins in India and overseas markets like securing significant projects in the Middle East oil & gas sector, metro tunneling projects in Kanpur and Bhopal, and substantial orders in T&D business, both domestic and international. Along with the largest B&F project in Hyderabad. Our focus on project closures gained strong momentum as we achieved a record number of project closures with over 70 projects physically completed in financial year 24. In regard to our market capitalization, we recently reached a milestone of INR 20,000 crores.

More importantly, we continue to further strengthen our balance sheet position with notable performance on the working capital and leverage front despite delivering record revenue growth and incurring capex of over INR 450 crores in financial year 24. The net debt in our standalone business decreased by 29% compared to previous quarter, reaching INR 1,833 crores at the end of March 24. With net working capital of 99 days and finance cost as a percentage of revenue at 2%, we are in line with our guidance for FY24.

FY24 also marks our first year as a combined entity since the completion of merger with JMC. Since the closing of merger, we have taken a number of important strategic initiatives and I can definitely say that we are witnessing significant success on the synergy front. I want to particularly emphasize on the following.

First, that we have made noteworthy strides with our ability to bid and secure large-size multi-faceted EPC projects as we have achieved major breakthrough in oil & gas in the Middle East, underground metro tunneling using TBMs, design-built projects in the B&F industrial plants, data centers and airports. These projects will help us significantly improve our capabilities and will distinguish us in the global EPC market in the coming years.

Secondly, we have bought a lot of efficiencies and improved on the working capital and finance cost front. The average finance cost as a percentage of sales of erstwhile JMC during the period 20-22 was around 3% while similar of KPL was around 1.9%. The merged entity with a high growth revenue base and despite a high interest cost environment has successfully delivered finance cost as a percentage of sales of 2% in its first year of operations. Similarly, on the net working capital days, we have achieved a target below 100 days. The diversified business mix of the combined entity gives us a lot of advantage to prioritize and optimize our capital deployment.

Third and the most important, the merged entity has now gained the muscle to invest in future capabilities and deploy additional resources to support and prepare ourselves for the next leg of growth. We have significantly scaled up our ability in terms of the following. Capex for plant and equipment both in EPC and manufacturing, management bandwidth for improved, seamless and timely project execution, design and engineering capability in civil, electrical and mechanical areas with focus on MEP integrated jobs also. Adoption of digitalization process across our processes and systems and fast track our commitments to sustainability and ESG.

Coming now to the details of our performance. We concluded the year with the highest ever annual consol revenue of INR 19,626 crores and standalone revenue of INR 16,760 crores. The 20% growth in consol revenue and 17% growth in standalone revenue for full year 24 was on account of robust project execution, healthy order book position and a diversified business mix.

Our annual consol EBITDA increased by 19% to reach INR 1,628 crores, while standalone EBITDA reached INR1,366 crores, reflecting a growth of 18% for full year 24. Our consol EBITDA margin stood at 8.3% and the standalone EBITDA margin was at 8.2% for FY24. Our EBITDA margin for full year 24 has remained stable despite a rising cost environment and resource augmentation in view of future growth. In Q4, PBT before exceptional items showed robust growth of 103% at consol level and 48% on standalone basis.

Similarly, annual consol PBT before exceptional items grew by 27% to INR 701 crores, while standalone PBT increased by 13% to reach INR 774 crores for FY24. The standalone PBT margin before exceptional items stood at 4.8% in Q4 and 4.6% for full year 24. The exceptional item of INR 35 crores in Q4 at standalone level pertains to impairment in value of investment in the Indore real estate project.

Around 80% of the inventory has been sold and we expect to complete the sale of balance inventory in the current financial year. Excluding the impact of extraordinary items, our consol PAT is up by 35% to INR 510 crores, with EPS improving from INR 23.2 to INR 31.4 per share. Similarly, standalone EPS rose from 31.5 in FY23 to 34.4 in FY24. If we eliminate the impact of extraordinary items. Oour order book including LMG Sweden and Fasttel Brazil stood at INR 58,415 crores as on 31st March 2014. In FY24, our order inflows grew by 19% worldwide to INR 30,022 crores. The growth in order inflows was primarily given by T&D, B&F and Oil & Gas business. In FY25 till date, we have secured orders totaling around INR 850 crores. Additionally, we have an L1 position of over INR 5,000 crores.

Moving to segmental performance for the financial year. Firstly, in the T&D business, the business outlook has significantly improved over the last 12 to 15 months due to increasing adoption of renewables and rise in power demand resulting in the development and upgradation of grid infrastructure globally. The visibility of tenders in the domestic T&D market is estimated to be around INR 50,000 crores annually at least for the next 2 to 3 years. Similarly, in our targeted international markets in Latin America, Middle East, Africa and Europe, we are witnessing good traction in the T&D Capex. Overall, we anticipate our T&D business to remain robust and achieve substantial growth in the coming years.

In the T&D business, we have secured record order inflows of over INR 11,150 crores with order booking in the domestic market up by 48% in FY24. Our T&D order book has reached INR 20,678 crores at the end of March 24. Additionally, we have an element position on an order of INR 2,000 crores primarily in the domestic market.

In terms of revenue, the T&D business saw a 30% Y-o-Y growth driven by strong project progress and a healthy order book. Our LMG Sweden business has witnessed strong momentum with order inflows of INR 1,656 crores, a growth of over 150% compared to FY23.

LMG's order book stands at INR 2,000 crores. We expect LMG to continue to deliver strong growth driven by significant opportunities in the Sweden and Nordic markets. In FY24, our Brazil subsidiary Fasttel achieved a revenue growth of around 60%. Our order inflows have nearly doubled in FY24 compared to last year, reaching a total of INR 1,400 crores, resulting in a closing order book of around INR 1,500 crores.

In our B&F business, I am pleased to announce that FY24 was a pivotal year as we made significant progress in design-built EPC projects and secured several large and prestigious projects in residential buildings, airports, data centres and industrial plants. This advancement will greatly enhance our capabilities and provide us with good competitive edge going forward.

Our order inflows in the B&F business in FY24 amounted to INR 6,528 crores, with the year-end order book reaching INR 11,000 crores. Additionally, we have an L1 position of INR 1,900 crores. The business achieved a commendable growth of 16% for full year '24, driven by robust in-house execution capabilities.

We anticipate our B&F business to maintain a double-digit growth, supported by a healthy order book and excellent business visibility in residential and commercial buildings, airports, industrial plants, data centres, etcetera. In the oil &gas business, our efforts over the past few years to establish our presence in the international hydro markets, fructified in FY24 and we secured LOI for a large gas pipeline order in Middle East. This project stands as a testament to our dedicated efforts to enhance our global reach and the recognition of our capabilities by global major clients.

This project will help us immensely to improve our competitive position and propel our oil & gas business on a strong growth trajectory moving forward. The oil & gas business reported order inflows of INR 7,953 crores with revenue of INR 822 crores in FY24.

In the Urban Infra business, we are witnessing good traction in ordering and a plethora of opportunities in the urban mobility segment. Additionally, the focus of government recently announced in the Union Budget to increase capital outlay for infra development to over INR 11 lakh crores further provides impetus to the urban infra business in sustaining growth in the future.

Our Urban Infra business witnessed a remarkable revenue growth of 75%. We have achieved significant progress in our Urban Infra business by securing two underground metro rail tunnel projects. Our water business revenue grew strongly by 34% Y-o-Y to reach INR 3,500 crores in FY24. We secured orders worth INR 1,600 crores resulting in an order book of INR 10,667 crores in FY24. Our current focus is on enhancing our execution capabilities and strengthening our competitive position to effectively handle large size projects.

In the railway business, we generated revenue of INR 1,425 crores maintaining our focus on project closure and selective order bidding in response to increased competition. During FY24, we secured orders totaling INR 1,000 crores resulting in a closer order book of INR 3,900 crores. We are increasingly prioritizing the enhancement of our business in key areas such as metro electrification, S&T, RRTS and high speed rail.

On our road BOOT projects, revenue per day has increased to INR 58 lakhs per day for FY24 compared to INR 54 lakhs per day in FY23. We have infused around INR 84 crores in FY24 primarily towards repayment of debt.

Based on our performance for the year, the Board of Directors has proposed a dividend of INR 8 per share.

Before I move to outlook for FY25, I want to particularly emphasize that in the last four years, especially post-COVID, we have invested closer to INR 1,700 crores in capex in our core EPC business and a gross block in property, plant and equipment stands at around INR 3,400 crores at the end of March '24. Simultaneously, we have delivered revenue growth of 14% CAGR with consistent profitability during the period 2021-'24. Our net working capital days, finance costs and debt levels have remained stable and are in line with business growth. This very well depicts the underlying strength of our business model with a large focus on profitable growth and maintaining a strong balance sheet.

Let me now address the outlook for FY25. We will continue with the current growth momentum and aim to achieve a historic high in terms of physical project execution, revenue and profit. Our robust financial profile, expertise in diverse EPC sectors, extensive global presence and capacity to handle large-scale projects position us well to capitalize on significant infrastructure investments, particularly in sectors like power transmission, urban mobility, oil & gas, water in India and international markets.

For FY25, we are targeting a revenue growth in excess of 20% with PBT margin closer to 5% and minimum improvement of 25-50 basis points for what we have seen in the current year. Last year has been exceptional in terms of order inflows and we will continue our pursuit for healthy order inflows in the current year.

Our prime priority in FY25 will be on further strengthening of our balance sheet through efficient working capital management and divestment of non-core assets. We aim to keep our net working capital days below 100 days and finance costs at 2% of sales in our core EPC business.

With this, I would request the moderator to open the lines for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: So, my first question is, sir, if you can help us with the prospect pipeline segment-wise. You did touch upon that. You're looking at next level of growth given the large international order? So, what does it do in terms of bidding, scale, scope, qualification, etcetera? So, that is my second question.

And my third question is on the margins. So, now the international order book has gone up in the mix. So, despite that, I think you are building in some expansion in margins, almost by 50 basis points. So, what gives you that confidence given some of the larger players where the international mix has gone up in the order book? They have basically maintained this year's margin guidance. So, just some commentary on that.

Manish Mohnot: So, just to answer your first question in terms of, you know, where the priorities in terms of order book for the next year. Clearly, our focus would continue to be on our core businesses, which is T&D, building and for T&D domestic, we are seeing a huge traction coming up. Buildings and factories in areas like commercial, residential, data centers, airports, and industrial plants.

Water and oil & gas international, not as much in the oil and gas domestic sector. We are witnessing, you know, huge tenders coming up in all of them. Although, the last few months, there's been slightly dull because of all this election, you know, going on right now. But otherwise, prior to March and the plans going forward, we see huge traction in all of them. Specifically, in the oil & gas business, with that huge presence in the international market in Middle East, our focus currently would be to make sure that building the team and delivering on whatever we have committed becomes important.

As far as margins are concerned, you know, we have been guiding primarily margins at the PBT level. So, if you look at our guidance, previous year was 4.5% to 5%. We ended the year at around 4.6%. We believe we should be able to give a minimum 25 basis point improvement in margins. I have guided for 25 to 50 basis points, given the size and scale.

On the international front, you know, our order book profile is very different than a lot of competitors in our Indian market. If you look at our international order book, you know, on the transmission side, more than 50% comes from Latin America, with Chile, Guyana, Suriname, Brazil, all of them. It's not as much in Africa and Middle East, while they are also focused markets.

If you look at the oil and gas, it's completely driven by one large client, one of the best clients in the world in Middle East. If you look at roads, it's only a few countries where we are working on and we've been there for the last seven to eight years. So it's not that we are into those competitive markets like primarily Middle East. Middle East is highly competitive as far as Kalpataru is concerned. That's not our big focus.

We are exploring new markets. We've been in those markets for the last five to 10 years. We've delivered a lot of those projects and we're confident of delivery there. With all of this, we do not see any difficulty in delivering on margins what we have projected, unless there's a significant increase in any of the underlying costs, which we don't see happening soon.

Parikshit Kandpal: What will be the EBITDA margin? So what does this 4.5% to 5% PBT translate in terms of standalone EBITDA margins?

Manish Mohnot: So for the current year, our EBITDA margin has been in the range of 8.1%. And EBITDA margin would be in that range of 8% to 8.5% only. But as I said earlier also, we guide people on PBT margin because our leverage ratios are very different than the larger industry. So for us, I think our guidance will always be on PBT margins, which we are saying we will try and touch closer to 5%.

Parikshit Kandpal: But sir, as our mixed, we were in double-digit margins earlier. So how do we see this? This year also, we are saying we'll be at 8%, 8.5%. But do you think that now the margins have reset and will stabilize at the current levels or do you see the trajectory moving towards double digit or midterm? So what will be our guidance going into next few quarters? At which quarter level exit we will touch maybe 9% and then move towards double digit?

Manish Mohnot: Well, you see, double digit margins were there pre-COVID levels in specific sectors only. If you look at the merged entity, we actually were never in the double digit margin ever and that's the industry norm for people who are diversified and of that large size and scale. We definitely believe margin improvements should come sooner than later. And we believe that next two, three years, we should see at least 50 to 75 basis point increments coming even in FY25-'26 and hopefully after that also, primarily driven by the significant growth coming in T&D, B&F and the international business.

Now, are we targeting at an organization level to reach double digit margin in FY25-'26? Might be difficult. But yes, a definite improvement of closer to 50 to 75 basis points every year, starting from next year is visible at least on the current order book. Even a current order book visibility is there for the next two and a half years. So that gives me that confidence that going forward, we should be reaching those levels. But double digit isn't happening soon.

Parikshit Kandpal: But on FY26 as a blended, as a whole year, will we cross 9% to 9.5% broadly in that band for FY26 at least?

Manish Mohnot: So we should be at 50 to 75 basis point improvement even next year. As of now, we will be giving further guidance as we close the year for next year. But definitely, we should be targeting there but not reaching double digit.

Parikshit Kandpal: Okay. And just lastly, sir, on these international entities, both LMG and Fasttel, if you can help us with the revenue and EBITDA, PBT numbers for this year, and how do you see the profitability panning out in FY26 and FY25, given the expecting strong inflows there?

Manish Mohnot: So, at Linjemontage level, we did revenue of around INR 1,000 crores in the current year, with EBITDA in the range of 3.5%. At the Fasttel level, we did revenue of around INR 700 crores and at EBITDA level, they were negative INR 16 crores. Both the organizations have got both the subsidiaries have got very good orders in Q4, very good profitable orders in Q4. So we expect Linjemontage to grow by at least 25%, with EBITDA margins more in the range of 5% to 6%. And we expect Fasttel to grow again at 20% plus for the current year. And they will definitely be positive at both EBITDA and PBT levels.

Parikshit Kandpal: The PBT margins will also be similar, like at 5% to 6% in Linjemontage?

Manish Mohnot: Yes, Linjemontage hardly has any interest cost, so EBITDA will be equivalent to PBT. Maybe a difference of less than 50 basis points.

Parikshit Kandpal: Okay. And just lastly, sir, on this oil & gas pipeline disorder, so what is the execution time period given there is a large order? So, if you can help us on that.

Manish Mohnot: So I think the execution time period is between 36 months to 42 months. But delivery in terms of actual at the site would start from Q3 of the current year. And then I think over the next two years, you'll see significant delivered. But the timeline is 36 to 42 months.

Parikshit Kandpal: Order book inflow growth, did you give that guidance? Sorry, I missed that. That was my last question. Thank you.

Manish Mohnot: So we have not yet given our order book inflow growth, although we are very bullish on it. And we would like to wait for the post-election clarity in the sectors in which there is a clear focus. And we would be giving that order book guidance growth maybe in Q1. As of today, we have already declared INR 850 crores L1 is INR 5,000. We have already bid for tenders worth INR 15,000 crores for which we are expecting results in the next maybe month or two months. We are very bullish. But we would be coming out with a guidance closer to the end of Q1 once we have clarity on our government's capex plans.

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

Moderator: Thank you. Next question is from the line of Amit Anwani from PL Capital. Please go ahead. Mr. Anwani, you can go ahead with your question.

Amit Anwani: Sir, I wanted to understand about the you did highlight it that the margin ramp up will start starting FY26 by 50 to 70 basis points and obviously led by two, three sectors which you highlighted. So I just wanted to understand across segments and then international and domestic, how has the margin profile fared this year and what are the key segments where we are witnessing better margin orders in the near future and FY25?

Manish Mohnot: So I think typically we do not have guidance of margins or details of margins at the division -- at an individual division level, but I can say that except railways, all our other divisions except railways and urban to a certain extent, because urban is small and we are still in the investing stage, all the other divisions were in the range of EBITDA which was more close to 9% to 10%. Our highest EBITDA came from our B&F business followed by our international business.

Going forward, we expect all our business segments, except railway, to be in the similar range. It's only been railways where we have consciously scaled down and where we have focused more on closure of projects, and we are not growing so much in the near future where margins will be more in the range of 5% to 6% at EBITDA level. Otherwise, all businesses have been in the similar range of 9% to 10%.

Amit Anwani: Sure, sir. Sorry if I might have missed the current order which we won from Middle East. Just wanted to understand, though we are not in a position to give guidance for domestic markets, any guidance with respect to intake from the international market? And since we have guided for 20%, can we and we see other players also guiding pretty robust international intake opportunity amid the capex happening in the GCC countries. Just wanted to understand your perspective with respect to international markets for the order intake. And also segment-wise, color would be helpful?

Manish Mohnot: So we continue to be focused on the international markets driven primarily by Latin America, Africa, Middle East and Southeast Asia. Our key order book influence international markets for FY24-'25 will still be on the transmission side, where the focus is much higher, followed by oil & gas and civil projects. We continue to be bullish in a lot of markets, but we are very cautious of not bidding in markets where retention is high or where competition is very high. So our focus is primarily on markets where the payment terms are not so bad and competition is limited. So we continue to be bullish, and growing that business at 20% will not be a challenge, not even for next year but even for the next couple of years, given the order book visibility today.

Amit Anwani: Sure, sir. Thanks for taking my question. All the best.

Manish Mohnot: Thank you.

Moderator: Thank you. Next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: On your revenue for this year, we were initially guiding at a standalone level of 20% plus. We were expecting that some of the pickup in the Chennai projects, all of that could kind of come through. Any reason why we've sort of come up at the lower end, and do we expect that some of this sort of comes back in FY25?

Manish Mohnot: I think you're right, Deepak. We guided at the beginning of the year of revenue was in excess of 20%, but we had a setback in terms of a large Australian project which did not fructify in Q2 because of some statutory reasons which we had declared at the end of Q2. Based on that, we had revised the guidance to closer to 20%. We've reached 17%, 18%. I think it's just that a few projects did not deliver in February, March due to elections, supply constraints, all of that. It's similar to what we had benchmarked or targeted internally. And with that visibility of order book, I think growing at 20% next year would not be a challenge at all.

Deepak Krishnan: Yes, maybe just a follow-up one. We wanted to understand any progress on the road sector divestment. We were looking at one of the projects and just wanted to understand this infusion issue on logistics. How is this? What are we considering this for? And would there be any other future infusion as well?

Manish Mohnot: Yes, so as far as road projects are concerned, as we had guided earlier also for one of our largest project, VEPL, we have already, we have advisors working with us in terms of getting an offer. We have got some non-binding offers and we are working on those. The other two projects, we are still not in the market because the tail life is very less. It's around six to eight years. But once we have clarity in this large project, we'll look at that also. As far as Shubham is concerned, I think, we're turning around the organization by a capital structuring perspective also, right, converting loan to equity.

And going forward, I expect maybe this year could be one more year of challenge. But 2025-'26 onwards, they should be positive in terms of EBITDA and PBT both. While we focus on enhancing the, effectiveness and operational capabilities there, we also are clear that it's non-core to us. We will be looking at divestment there also, maybe over a period of time, but definitely not in the current year.

Our current year focus on divestment will be primarily on one of the large road assets and making sure that our amount stuck on, our amount on Indore real estate, which is closer to INR 170 crores, gets fully released in the current year. Now that we have all the buildings ready and now, so we will be selling off the balance and getting out of that project in the current year.

Moderator: Thank you. Next question is from the line of Ramakrishnan V from Equity Intelligence. Please go ahead.

Ramakrishnan V: Yes, good morning and congratulations for the good set of numbers. Sir, I have a question on the T&D segment. You have been talking that every year there is a INR 50,000 crores domestic front opportunities and there is a huge traction is happening there. And I think we have got a order book of around INR 20,678 crores. Sir, can you explain this? As of now, I think there are three to four player in markets. And with this, some of these companies who have gone into NCLT now come back. So what is the competitive scenario? Can you enlighten?

Manish Mohnot: Just so that we are clear, our INR 20,000 crores plus order book is on overall T&D, not necessarily only on domestic. Our domestic T&D order book is closer to INR 6,000 crores, excluding the L1. On the traction front, yes, we are seeing an order of influence and tenders of closer to INR 50,000 crores, which are visible today, including the state legislature boards, the private sector, and power grid.

As far as competition is concerned on the T&D space, for orders exceeding INR 500 crores, we have not seen too much competition. It's limited to those four, five, six players only. But for projects which are less than INR 500 crores, we have seen some competition. But it's still not as intense as you see in the railway sector or as you see in some of the smaller urban projects. So competition is still limited. For the newer players, I think it will take a lot of time for them to reach that size and scale to deliver on those large-scale projects, because now the large-scale projects come with a reduced timeframe of delivery.

So earlier, the same power grid we used to do, INR 200, INR 300 crores, used to give us three years for delivery. Now with INR 700, INR 800 crores, they're asking for 18 to 24 months. I think competition is still limited, and I don't see that increasing in the near future because it requires a very different delivery skill set.

Ramakrishnan V: Okay. Thanks and all the best, sir.

Moderator: Thank you. Next question is from the line of Jonas Bhutta from Birla Mutual Fund. Please go ahead.

Jonas Bhutta: Thank you for the opportunity and congratulations to the team for a phenomenal show, both on the financial and even on things such as capacity building, etce. So just one quick question. Clarity on the other expense line items are both on the consol and standalone has seen a major spike. On the consol, it's grown by almost 66% year over year versus a sales growth of 22%. Is there a reclassification from the gross margin or the cost of goods sold to other expense or there is some one-offs in that, if you can just clarify.

Manish Mohnot: Sure. Good morning, Jonas, and thank you for your comments. So, Jonas, on a consol basis, yes, the other expenses went up significantly primarily because of specific areas of ECL and exchange loss. We had done some ECL provisioning on a couple of clients, and when the balance sheet comes, you'll look at that. The expected credit loss, there are a couple of private sector clients where we had to take that call based on the formula-based approach and exchange loss for the current year.

So even on standalone, there are three areas. One, freight costs, which went up much higher compared to last year because of those three months of disruption which happened, which all of us are aware of. There was an ECL provision which came in and that you'll see in the balance sheet, we have done an additional ECL provision of closer to INR 70 crores in the current year.

ECL is expected credit loss, and there's exchange loss in the current year. on an overall profitability, it does not have an impact, but exchange loss gets into other expenses which was a small gain in the previous year. So it looks like all one-offs. We don't expect the ECL to come in next year. I created stabilized back, so I don't see that impact coming. And with the hedging profile this year, hopefully with minimal volatility, we shouldn't have any exchange loss.

So this all looks like one-offs. As far as COGS is concerned, COGS is COGS. There's nothing which has moved from there to other expenses. That's not accounted. But yes, a lot of them looks like one-offs which should get, revised getting into the next year.

Ramakrishnan V: Got it. So INR 70 crores of ECL is in Q4 alone, not through the year, right?

Manish Mohnot: I think it was primarily done in Q4, if I'm not mistaken. Yes, it was done in Q4 only.

Ramakrishnan V: And the FX loss, if you can quantify that?

Manish Mohnot: FX for the current year, which has come in other expenses, at a standalone level, is around INR 52 crores in Q4, okay? And it's around INR 80 crores in consol.

Ramakrishnan V: Got it.

Manish Mohnot: But this is only Q4, okay?

Ramakrishnan V: Yes, got it. Thanks a lot and all the best.

Moderator: Thank you. Next question is from the line of Saif Saurabh Gujar from ICICI Prudential AMC. Please go ahead.

Saif Sohrab Gujar: Thank you for the opportunity, sir. So if you can help us with outlook for Linjemontage and Fasttel, the subsidiaries, and how has the performance been and how do you expect the margins ramping up for those two?

Manish Mohnot: I think I had spoken about it, but I'll speak again. In terms of Linjemontage we've seen very good traction coming in from October till March, winning some significant orders on the substation side, including orders on 200 kV substation, where we just got qualified in Sweden last year. The entire opportunity in Sweden has multiplied to 2x in the last two years, given the mindset of the Swedish as a country to move to fossil fuel free by 2040.

So our order book has closer to doubled in the last five months. We have already bid for three, four large contracts for which we will have clarity maybe by June. With the current visibility, we expect that business to grow at 35% in the next year, 30 to 35% in the next year. And margins coming back to those levels of 5% to 6% at EBITDA level where they were prior to 2023. As far as Fasttel Brazil is concerned we had difficulties the last 2 years were very difficult to exit the existing projects which we had and close all the old projects. We are nearly out of all the old projects except for maybe a couple of them.

And the new order book is at a healthy margin with EBITDA in the range of 9 to 10% and PBT in the range of 6 to 7%. We definitely expect them to turn around in terms of profitability. Although growth there will not be significant in terms of top line, but on EBITDA and PBT we see them completely turning around and being positive on both the metrics.

Saif Sohrab Gujar: Okay, thanks sir.

Moderator: Thank you. Next question is from the line of Kaushik Poddar from KB Capital Market Private Limited. Please go ahead.

Kaushik Poddar: You spoke of a PBT margin of 4.5% to 5%. Is it at the consolidated level or is it at the Indian entity level?

Manish Mohnot: It's at a standalone level. Even at a consol level we are targeting margins to reach closer to 4% from the current levels of 3.7% where we are. So, at a consol level also we expect margins to improve, but what guidance we have given is more at a standalone level.

Kaushik Poddar: At a consol level you are talking of 4% PBT?

Manish Mohnot: Closer to. So we are currently at around 3.6% at a consol level. We would be targeting closer to 4%.

Kaushik Poddar: Your order guidance you will be giving at the end of the first quarter that's what you said?

Manish Mohnot: Yes. While we are very bullish and we have a good L1 segment and we bid for a lot of projects, but we believe that we will be able to have better clarity once we have clarity post-June on the capex outlay of the government and specific sectors. For example, we are not so bullish on railways in the current year and if that outlay is too big it might not help us, but in the other sectors we are very positive. So we will just wait for June-July and then give guidance on that.

Kaushik Poddar: What you told us, what you narrated is that water is one of your focus sectors. Can you say something more on this issue?

Manish Mohnot: Sorry, I am not very clear on what you are saying. Water continues to be a focus sector for the last 3 years, 4 years. Last 3 years we have doubled revenue in that sector if not more than that. Last year there was a 35% growth in revenue, year before that we grew at around 50%. In the current year we have consolidated that segment because the order book is already closer to INR 12,000 crores and we have not taken much orders in water. With INR 12,000 crores order book visibility for the next 3 years of revenue already existed today. So our focus is a lot more on strengthening the team making sure we focus on delivery, because the order book visibility is already 3 years.

We continue to be very bullish in the sector on the domestic front and also on the international front where we are seeing a lot of tractions. Although I do not believe internationally we will be doing a lot in the current year, but as I said earlier ours is a process which takes a few years to fructify, but over the next couple of years at least water you will see a lot happening in the international front also.

Kaushik Poddar: Okay. Thank you. Thank you.

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

Bharat Sheth: Hi. Good morning Manishji and team.

Manish Mohnot: Good morning Bharat.

Bharat Sheth: Sir, can you give a little more color on O&G pipeline after winning this large order how do we see over the next 2 years-3 years one is on the order side or opportunity side and particularly we are staying away from the domestic market so what is the major reason for that so if you can explain a little more?

Manish Mohnot: On the oil & gas front over the last 10 years our primary focus was on the domestic markets. We started looking at the international markets only maybe 3 years-4 years ago where we started building a team and we got leaders who joined us. So the journey started 3 years ago and now we have got a large project from one of the largest clients in Middle East which needs to be delivered over the next 3 years.

Our focus in the next 12 months would be to strengthen our delivery capabilities on the international market build a team and not necessarily look at ramping up that order book because that order book is already closer to INR 8,000 crores which gives us visibility for at least the next 3 years. We will still be looking at opportunities, we will still be making sure that we qualify and bid for projects, but it will not be something which will be targeting as a focus area from an order book build up. On the domestic oil & gas sector we have not seen much orders coming up from any of the large PSUs.

In the last 6 months I don't think we have bid for orders more than INR 1,000 crores in the oil and gas sector and we have seen competition from some very small players although it is only six players, seven players very small players where we are not able to compete and win. Given that visibility in international is good with limited competition good margins our focus next couple of years is going to be more international than domestic, but as and when there is an opportunity we will be looking at the domestic market also because we are the only among the large players in this sector for the last 10 years working with all the large oil and gas PSUs

Bharat Sheth: So overall EBITDA side rather than PBT margin because your international EBITDA is not, but PBT side so if you can give some color on how is the vis-a-vis domestic and what was in past and particularly in O&G side?

Manish Mohnot: So our oil & gas projects we have just started and it would be very early for me to start looking at what margins eventually they will deliver, but definitely at a tender stage it has been a reasonably good margin with a high single digit margin similar to our order book on other sectors. Clearly on ROCE this project would be very good because the payment terms are attractive with very minimal retention at the end of the project, but in terms of margins it is similar to our other order book profile of a high single digit EBITDA level.

Bharat Sheth: Wherein on power and T&D can you give a little more color particularly competitiveness in domestic and international market where we are present and are we looking at any additional market in this year?

Manish Mohnot: As I said earlier the domestic T&D market is looking very bullish starting from October, November onwards and while we speak we have bid for tenders more than INR 6,000 crores which are yet to be opened in the last month or so in the domestic market itself. So we have seen huge traction and competition is limited because there are those five or six players who are there.

See again I would like to reiterate it is not easy to be winning this project and delivering 18 to 24 month life cycle, right from design engineering to tower testing, to manufacturing, to the entire mobilization of gangs and delivery in that timeline. I am saying this is a capability which only three or four players in this country have.

So I believe that opportunity will continue to be good for the next 12 months to 18 months at least and which would help us build our order book and also keep the plant fully busy today the plant is already loaded 100%. As far as international markets are concerned it has been a long process for us. We have always explored unexplored.

Our local thing is explored, unexplored and that is what we have done. We have gone to those countries and geographies after spending lot of time maybe 3 years-4 years at a business development level to take projects with reasonably good margins. International transmission typically at a double digit margin with ROCE in excess of 35%, 40% at least in the Latin America and the African market our Middle East margins have been lower not as high as good as the international other geographies and the Middle East ROCE is very low because the retention terms are very high there. So on an overall basis I think international will continue to do well in terms of both margins as well as ROCE and domestic we continue to be bullish at least for the next 12 to 18 months.

Bharat Sheth: And last question sir we have spent around INR 1,600 crores, INR 1,700 crores in last 4 years and we were also evaluating some kind of manufacturing so first of all I mean what are the benefits that are which are this capex in which area and how do we see the benefit of that playing out in coming year and current year capex guidance?

Manish Mohnot: Sure. So a lot of what if I look at a major capex in the last 3 years you know more than 50% would have gone in form work and staging and shuttering primarily for the building and factory sector whether it is for residential commercial data centers or airports right so significant portion has gone there. A good portion is also gone in expansion of the plant operations both in Raipur and Gandhinagar where we are not only doing transmission today we are doing transmission, we are doing staging and shuttering, we are doing railway girders, we are doing form work and we are doing a lot of other aspects of the business also.

So a lot of capex has gone there. We have also invested in capex in the international market whether it is on the road project which we are doing in Ethiopia where we have invested in good capex because we believe that market looks positive and also the international geographies where we have built up our P&M capability, Plant and machinery in terms of excavators or whatever else. So over the last three years it has been across businesses.

In the current year we are targeting a capex of closer to INR 500 crores with significant focus in Urban infra, the tunnel boring machines which should be coming in in the current year and B&F. So Urban infra and B&F would be closer to 75% of capex for the current year and we are targeting a minimum capex of INR 500 crores for the current year.

Bharat Sheth: Okay. Great, sir. Thank you.

Manish Mohnot: Thank you.

Bharat Sheth: All the best. Thank you.

Moderator: Thank you. Next question is from the line of Ashwani from Emkay Global. Please go ahead.

Ashwani: Yes, Thanks for the opportunity. So our first question is on the opportunity pipeline that you see in the metro and also if you can touch upon T&D as well.

Manish Mohnot: So good morning Ashwani. So on the metro side, we see a lot of projects coming up both from a civil as well as urban infra perspective. We are currently selective on bidding for metro projects looking at the competitive intensity and looking at the capex commitment which is required. We've already committed ourselves on two large projects in terms of capex on the underground metro.

So for the current year while we'll be bidding for selective metro projects, we see that as a huge opportunity going forward. But for as far as KPIL is concerned, we'll be selective in bidding and winning orders in metro for the current year. As far as T&D is concerned, I think we have already spoken about it in my call two, three times that we continue to stay very bullish both on the domestic and international side.

Ashwani: Any supply chain issue you've seen the we have been hearing about supply chain issues from other your competitors in the T&D. What's your sense on that? And till what time we continue to see this kind of supply chain issues?

Manish Mohnot: So we did see some supply chain issues coming up in February, March and that also impacted revenue slightly. But was it so significant? It wasn't so significant for us because there wasn't a lot of supply strand for Q4 as far as KPIL is concerned. We're seeing some issues in a few specific areas like transformers and reactors and some of those. But otherwise we believe that it's okay. It's something which we already budgeted in our current year guidance.

So whatever earlier what used to come in two months would now take four months and that's been budgeted already in the current year guidance. And we assume that there shouldn't be any issues in the international freight corridor to create any further issues. And to us it's not had a huge impact and we believe that with whatever it exists today we will be able to deliver what we have targeted.

Ashwani: Sir, within our targeted segments, like all this B&F which is the segment where you see relatively a bit of slowdown. We have obviously strong visibility in a lot of segments, but any segment where you see a bit of slowdown compared to last couple of years?

Manish Mohnot: So in terms of tendering, actually there's no segment where we are seeing a slowdown. If you go back historically, at least last year, same time I was slightly bearish on T&D domestic, which I am not today. So in terms of tendering, we are seeing a good opportunity in domestic T&D, international T&D, water, B&F and urban infrastructure and even railways.

We have constantly decided not to be focusing a lot more on railways because of the intense competition. Otherwise, the visibility in terms of tenders is huge, but the competition is 20 to 25 players, which makes it very difficult for us to go and compete against small players. On the visibility front, till at least March just pre-elections, we were seeing visibility across all segments, but we are conscious about where we want to grow and where we do not want to grow, looking at our existing order book, looking at the capex commitments which is required and looking at the delivery time frame for a lot of projects.

Ashwani: What was the equity infused in the BOT assets and what is the guidance for this year? Thank you.

Manish Mohnot: So, I think we invested INR 85 crores in the previous year and we believe we should be doing a similar amount in the current year, primarily for repayment of debt and major maintenance on a few projects. So, we should, for the current year also, we should be in a similar range.

Ashwani: Thank you very much. Those were my questions.

Moderator: Thank you. Next question is from the line of Arafat Saiyed from InCred Research. Please go ahead.

Arafat Saiyed: Yes, hi, sir. Thanks for taking my question. So, my first question on the quantum of divestment you are looking for FY 25 and26. Any color on that?

Manish Mohnot: Sure. Good morning. I think on the divestment side, clearly as I said, on the Indore real estate, we expect the entire INR 170 crores to come in the next 12 months and that would be a good inflow for us. As far as the road asset is concerned, we've gotten some offers evaluating that. Hopefully by the end of Q1, we should be having some clarity on that. The only positive is that all the assets are now doing so well that they are self-sufficient on every aspect.

What we are now repaying is only the bank loans because the loans are all due in the next three years, whereas the tail life is 20 years after that. So while we are targeted to get out of this or to divest the assets, but in the current environment, we are also very comfortable in terms of not much infusion to maintain or run any of those businesses. So Indore definitely happening in the current year.

VEPL, we've got offers, we'll be reviewing that and we'll be coming back to all of you by the end of Q1. The other two assets, we've not started the process also right now because the tail life is very small. We will come back maybe in Q2, Q3 once we have clarity on VEPL and what our strategy going forward would be. As far as Shubham is concerned, as I said earlier, definitely we have declared that as non-core, but we do not see any divestment plans in the current year. We will be reviewing it in FY 2025-26.

Arafat Saiyed: Fine, sir. My next question is again, let's say on the pledging. So all the pledging has been used in the past couple of quarters. So what's the trend currently, sir? And are you looking for further reducing this pledge or what's the current pledging status?

Manish Mohnot: So I think over the last 20 years, the pledge has stayed in the except for the three years where it went up at 25%-30%. It's already reached those levels of 31% today. We definitely believe that it will continue to go down, but from peak of 59%, it's come down to 31%. The promoter has guided to reach 30% by March 25. We're already at 31% today. So I believe it should go down from here, but there isn't a number which we have. We definitely believe that it will not go up from here in any form.

Arafat Saiyed: Fine, sir. That's it from the side.

Manish Mohnot: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Ms. Bhoomika Nair from Dam Capital for closing comments. Over to you, ma'am.

Bhoomika Nair: Yes. I would just like to thank the management for giving us the opportunity to host the call and also all the participants for being there. Thank you very much, sir, and wish you all the very best. Any closing remarks from your side?

Managemennt: Thank you, Bhoomika, and thank you for the patience to all the investors on the call. Thank you very much.

Moderator: Thank you. On behalf of Dam Capital Advisors Limited that conclude this conference. Thank you for joining us, and you may not disconnect your lines.