KALPATARU PROJECTS INTERNATIONAL LIMITED

# "Kalpataru Projects International Limited

# Q1 FY27 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day, and welcome to Kalpataru Projects International's Q1 FY27 Earnings Call. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kishan Mundhra. Thank you, and over to you, sir.

**Kishan Mundhra:** Thanks, Atharva. Good evening, everyone, and a warm welcome to the Q1 FY27 Earnings Call of Kalpataru Projects International Limited. To discuss these results, we have the management today, which is being represented by Mr. Manish Mohnot, who is the Managing Director and CEO; Mr. S.K. Tripathi, who is the Deputy Managing Director; Mr. Sanjay Dalmia, the Executive Director; Mr. Amit Uplenchwar, Group Strategy; and Mr. Ram Patodia, President, Finance and the CFO.

With that, I'll hand over the floor to Mr. Mohnot for his initial remarks, post which we will open the floor up for the Q&A session. With that, over to you, sir.

**Manish Mohnot:** Thank you, Kishan. Good evening, everyone, and thank you for joining us today for the KPIL Q1 FY27 Earnings Call. I hope you have all had the opportunity to review our financial results and investor presentation, which are available on the stock exchange and our website.

I'm pleased to share that we have delivered another strong set of results for the quarter ended 30th June '26. We registered robust performance across nearly all parameters, including order book, revenue within the constraints, profitability, margins and working capital, reflecting an excellent start to the financial year.

Before I delve into details of our Q1 performance, I want to reinforce a few key messages from the previous earnings calls. First, the underlying strength of our business remains solid. This is backed by a robust delivery track record, strong customer trust and steady demand across all o India and diversified markets.

Second, the investments we made in capability development over the last few years are translating into tangible results. This is evident in our improved competitive positioning as we continue to secure large complex bids aligned with our focus on improving profitability and margin profile.

Third and the most important, we remain deeply committed to disciplined growth and strict capital management. Our balance sheet highlights excellent financial health, anchored by disciplined working capital, a best-in-class leverage ratio and improved return ratios.

This is further validated by our recent credit rating upgrade to AA+ Stable, positioning us among an elite group of large-scale EPC players and giving us strong confidence in our strategy to invest in growth and scale.

Moving on to the details of our financial results. KPIL maintained its growth momentum, delivering record first quarter revenue, EBITDA and profitability. Our standalone revenue increased by 9% Y-o-Y to INR 5,482 crores, while consol revenue reached INR 6,408 crores. On a comparable basis, adjusted for the base effect of our Brazilian business and Road SPVs, KPIL's consol revenue increased by 9% Y-o-Y in Q1 'FY27.

Our profitability growth continues to outpace our targeted levels. Our consol EBITDA grew 7% Y-o-Y to INR 562 crores. PBT rose 45% to INR 420 crores and PAT increased 46% to INR 312 crores. At a standalone level, EBITDA rose 14% Y-o-Y, while both PBT and PAT grew by 32%. Importantly, our consol EBITDA margin expanded by 30 basis points to reach 8.8% and the PBT margin rose 190 basis points Y-o-Y to 6.6%.

On a standalone basis, the EBITDA margin reached almost 9%, and the PBT margin was up by 120 basis points to reach 6.6%. This expansion reflects strong operating leverage and improved business mix and disciplined working capital management.

It is important to note that we achieved this robust revenue growth and margin improvement despite early quarter labor shortages due to state elections, slower receivables in the water business and global supply chain constraints stemming from ongoing disruptions in the Middle East. This performance clearly highlights the resilience of our business and strengthens the foundation for sustainable growth in the coming quarters.

Turning to our balance sheet. Our consol net debt-to-equity ratio stands at 0.1x and ROCE remains within our targeted range of 21% to 22%. Standalone and consolidated net debt remained stable Q-o-Q at INR 752 crores and INR 917 crores, respectively. We maintained this stability despite higher execution, capital expenditure exceeding INR 250 crores in the first 3 months and increased capital employed in the water business.

Regarding working capital, our net working capital days declined by 12 days Y-o-Y to 94 days for the standalone and decreased by 11 days Y-o-Y to 80 days on a consol basis in Q1 FY27. Moving to our order book. Our ongoing momentum continues to anchor our confidence, providing strong revenue visibility and reaffirming customer trust in our capabilities.

We closed the quarter with our highest ever order book of INR 66,607 crores. This was supported by robust year-to-date order inflow of INR 7,668 crores in FY27 with an additional L1 position in projects worth INR 7,300 crores.

Equally encouraging is the growth across our key business segments. Starting from T&D business, excluding the Fasttel business, revenue like-for-like grew nearly 10% Y-o-Y. YTD in FY27, we have secured orders exceeding INR 4,100 crores and hold an L1 and favorable position in contracts valued at over INR 5,000 crores.

These are expanding our market presence by onboarding new clients and strengthening our footprint in high-growth HVDC and GIS substation segment. Globally, the T&D market continues to offer a massive structurally attractive growth runway across all our target markets.

In India specifically, we expect a notable ramp-up in transmission and substation capacity to meet rising electricity demand and support the evacuation of renewable energy. The annual addressable market is expected to remain within the range of INR 1 trillion to INR 1.25 trillion for at least next 5 years, including incremental opportunities of 1 to 2 HVDC projects every year.

On the international front, the lack of grid capacity is emerging as a critical bottleneck for rising electricity demand across our key markets in Europe, Middle East and parts of South America. With our differentiated global EPC capabilities and strong international reach, we are uniquely positioned to capitalize on these opportunities.

Meanwhile, LMG Sweden delivered 8% Y-o-Y revenue growth, reaching INR 833 crores. LMG has secured orders worth approximately INR 1,500 crores year-to-date in FY27, bringing its total order backlog to around INR 4,200 crores as of June 30, 2026.

Our Buildings & Factories business maintained its upward trajectory, recording a 15% Y-o-Y revenue increase in Q1 FY27. We secured record orders worth over INR 2,800 crores till-date in FY27. Additionally, we hold an L1 position for around INR 2,200 crores in this business. Our order book for the Buildings & Factories business at the end of 30th June '26 stands over INR 19,600 crores.

We continue to see steady traction in large-scale residential projects from reputed developers backed by our design-build capabilities and strong delivery track record. Additionally, the pipeline remains strong, powered by a wave of public PSU and private industrial capex. This is further supported by improved demand for commercial office space, data centers, airport and large-scale urban development projects.

In our Oil & Gas business, execution on our Saudi gas pipeline project is progressing steadily with site activities moving at a strong pace. Despite the ongoing conflicts in Middle East, major utilities and asset developers remain optimistic and eager to advance their investment plans. We see strong business momentum building up in Middle East on the Oil & Gas business, offering multi-fold growth opportunities across onshore engineering and construction projects over the next few years.

Our water business achieved revenue of INR 626 crores, which is in line with our planned execution. Importantly, the business achieved a major breakthrough by securing its first order in the high potential Middle East market for a water treatment project valued at INR 344 crores. Our collections in the water business remain on an improved trajectory with around INR 650 crores collected year-to-date, including July in FY27. We expect further improvements in collection intensity in the coming months.

Growth in our Urban Infra business is driven by robust execution across metro rail projects with all our TBMs remaining fully utilized. I'm pleased to share that we have nearly completed the tunneling work for our first underground metro project in Kanpur, demonstrating our steadfast commitment to execution and timely project completion.

Moving forward, we continue to selectively target strategic opportunities into metro rail, tunneling, pump storage, nuclear power and the international roads and highway segment. In our Railways business, our approach remains strictly focused on delivery and project closures while we remain selective with bidding for new orders.

To wrap up, I will quickly update you on our guidance for FY27. In the first 4 months of the year, our project delivery remained resilient despite the Middle East conflict and initial labor availability constraints. The prospects for our diversified end markets remain strong, further reinforced by the increasing need for energy security infrastructure development and industrial growth.

This has led to a meaningful acceleration in order intake, keeping us well on track to reach our targeted goal of INR 30,000 crores of order inflow for the current year. Specifically regarding revenue, we confirm our guidance of at least 15% growth on an annualized basis and our original guidance for a PBT margin improvement of over 75 basis points remains unchanged.

Our operating cash flow remains healthy due to structural improvements in our order book and business mix. This gives us the confidence to maintain our current positive trend in working capital, debt metrics and return ratios as we move forward in this financial year.

Thank you for your attention. We are now happy to take your questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Vaibhav Shah from JM Financial.

**Vaibhav Shah:** Yes. Sir, firstly, on the Oil & Gas business, earlier, we had mentioned that we are looking for larger value orders in Saudi, similar to Aramco, maybe size could be smaller. But any update on that? And what inflows are we targeting in Oil & Gas business?

**Manish Mohnot:** So Vaibhav, as we said earlier, we are now qualified in oil and gas in the large utilities in Middle East, whether it is Saudi Aramco, ADNOC, Kuwait or Qatar. We have bid for a lot of tenders in these spaces and some very big ones. A lot of the entire tenders in terms of orders have been delayed as of now. We're very confident of making sure that we win a few large projects in the current year, might not happen maybe immediately in the next few months.

But as we stand, we believe that there's a huge opportunity of having orders whether from Aramco or ADNOC or Qatar or Kuwait, all in the next 3 to 6 months. We have included that in our targeted INR 30,000 crores of order inflows for the current year. And we believe that it should be in place in Q3, if not late part of Q2.

**Vaibhav Shah:** Okay. And sir, can you tell the quantum of the bids which you have submitted?

**Manish Mohnot:** So Vaibhav the bids are wide-ranging from 100 million dollars ($) to 500 million dollars ($), right? It's at different levels. Difficult for me to quantify exactly which one is something which the client would award to us, but they're ranging from 100 million dollars ($) to 500 million dollars ($).

**Vaibhav Shah:** Okay. Sure. Sir, secondly, on Indore side, so the receivables have been completely received now in Q1?

**Manish Mohnot:** Yes, I think Indore, we are completely at zero now.

**Vaibhav Shah:** Okay. Any money would be infusing now incrementally, as in SSL or somewhere else?

**Manish Mohnot:** No, not at all. I think SSL was cash positive. They have literally become debt-free as of 30th July. And Indore the project has closed. So I don't see any reason of any infusion happening in Indore or Shubham not in the near future ,and in the long term also.

**Vaibhav Shah:** Okay. And sir, lastly, on the interest cost side, we have seen a sizable improvement in terms of interest cost in the first quarter. So incrementally, that would be a sustainable run rate?

**Manish Mohnot:** Sorry, incrementally -- what was your question? I missed that -- Incrementally?

**Vaibhav Shah:** The interest cost run rate around INR 67 crores to INR 68 crores in Q1. Incrementally, that could be a sustainable run rate or we may see a rise in interest cost?

**Manish Mohnot:** So, we should be in this range. Depending upon growth, if working capital slightly goes up, and to that extent, you'll see some increased cost. But as a percentage of sales, we should be in a similar range where we are today.

**Vaibhav Shah:** Okay. So roughly, we will be targeting a sub 100 days kind of working capital for FY27?

**Manish Mohnot:** Yes, definitely.

**Moderator:** We will take the next question from the line of Amit Anwani from PL Capital.

**Amit Anwani:** Congrats for the good set of numbers. So first question on the margin. You said you've been maintaining the guidance of 75 bps improvement on PBT level. Just wanted to understand, particularly to Q1, the operating margin of 8.9%, which segments contributed better margin? I understand by seeing the numbers that there was a favorable mix also this quarter. So that is one. Second, in your 75 bps PBT improvement, are you factoring in and by what segments you're factoring in the improvement in, especially the EBITDA margin for remainder of the year?

**Manish Mohnot:** Yes. Amit, as I said earlier also, our Transmission business, our B&F business and our Oil & Gas business, all 3 of them continue to be delivering EBITDA closer to double-digit levels and PBT, which are also good. If you look at water and railways, while water at EBITDA level has delivered reasonably good margins, but because of interest costs, they're getting hit at a PBT level.

Railways is not doing such good in margins and Urban Infra -- so 3 businesses are more at a double-digit level and 3 businesses are at a high single-digit level when it comes to EBITDA. As far as the 75 basis point improvement is there, I think it's a mix of the entire order book, but significant improvement in margins would come from the same 3 businesses, T&D, B&F and Oil & Gas.

**Amit Anwani:** Understood. So second on you highlighted about the orders coming in from Aramco, ADNOC and from geographies of Qatar, Kuwait. So when you are building in the inflows, can we expect a proportionate increase or the disproportionate increase from these geographies in your inflows in the coming years, I would say? And second, is it only T&D or some other segments in these geographies?

**Manish Mohnot:** So, Amit, as far as the Middle East opportunities are concerned, I think we continue to be bullish on both Oil & Gas and T&D. We are present in both these segments as far as Middle East is concerned. We do believe or we are seeing a lot of traction on tenders coming up on both these segments in these geographies. And we do believe that we are very well positioned to win some projects in the next 3 to 6 months.

Would this be disproportionate? It depends on what values of orders we win. But in totality, I think they would given our size and scale, they would still be of a reasonable size to make sure that there's good visibility going forward.

**Amit Anwani:** Understood. Sir lastly, on the update on the IPO of LMG, any progress there?

**Manish Mohnot:** So Amit, we have appointed advisers to look at various options of fundraising at LMG. As of today, we are not in a position to give you any further update on that. But we have appointed advisers as earlier informed to all of you last year to look at -- to explore various options of fundraising at LMG. And at an appropriate stage, we would be able to give an update to all of you.

**Moderator:** The next question comes from the line of Bharat Sheth from Quest Investment Managers Private Limited.

**Bharat Sheth:** Congratulations Manish ji and team. Sir, my question is related first is on T&D. So apart from Middle East and India, which are other geographies that you think that the next 2 to 3 years could be a growth driver for our company?

**Manish Mohnot:** Bharat bhai, I think from our perspective, even when you look at our numbers today on the international front, you see that our larger exposure is in Latin America, which is the entire Chile, Guyana, that market, excluding Brazil. So if you ask me today, I think we stay bullish in all 3 markets.

One is LatAm, excluding Brazil. Second is Europe, driven by Linjemontage and the neighboring countries. Third is Middle East. And today, for us, our LatAm exposure, excluding Brazil, is much higher than Middle East and Europe. So per se today, we stay bullish in all these markets. And in the last 3 months, we've become slightly more bullish on the Middle East opportunities because we see a lot of developments happening there. So it's all across the globe, if you ask me.

**Bharat Sheth:** Okay. And for other business, like say, Oil & Gas apart from Middle East, this time, I think we have also seen some order in domestic market. Is that correct understanding?

**Manish Mohnot:** No, I don't think we have secured any order in the domestic market in Oil & Gas. Yes, we've got a small project, not something big, which is a small project what we are doing earlier. Not very big one, around INR 100 odd crores. But as far as Oil & Gas is concerned, I think our focus significantly continues to be on the Middle East market.

And at least from a 1- to 2-year perspective, I think that's our biggest opportunity, which we want to focus on. Given that last 3 years, we have delivered on one of the largest Saudi Aramco projects, we started from zero, and we have reached a scale where we have delivered on some of the large projects. So our focus continues to be Middle East, at least on Oil & Gas for the next couple of years, if not beyond that also.

**Bharat Sheth:** Sorry, I missed one. I mean, earlier, we were very strong in Africa also. So any color on that market? Or do you think that this is still, I mean, a few years away?

**Manish Mohnot:** Well, I think we have a lot of tenders coming from Africa. So it's not that we are not bullish on that. But if you ask me in terms of our priority markets, number 1, 2, 3, 4, Africa is number 4, right? It continues to be LatAm, followed by Middle East, followed by Europe and then Africa. Also for reasons that Africa now is seeing a lot of competition, whether Indian competition or even Chinese competition. So at times, it's difficult to really compete and have projects with our margin standards, which we have. So but are we bullish? Yes. In my ranking, it would be number 4.

**Bharat Sheth:** Okay. So apart from T&D now second is the Buildings and Factories. So how do we see and how the whole landscape is changing? Are we seeing any kind of a change in landscape factory side or building side still, I mean, it is -are we still bullish.

**Manish Mohnot:** So Bharat bhai, as I said earlier, on the Building & Factories side, we are seeing a lot of developments coming on industrial capex, primarily from PSUs and select private players. So PSUs, we have seen a lot of tenders come, whether it is the tenders from NMDC, NALCOs and all of them and for which we're qualified.

So where we stand today, while residential and commercial continues to be very, very attractive, at least with the large developers where we are doing a lot of work. But besides that, given our expertise in doing data centers, given that we have done 2 airports now, given that we have done some very large industrial plants, we continue to be very positive on those opportunities also, and we're seeing good traction as compared to what we saw in the previous year.

**Bharat Sheth:** Sir, any color on Buildings & Factories side EBITDA margin differential between residential and the industrial side?

**Manish Mohnot:** No, I think, Bharat bhai, there's not a significant differential in terms of residential versus industrial at the EBITDA level at least. They are typically double-digit margins more in the range of 10% to 12%. Project to project, sometimes it might change depending upon the size of the project, the client and all of that. But on average, I think all this the entire order book continues to be in the range of 10% to 12% EBITDA only.

**Bharat Sheth:** Okay. Great. And any capability-wise also, do we have to build further in industrial side or we have all kind of a capability we have developed?

**Manish Mohnot:** So, Bharat bhai this is a continuous exercise, right? There's nothing which says that we have built everything. It's a continuous exercise. We started from zero. Now we are qualified for large-scale projects, maybe not very big scale project like some of our large competitors. But we are moving in that direction. So every project we take, we move towards this direction of qualifying for a higher value, and that's been the journey.

**Bharat Sheth:** And any update would you like to give on Urban Infra? And the last question would be on backward integration that we were evaluating.

**Manish Mohnot:** No. So Urban Infra, Bharat bhai, we as I said earlier, we have a reasonably good order book today. We restarted this journey 4 years ago. Now we have 6 TBMs. We have now nearly completed 1 underground project already. All the TBMs are deployed on 2 new projects, which we got in the last year. We are not seeing many tenders in Urban Infra in the last few months, but we believe should come up sooner than later.

As far as our own business is concerned, we see good double-digit growth in Urban Infra in the current year. And going forward, we will keep on exploring opportunities in the underground metro as well as overhead metro in India and also explore opportunities overseas. Maybe not immediately, but going forward, that's also something which would be on our radar.

**Bharat Sheth:** Okay. And sir, capex side and backward integration that we are looking for.

**Manish Mohnot:** So on capex side, I think we have targeted a capex of closer to INR 800 crores in the current year, and I think we should be on track to do that, if not slightly more than that. As far as backward integration is concerned, we have just declared today that we would be setting up a rolling mill in Raipur along with our plant. We are continuously exploring backward integration on various other products within the value chain where we exist today. One of them we have declared, but we are continuously exploring some. And as soon as we have clarity, we'll declare further.

**Moderator:** The next question comes from the line of Parikshit Kandpal from HDFC Securities.

**Parikshit Kandpal:** Congratulations on a great quarter in a highly restrictive geopolitical uncertainty. So first question is, now we have given order inflow guidance of INR 30,000 crores, which we have maintained. And this year maybe we'll touch INR 27,000 crores INR28,000 crores on revenues. So which is a very big base to grow from here on. So how are you looking over the next 2, 3 years to grow at least 15% from here? So what capabilities, what pipelines, what markets are you looking to add to continue to keep growing at 15% given that our balance sheet is on a very strong level, so hardly you have any debt. Technically maybe in a year's time, you'll be debt free. So how does one model growth from here on?

**Manish Mohnot:** So Parikshit, 3 or 4 aspects going beyond the current year to look at growth, and we started working on all of them. The first aspect is taking a few of our businesses international, which have delivered extremely well in the country over the last one decade, right? So whether it is Water, whether it is Urban Infra, whether it is larger projects in Oil & Gas and whether it is TL itself getting to newer geographies.

So that's one thing which we are exploring continuously for the businesses, which could give us a much higher growth compared to what we are doing here. The second aspect, as I mentioned earlier, is to look at backward integration wherever we can, which will help us not only achieve higher growth, but also give us profit improvement if you do backward integration on our projects.

Third, within some specific areas, whether you look at B&F or you look at Urban Infra, right, from where we started to where we are today. We started from only being a residential, commercial. Today, we are qualified in data centers, airports, industrial, all of them. Now all of them together, the opportunity is huge, and we have nearly, we have never looked at it except for a few projects in the past.

So within the value chain where we exist, we are qualifying ourselves through our design expertise, through our execution expertise, through capex to make sure that we can target bigger sized projects. Our average sized project today is more than INR 500 crores, and we are wanting to see how we can further increase that. So enhancing value chain within our offerings, looking at international markets and backward integration, it's a combination of all 3, by which we believe that growing at, at least a 15% minimum should not be a challenge even for the next few years.

Besides this, our international subsidiaries, Sweden Linjemontage has been on a good growth journey. Last 3 years, they've done very well. Although current year, we do not see them doing extremely good, but they should also be in good shape to look at further growth opportunities going forward. So combination of all of this and with great opportunity in the market today, right? All the segments where we are today, whether it's T&D, look at the numbers, including today's newspaper, you would have seen some further capex additions being planned, B&F across the segments, Oil & Gas, Middle East.

With all of this, we believe that we're getting well positioned to look at larger projects, complex projects, margin-accretive projects and growth should not be a challenge at least for the next couple of years. Even where we sit today, if you look at it, we have closer to 2.5 year visibility on order book, right, including L1. So where we are today, plus visibility, I see that it's going to be a mix of all of this to make sure that we achieve what we have targeted.

**Parikshit Kandpal:** Other question is that we are already -- including L1, we have INR 15,000 crores financial year-to-date. So does it make a case for the rest of the year to increase your order inflow guidance? And secondly, on the Middle Eastern clients like ADNOC, Aramco; so beyond the pipeline projects, so in terms of capability upgradation, so what are we looking at? What kind of further mining can we do with them in terms of new order wins and new capabilities being developed to win new tenders?

**Manish Mohnot:** So Parikshit, yes, we might have a revision, upward revision, but we'll have to come back to you at the end of Q2 because there are a lot of delays happening in some parts of the world in placing orders. We also believe as an organization that given that we have INR15,000 crores already in our hand, we might be able to do better than this. But you have to give us some more time, maybe end of Q2 by which we might be able to revisit our guidance.

As far as capabilities in Oil & Gas is concerned, we continue to keep on further building on process plants, on stations which we are doing, on high-end projects, on pipeline projects, all of that, and we're expanding through capex investment also.

Right now, we are not exploring offshore in any form, but onshore, everything from plants to process lines to pipelines is what we are looking at. We've already built a strong team on it, and we already have the credibility. So it's only a matter of bidding for the right projects, winning it and then focus on delivery.

**Parikshit Kandpal:** Anything on the hydrocarbon side, hydrocarbon, new energies? So anything there that you can do?

**Manish Mohnot:** So we have created a small team which is looking at those opportunities. We had also recently bid for some projects for power grid from something on BESS. We were not successful in that. But yes, the exploration part has started. But do we have that clarity where which we can say that we will do this much in the current year is going to be difficult?

Yes, but we've created a team which has started exploring BESS as well as hydrocarbon projects, but it's just the beginning. So give us some more time before we come back to you with a clear picture on this.

**Parikshit Kandpal:** Okay. And one last question on KEPL. So I assume NHAI as got some reprieve from the court. So if you can help us understand like what -- to the context and what was the expectation on awards we could have realized and now the scenario changes? And what kind of worst hit can be possible -- could be there on the cash flows, if at all, everything been provided in your P&L…

**Manish Mohnot:** Yes. So, Parikshit, as far as KEPL is concerned, on our books, the carrying value of equity is 0. The entire amount is already provided. We provided it 3 years ago when we surrendered the asset. This was an arbitration award which we had won. The award has not been fully set aside. It's been set aside on some technical parameters to revisit the baseline assumptions on whatever claims was done.

So there were some technical issues on seeing that whether the cost should be considered A, B, C, right? So that's something which has been -- which the High Court has said to be revisited. So whatever the award comes, it is only positive for us. There's no negativity in any form. So we're just going to go back to the drawing board and make sure that the process starts again and decide that what is the technical, what is the right mechanism to calculate what award should come to us.

So we would be going under Section 37 against that award. And sooner than later, we would work on that. From a cash flow as well as P&L perspective, there's no negative. It will only be positive as and when it comes.

We have not considered this award in any form in our balance sheet or P&L in any form today, because our accounting policy is clear only once the award finally comes and it is not contested is when we take it. So I would not like to quantify the numbers because the numbers are relatively huge. I can only say that whatever comes to us is only going to be positive and not negative.

**Parikshit Kandpal:** But will it take care of the debt your share, because there was a partner. So what is the outstanding debt here? And once you realize whatever in the worst case also, if court verdict is right, it continues. So will it be able to cover up your debt and whether post that you have some cash flows there?

**Manish Mohnot:** So, Parikshit, technically, we have zero debt on this project today. This project has been taken over by NHAI. We have handed it over to them 4 years ago. And as per the concession agreement, the entire debt is now to be managed by NHAI. So technically, we have zero debt on this project. Yes, there is a contest going on between NHAI and us in terms of the calculation of debt. But even in the worst-case scenario, we would not have any impact of debt coming on our books.

**Moderator:** The next question comes from the line of Anuj Upadhyay from Investec.

**Anuj Upadhyay:** Just want to get a sense on how exactly we are dealing on the margin side. In the previous call also, you have mentioned that 50% of our order book are exposed -- are variable in nature. And within that, there are certain commodities which have been hedged, but steel and diesel is something -- the escalation of which can have an impact. So just want to get a sense on those costs, how exactly they are scaling up? And what impact could that have over the near-term margin, say, by Q2 and Q3 kind of a level.

**Manish Mohnot:** So, Anuj, as I said earlier also, right, on our variable projects or on our fixed projects because the impact comes more on the fixed price projects, the impact is only on, let's say, diesel and steel, and I continue to be saying that. If you look at the steel prices last 3 months, there's hardly been any movement. Actually, the movement has been more positive than negative for us.

So -- and that's something which I've been saying historically also, if it moves within a band of plus/minus 5%, 10%, we can manage through contingencies and reserves, which we always have at a project level. So today, where we are, there's some impact happening on diesel prices. There's some impact happening on aggregate prices in some parts of the country. But is it big enough to have impact on the larger balance sheet? The answer is no.

We still continue to be guided on this 75 basis point increase, which we have promised for the current year. Quarter 1 has been much better than that. And so I believe on an annualized basis, we should be in that range even with -- even a 5%, 10% movement in prices from where we are today.

**Anuj Upadhyay:** Got it, sir. And can you throw some light on the domestic opportunity on the transmission space? We hear, as you mentioned today also, there was around INR50,000 kind of an opportunity which has been discussed. But any near-term big opportunity which is coming, especially on the HVDC side?

**Manish Mohnot:** So we've said this in the past also, the opportunity in terms of tendering looks very, very attractive when it comes to domestic TLD, whether it is HVDC, whether it is renewable integration, whether it is GIS substations, all of that. We believe that this opportunity in terms of an annualized basis is more in the range of INR1 lakh to INR1.5 lakh crores on an annualized basis for the next 5 years.

We continue to stay very bullish. There are limited players in the market on the EPC side who can deliver such high-value projects, and we are one among them. So, we continue to stay bullish. Current year also, we have got some good traction on it. So my view is a INR1 lakh crores plus order release on an annualized basis for the next 5 years should not be a challenge on domestic T&D in any form.

**Anuj Upadhyay:** Got it, sir. And sir, for this quarter specifically, we see the Brazil revenue has fallen steeply. Any reason for that, sir?

**Manish Mohnot:** I think it's zero now, right? We have nearly written off the entire invested amount in Brazil subsidiary. Since all our projects are zero, so it's closer to zero now.

**Moderator:** The next question comes from the line of Bhavin Modi from Anand Rathi.

**Bhavin Modi:** Sir I would just like to know, what is the margin differential between the overseas order and the domestic order? I believe the overseas orders must be fetching good margin. So any color on that?

**Manish Mohnot:** Bhavin, there isn't a specific rule on a margin differentiator. Typically, overseas orders have a higher margin because they carry a higher risk, but it's all again linked to a particular client, a particular kind of order and a delivery time frame. So there isn't a kind of a rule. So even my international TL business does EBITDA more in the range of 10% to 12% also, which is what B&F also does.

But it is very different when the competition is high versus when competition is low, when it is Latin America versus Middle East versus Africa. As I said earlier, it's typically higher than domestic, but the risks are also higher. And to that extent, you need that expertise to make sure that you deliver within that budgeted cost.

**Bhavin Modi:** Understood, sir. Sir, second thing, are we open to government orders in terms of B&F, for example, Central Vista projects. So are we open to that?

**Manish Mohnot:** Yes, definitely. If there are good projects where we qualify, we would be more than happy to look at them.

**Bhavin Modi:** Okay. So we are okay with having a government client, especially on the B&F side?

**Manish Mohnot:** No, no. I think we've never said that we will not have a government client. We'll be more than happy.

**Bhavin Modi:** And third, sir, with respect to the Urban Infra, so apart from the elevated underground metro, are we also open for the projects like coastal road projects or the elevated road projects?

**Manish Mohnot:** So Urban Infra, our road project portfolio is very, very minimal at a domestic level, and it's not one of our focus areas. If it's a project with tunnels or with high-end expertise on engineering is where we might be focused. But if it is a plain vanilla road project or something like that, we might not be very excited with that.

**Moderator:** The next question comes from the line of Arafat from Dolat Capital.

**Arafat:** Congrats on a great set of numbers in a tough environment. Sir my question is this, if you look at several EPC players posted lower margin in the quarter, impacted by commodity inflation, labor shortage and Hormuz and all the logistic issue. But still despite that, you guys maintained in fact the 40 bps higher margin. So what's difference we had in the total higher margin, you would say?

**Manish Mohnot:** Arafat, I would not like to deep dive into the numbers of some other companies. I can only say that what have we built is all about a diversified order book, is of a large-scale order book, is about resilience in a lot of projects so that if something does not deliver something else will deliver, it is about having a robust plant operations which helps us on transmission projects and is about deep dive planning, which helps us to make sure that even with external factors, we can still deliver closer to what we have budgeted.

Additionally with that, our working capital focused approach where working capital is very, very critical, helps us to make sure that delivery is the big driver. So to us, it's a mix of all of that, along with a capex-driven approach on growth. If you see last 4 years, we have done closer to INR 2,500 crores, INR 3,000 crores of capex, right, which is a very big number, which helps us to deliver on the projects.

So it's a mix of all of that, which helps us achieve what we have done. Clearly, we also had a lot of challenges in the Q1, including labor. It was a challenge for the entire industry. But when domestic did not deliver international delivered, when one market did not, something else delivered, and that helped us achieve a balanced growth for the organization as a whole.

**Arafat:** Got it, sir. And secondly, sir, any non-core asset are you looking to sell off in the near term?

**Manish Mohnot:** I don't think we have much non-core asset left. We have 1 road asset, which has a life of closer to 2 years, so it would automatically be handed over. And we have Shubham Logistics, where we are reducing debt continuously by selling off their own assets. So my view is, maybe in the near future, nothing except that debt reduction in Shubham Logistics will continue over the next few years also.

**Arafat:** Got it. And then especially for Shubham Logistics, I just want to understand overall ecosystem, when you bought that, what amount you invested in, how much is, let's say, are you looking to sell? Are you making a profit on that or total the investment in the system.

**Manish Mohnot:** So Arafat, I don't have those details with me. I'll be happy if you can connect with Kunal. I can only tell you that today, Shubham Logistics is closer to zero in external debt. They have repaid all banks as of 31st July. As far as Kalpataru is concerned, our investment, including equity and loan together would be in the range of INR 300 plus crores, INR 332 crores, they have just corrected me.

The business is doing reasonably well. They are in a profitable zone today. And I believe that we're not investing any further capital in it. And slowly this investment while it should only come down because we have a lot of assets in that business, which we are slowly disposing of.

**Arafat:** Got it, sir. And lastly, sir, what kind of opportunity are you looking in for data center? And what's the project pipeline in that? How is the competition in the overall data center opportunity for you?

**Manish Mohnot:** So, Arafat, in the data center side, we are today qualified for civil as well as MEP. We have already done 2 data centers, and we are doing the third one right now while we speak. We're seeing a lot of tenders which have come up both by domestic developers as well as some international developers in India. We are bidding for it. My view is that there's a reasonably good opportunity available there. And in the next 6 to 9 months, we should be able to take at least a few projects in that space.

**Moderator:** The next question comes from the line of Jainam Jain from DAM Capital.

**Jainam Jain:** Sir, given that we have received the first order in Water segment in Middle East, what sort of opportunities does it opens for us in the Middle East market?

**Manish Mohnot:** So Jainam, on the Middle East side, in the Water segment, now we have qualified with some of the large developers in those geographies where we exist. This is the first project which we have won with a large Middle East developer. There are some more projects coming on everything on, let's say, plants, on pipelines, on a mix of all of that, including water treatment plants.

We are bidding for that. And our view is that this is a great opportunity from a 2 to 3year perspective, and we'll be slowly and steadily building that order book so that we can focus on building delivery capabilities along with the order book.

**Jainam Jain:** Okay, sir. Sir, are you looking for desalination projects in Middle East?

**Manish Mohnot:** Yes, we're looking at desalination projects also in Middle East, and we are qualified for a lot of them already.

**Jainam Jain:** Okay. And how are the margins panning out over there in terms of Water segment over there?

**Manish Mohnot:** I think we just started this journey. And obviously, when you start this journey, the margins are not the best for any business. Just started the journey, they're still with positive margins, not necessarily the same levels at which T&D and B&F and Oil & Gas are. But I believe that given that there are limited players only in that segment in that size and scale, we should be able to get good margins in the long term.

**Jainam Jain:** Okay. So generally, we subcontract the projects whichever we do on in the international markets. Is that a good understanding?

**Manish Mohnot:** No, I don't think we ever subcontract the entire project. There's smaller components of the project within -sometimes on civil, sometimes on, let's say, fabrication, sometimes on erection, all of that we subcontract, but project as a whole, we never subcontract.

**Jainam Jain:** Okay. And sir, on the Water side, on the domestic front, how are we seeing the opportunities panning out?

**Manish Mohnot:** So on the domestic front, on the Water side, as I said in my call, we've seen good traction of collections, not necessarily what we wanted to. Even today, if you look at our billed and unbilled, it's more in the range of INR 1,500 plus crores on the Water side for work which is done, which is pending. But it's much better than what it was in the previous year.

So we expect a lot of collections to improve. We expand business if it's visible in the finance budget, it's visible in all the action of the government. As far as tenders on the domestic side are concerned, we are, as of now, not bidding for any major tenders. We're not seeing major tenders also. But as and when once our dues are cleared and the tender opportunities come up, we'll definitely look at that also.

I'm not so confident that you'll have a lot of tenders in the current year, but I believe going forward in the next year, you should start seeing tenders on the domestic water front also.

**Jainam Jain:** And sir, other than the Jal Jeevan Mission on the water front, are we seeing any desalination projects in India itself on which we are looking to bid for?

**Manish Mohnot:** As I said earlier, in the Indian market today, we are not bidding for any project at least from the 6 to 9 month perspective, which is still our collections come back.

**Jainam Jain:** Okay, sir. Sir, what is the pending order book in Jal Jeevan Mission?

**Manish Mohnot:** Jal Jeevan in INR 4,000 crores, closer to INR4,000 crores, out of which significant portion should get delivered in the current year itself.

**Jainam Jain:** Okay. And the outstanding receivables?

**Manish Mohnot:** Billed plus unbilled more in the range of INR 1,500 crores.

**Jainam Jain:** INR1,500 crores. Okay sir. Do we have the state-wise bifurcation for the...

**Manish Mohnot:** No, I don't have that with me right now. You can collect the details from Kunal later on.

**Moderator:** We'll take that as the last question. And I would now like to hand the conference over to management for closing comments. Thank you, and over to you.

**Manish Mohnot:** Thank you, everyone. Thank you for attending the call.

**Moderator:** Thank you. On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.