



# KEC International Limited Q1 FY20 Results Conference Call

**August 07, 2019**



**MANAGEMENT: MR. VIMAL KEJRIWAL - MANAGING DIRECTOR &  
CEO  
MR. RAJEEV AGGARWAL - CFO**

**Moderator:**

Good day, Ladies and Gentlemen and welcome to the Q1 FY20 Results Conference Call of KEC International Limited. We have with us today from the management, Mr. Vimal Kejriwal – Managing Director and CEO and Mr. Rajeev Aggarwal – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vimal Kejriwal. Thank you and over to you, sir.

**Vimal Kejriwal:**

Thank you. Good evening to all of you. I welcome you all to the Q1 Earnings Call of KEC. They key highlights of this quarter are:

We have achieved a revenue year-on-year revenue growth of 15% backed by a strong year-on-year growth of 25% in the T&D revenues. EBITDA has shown a similar growth of 16% for this quarter with EBITDA margin stable at 10.4% or PBT and PAT margin stand at stand at 5.7% and 3.7%. PBT and PAT have not grown in the same ratio as EBITDA growth. One is there has been an impact of the lease accounting policy whereby some costs have been shifted between the EBITDA and depreciation and interest so that has impacted the number somewhere.

There has been a prepayment premium on one of our high cost loans which you have paid and there has been lower other income as compared to the corresponding quarter of the previous year thereby impacting the PBT growth. Order inflows of Rs. 1,115 crores announced today comprises of a fair mix of orders from transmission distributors cables and civil with a current L1 position of over 3,500 crores majorly in T&D, railways and civil. We do expect the second half to be robust in terms of the domestic order inflow. Our order book as on 30<sup>th</sup> June, 2019 stands now at 19,016 crores which is a year-on-year growth of 5%.

Coming to the business details:

FY20 has commenced with a strong growth in the overall T&D revenues of 25% both domestic as well as international T&D have demonstrated a robust execution this quarter despite some challenges due to elections in India. A revenue growth in international market is expected to continue during the year. SAU, Quarter 1 revenues include revenue from execution of one EPC project resulting in a YoY revenue growth 13% for SAU. Execution of the other two EPC projects in Brazil have also commenced during the current quarter. Non-T&D revenues contributed upwards of 35% of the overall revenues majorly backed by the railway revenue growth. Railway has achieved revenues of 500 crores plus during this quarter a YoY growth of 67% with a large order book of close to Rs. 5000 crores. Railway business is focusing on new segments such as RRTS, ROBs in addition to the conventional railways.

Civil business revenue then order intake has slowed down a bit this quarter due to slowdown in industrial CAPEX, cautious approach in taking real estate projects and shortage of manpower

due to elections. We have now started focusing on government projects including commercial biddings, metro elevated corridors, airport extensions, etc., where we are gaining traction. With this focus we expect to build a robust executing order book enabling us to achieve the desired scalar plans for the business. Though cables have achieved higher volumes its revenues have grown marginally as compared to the last quarter due to lower commodity prices. While the execution of our 150-megawatt solar project in India is on track, Indian markets remained muted in terms of solar business. We have made some inroads in the international market with L1 in one medium size multilateral funded solar EPC project.

Our borrowing as on 30<sup>th</sup> June are at 2,481 crores in line with the guidance given of average borrowing at 2500 crores and in line with a revenue growth. The execution ramp-up of the higher margin T&D business will enable us to achieve the 50% to 20% revenue growth with EBITDA margins expected to remain at the current levels. Thank you very much I am happy to take your questions now.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

**Bhalchandra Shinde:** Sir, regarding order book in railways we have seen relatively lower growth even on the order inflow side, any specific reason and we expect this full year to be especially in railway order book?

**Vimal Kejriwal:** So, I think the order book as I said has been a bit of a concern because from last March onwards or I will say as soon as the election announcements happened most of the tenders got cancelled or even if they were tendered, they were not opened. So, we are seeing most of them now being tendered and as I had earlier said also I think by Q2 end or Q3 we will start seeing a tenders being awarded, but I also mentioned that we are L1 in some 3,500 crores so I think some of them should get awarded hopefully in this quarter. Railways has been a little bit laggard this quarter most of the tenders have got postponed or not being awarded. We have a decent L1 in railways of more than 1,000 crores today and we do hope that some of them will get awarded pretty quickly.

**Bhalchandra Shinde:** And sir if you can guide on what kind of order inflows, we see for FY20 and order book for FY20 and even on the sales growth side if you can say?

**Vimal Kejriwal:** Sales growth I already mentioned that we have been talking about our 15% to 20% sales growth and I think we should have a similar growth in our order book. Last year we had an order intake of around 14,000 crores so we do expect that we should have around 15% to 20% growth so maybe 16,000, 17,000 I do not have an exact number but should be in that ballpark.

**Bhalchandra Shinde:** This is you are saying order inflow, right?

- Vimal Kejriwal:** Order inflows.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Sir as you mentioned that in the SAE business you have started seeing one of the portfolios as one of the EPC execution starting to kick in, on the margin front how would you comment in terms of the performance of the initial response from the EPC as our margins probably on expected line and are we seeing margin improvement coming through?
- Vimal Kejriwal:** See margins are I will say more or less on expected lines we would have loved to do a little bit better, but I think what happened was last year with a change in government in Brazil we have seen some cost increases happening on the transportation sector and there was a dam burst in Vale so there was some price increase on steel, etc., which we have not yet been able to pass on to the client otherwise I think we would have probably made more than what we have made, but I think we are happy with what we are doing right now.
- Renu Baid:** Margins in SAE should be close to 8.5%, 9%?
- Vimal Kejriwal:** I think somewhere around that range, but we would want to take them double digit and I think that by the end of the year we should be crossing a double digit in SAE because I think the volumes are going up and as I said that we right now we execute one project in Quarter 1 now other two have also started. So, all three projects are under execution so I think we should have some leverage also out of this additional income coming in.
- Renu Baid:** Second would be on the interest expenses they seem to be have been slightly tighter we understand the credit environment is equally tough, but with this kind of market as an un execution in place does your guidance stand pretty much intact of 2.7% of revenues?
- Vimal Kejriwal:** See interest cost Renu, we have couple of issues I will say this quarter one was as I said we are a onetime cost where we repaid a high cost interest overseas loan which was there on our books for sometimes that was one reason why we have this. Secondly, I think it is very clear that whatever RBI talks the transmission is still not happening. We are an AA minus which is still the best credit risk considered by mutual funds and others right now on CPs and other things. So, what is happening is that this quarter I think we had a bit of a problem on the marginal cost of borrowing where whatever was maturing, we were not able to actually place it at back at those rates in spite of the cuts in RBI. We are now slowly seeing something happening. I think what we have also done is that we have shifted a large amount of loans through foreign currencies you will start seeing that impact and which is the reason why you are seeing a FOREX loss instead of a FOREX gain in this quarter because we did not have too much money, too much dollars to sell. We have shifted our portfolios into creating more liabilities at a lower cost both in dollars and Euro. So, I think we do hope that we are able to maintain our 2.7% guidance on interest cost.

**Renu Baid:** And on the FOREX what was it on a YoY basis last year we had a FOREX gain and this time what was the FOREX loss versus last year?

**Vimal Kejriwal:** So, I think this quarter we had a loss of around 6 crores as against a gain of roughly around 20 crores in the last quarter corresponding quarter.

**Rajeev Aggarwal:** Renu I just want to explain that you know in this quarter if you compare the interest rate of the last quarter both the LIBOR front as well as on the rupee borrowing. Interest rate are close to 0.5% to 0.7% higher on a year-to-year basis. So, now the interest rate has started slightly going down probably but if you compare year-to-year basis the interest rates are higher in Q1.

**Renu Baid:** Sir my last question would be now that as in you have mentioned that we still to see meaningful traction in terms of large projects was in tendering, but based on your experience and the projects that we have in pipeline how is the broad execution momentum in the market both domestic and international and do you foresee any potential headwinds or probably one should see that momentum being broadly seeing at the aspiration the rest of the year?

**Vimal Kejriwal:** Renu I think we are confident that we should be able to do a 15% to 20% growth what we are talking about. The only headwind which we have seen is that right now we are L1 in quite a few tenders both in SEBs power grid and everywhere. We have still not seen the awards coming. So, if the awards are keep on getting further delayed then you know whether we will be closer to 15 or closer to 20 I do not know. We will definitely be between the two of them. The awards come early maybe we can go towards the higher band than the lower side of the band I think that is the only thing otherwise I do not see too much headwinds. We are seeing a similar you know like last year on the railway execution the railway with a stick after us to do more and more execution. So, I think railways will do well hopefully the Green Energy Corridors will get awarded in a two three weeks or four weeks or so work should start on that also because those have to be completed by December 2020 as per the present deadlines. So, if those get awarded then I think we can see some fast tracking also.

**Renu Baid:** So, broadly the business environment from your perspective at least on execution orders till has not worsen and remains pretty healthy and stable?

**Vimal Kejriwal:** Not on the execution order intake has been little bit concerning let us hope that it improves, but I think with our current order book and backlog L1 I think we are pretty happy with what we are seeing on the execution front.

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

**Ranjeet Shivram:** Sir this T&D growth has been heartening to see so if you can help us like how much of this was driven by domestic and what kind of growth we have seen in the overseas of this T&D execution?

**Vimal Kejriwal:** I do not have the exact number, but both of them are above 25% because SAE is at 13%. So, on an average we ended up with 25 on all three of them. I think international did slightly better than the India pieces also primarily driven by SARC and other pieces also. So, to me and if you look at our base also last year the international numbers was lower. So, I do not have the exact number, but international is slightly better than India but both of them are above 25.

**Ranjeet Shivram:** And also, this one-time prepayment if you can help us if you adjust for that what will be your interest cost for this quarter?

**Vimal Kejriwal:** 5 crores or so.

**Ranjeet Shivram:** And this acceptance has gone up compared to last year so what is your view on that?

**Vimal Kejriwal:** I think it is somewhere going back to what I said about the interest rates not going down, etc., so the issue is that either I do acceptances or I take bank credit and pay off my creditors or do something like that. So, it is one of the same things what we are now finding in today's market virtually the rate between let us say our working capital loan or an acceptance is similar. Normally the vendor life acceptances and all that because they are able to discount with their bankers faster and quicker and that is the way to operate. So, for us right now it is almost something which we are substituted by each other until and unless the CP market improves and where your marginal cost keeps on coming on you know Rajeev is able to borrow in foreign currency and change it. To me it is going to be remaining I think in the same manner.

**Ranjeet Shivram:** And this net working days if you can just give some color on how much is the debtors days and of that how much is still pending from Saudi?

**Vimal Kejriwal:** So, the net working days today is 120 and I think DSO if I have not mistaken it has gone up by three or four days as compared to last corresponding quarter. Saudi it has come down significantly in this quarter as well as also in July.

**Ranjeet Shivram:** So, how much will be the outstanding there?

**Vimal Kejriwal:** It is roughly about 704 is the total outstanding of which roughly about 350 crores would be retention money which is not due and even 350 crores payment is not yet due virtually.

**Rajeev Aggarwal:** Ranjeet whatever is due has been paid up. So, whatever retentions has not come is something which is not yet due. So, we do not have any outstanding or overdue in Saudi.

- Ranjeet Shivram:** And what will be our debtor days in the networking capital?
- Vimal Kejriwal:** Around 250.
- Ranjeet Shivram:** So, how has that moved is that increased?
- Vimal Kejriwal:** For three or four days it is increased.
- Ranjeet Shivram:** Sir lastly if you can you have given a very good order intake expectation of that if you can breakup like how much is from railway, how much is you are expecting from international T&D and how much from domestic T&D?
- Vimal Kejriwal:** We would not be able to give that breakup now.
- Moderator:** Thank you. The next question is from the line of Nitin Dharmawat from Aurum Capital. Please go ahead.
- Nitin Dharmawat:** Sir I wanted to know the consolidated debt as of this quarter and what was the number previous quarter?
- Vimal Kejriwal:** So, roughly it is about 2,200 crores net debt as of 30<sup>th</sup> of June this year it is almost close to about 500 crores lower than last year the same quarter. So, last year same quarter was close to about 2,700 crores.
- Nitin Dharmawat:** No last year I am talking about the March quarter?
- Vimal Kejriwal:** March quarter was actually not really comparable, but the actual number for the March quarter was close to about 1600 crores on a net borrowing basis.
- Nitin Dharmawat:** So, it has gone slightly up from March quarter so why it is not comparable just wanted to know that?
- Rajeev Aggarwal:** See one your volume growth is almost close to 15% to the March quarter we have received a significant amount of advances from the customer wherein we received orders in Bangladesh and other countries. So, those advances had reduced our debt level in the March quarter and subsequently we guided market at you know our normal borrowing level would be close to about 2,400, 2,500 crores considering that this year we are expecting a 15% to 20% growth in the volume.
- Vimal Kejriwal:** Nitin we have very clearly mentioned in our call is for the March quarter that the debt levels which we would attend in March were abnormally low because we had received a large amount

of payments from some of our clients and advances so that end of 1,500 and odd and 1,600 crores was not sustainable that was very clear.

**Nitin Dharmawat:** The second question pertaining to you mentioned that the subsequent quarters of the next quarter will have order book increasing so we are expecting good orders, so can you throw some light on that which sectors we are expecting more orders from railways or the power sector, can you elaborate on that as well?

**Vimal Kejriwal:** I think we are expecting orders across all the sectors, transmission we have made. We know earlier that the Green Energy Corridor the order should be coming in. States we are already L1 in some states and we are seeing some traction happening. International we are seeing lot of orders coming in Saudi. So, I think railway is then again, we are seeing a lot of tenders coming on the civil side especially on ROBs, etc., on the civil we are seeing tenders coming out on metros elevated roads apart from I think overall, we have been good on the order book across the sectors.

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

**Girish Raj:** Sir, this other expense when I compare year-on-year basis it has increased to 252 crores versus 158 what exactly has led to this?

**Vimal Kejriwal:** I think Girish I do not have the exact numbers, but what I can tell you off hand is that the FOREX gain which we talked about would have been sitting in the other expenses last year.

**Girish Raj:** So, 20 crores.

**Vimal Kejriwal:** 20 crores and this year it would be negative 6 crores that would be one major reason why it would have changed.

**Girish Raj:** But still does not explain the total increasing?

**Vimal Kejriwal:** I will go and check and maybe get back to you on the other part, but I think the other thing is that when I said that the international numbers have grown very well there are lot of logistics cost which has gone into that because we have got lot of projects in Africa and Central America where the shipments have happened. I think the other items which there in that some contribution on account of electoral bonds also is there in that.

**Girish Raj:** Can you quantify that sir?

**Vimal Kejriwal:** I do not think I would like to give it a number here.



- Girish Raj:** So, second question is sir can you quantify the IndAS impact on depreciation and interest?
- Vimal Kejriwal:** I think the net impact is probably 1.5, 2 crores or something, but broadly what has happened is that EBITDA has gone up by around 7 crores or so and interest and depreciation have gone up by 9 crores.
- Girish Raj:** You know why I am asking if I adjust that 7 crores impact our EBITDA margin comes to around 10.13 approximately and you are also indicating that by the year-end, we may with an increase SAE volume and all, so excluding this IndAS impact, how do we see margin going forward?
- Vimal Kejriwal:** I said that we should be able to maintain our margins we have shown 10.4. I have always been guiding between 10 to 10.5 that is what I think the guidance remains that hopefully we should be able to maintain the same in spite of FOREX gain not being there as of now in the first quarter.
- Moderator:** The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Last year we had seen close to 6,700 crores of international inflows I mean that had seen a very good growth of 35%, will be able to see similar kind of growth there given the fact that it is already a large base on which we are sitting on and internationally also things are going by all the news, etc., thing seem to be at a macro level worsening only?
- Vimal Kejriwal:** So, Ravi I do not think we should be looking of 35% growth. I think last year was we bidded and got some very large orders in especially in Bangladesh which is a reason why the international growth short up. As far as macro is concerned, I am still not too much worried about macro because macro is not on those countries where we are operating that much. Honestly, we may talk about US and Europe and other places, but when you look at Africa and SARC regions and the other countries. I do not think right now we are worried about macro I think the only place where I am still worried about is countries like Saudi, etc., where there is a huge potential. We are slowly project standard coming in, but the oil prices continue to remain depressed that is one country where we may some problems in terms of order booking. Other countries as of today we are not seeing any concern on account of the macros.
- Ravi Swaminathan:** And my second and final question is how much amount of debt is related to dollar denominated debt and have we hedged it because currency depreciates or fluctuates here and there so we can have continued FOREX losses?
- Vimal Kejriwal:** Ravi I think we are roughly around 40% is our dollar denominated debt out of that. It varies depending upon PCFC gets paid and all the stuff, but broadly it ranges between 35 to 45 I think currently it is around 45% as of today and normally what we do is we may not hedge that separately, but we do our hedging on a net basis where all our receivables and our payables are netted off and then we hedge. So, in a way you can say it is completely covered because we have netted off from our receivables.

- Moderator:** The next question is from the line of Bhoomika Nair from IDFC. Please go ahead.
- Bhoomika Nair:** Sir just on continuing on the order intake last year we saw some good large orders from Bangladesh, etc., and how are you looking in terms of pipelines, in terms of order intake for the T&D segments and also for SAE?
- Vimal Kejriwal:** I think we are quite confident about more orders coming in like if you look at Bangladesh the annual budget, we are talking about it is \$2 billion. So, I think Bangladesh, Nepal and to an extent I will say Afghanistan would continue with our order intake. We have seen lot of tenders coming out in Africa and also in far East Malaysia, Thailand, etc. So, I think international we are happy Abu Dhabi we have not seen too many so we just do hope that UAE that is Dubai and Abu Dhabi come out with some tenders. Saudi started coming out with tenders regularly now not to the extent which they were doing earlier, but now we are seeing every 15 days we are seeing one tender being quoted. As of now we are not successful because lot of local players are still quoting very low and we do not want to reduce our margins. So, I think overall internationally we are okay. See this time Brazil what has happened is that there was single auction in December so there was no auction in May. So, there was no auction in May which was planned earlier saying that we will have one auction during the year. So, right now we are negotiating with some of the developers who have won orders in 2017-2018. Right now, orders mostly of 2016 are under execution couple of 2017 once have started coming in, but since they have 5 years people are still waiting because they want to take all the environmental approvals, etc., before bidding out the EPC. So, Brazil I think we will probably see more orders coming in Q3 and Q4, but we have some L1s of the earlier orders where the agreements have not yet been signed and they are lying in our L1. So, if those contracts get signed then probably another 500 crores or so can be added to our order book in Brazil quickly.
- Bhoomika Nair:** In terms of the domestic market given that there is some bidding going in terms of TBCB for the renewable grid so how are you seeing both on PGCIL as also on terms of SEBs if you can throw some more color?
- Vimal Kejriwal:** So, I think SEB by itself is doing well. We are already L1 in I think three or four tenders in SEBs hopefully they should get converted quickly and we are seeing more tenders coming out in SEBs. So, I think SEBs were pretty hopeful about more business coming in. On TBCB if you look at it as of today in the last one month 8 bids has been awarded. So, the developers have been selected I think most of them have got their LOAs from REC, PFC and now the EPC should get awarded in maybe two weeks, three weeks, out of the 8, 6 of them cannot be completed by December, two of them are of longer duration. So, we are just keeping our finger crossed and those awards happen quickly. I think people also know that in water also there will be no work so they are also all waiting saying that we will award by August and September so work can start by middle of October or something. So, I think end of Q2 or probably start of Q3 we should

see quite a few of this EPC from Green Energy and two other tenders which have been awarded from on the TBCB should result into EPC orders.

**Bhoomika Nair:** And lastly sir on this civil I know it is a very small part of our overall business but Q1 has seen a decent decline in terms of the revenue execution so how are you seeing the segment of moving ahead in terms of both order intake as also in terms of the revenue growth?

**Vimal Kejriwal:** As far as revenue is concerned, I think at least a 50%, 60% growth will definitely happen we were looking at a slightly larger number at the start of the year. I think what has happened is with the industrial slowdown which we have seen and also we had thought that we will be able to get a we should be taking a couple of more order than residential, but seeing what is happening in the residential we have sort of slowed down on that. So, combined with this two and first quarter I think revenues were also impacted because of non-availability of worker because of elections, we saw that most of the workers who are from Bihar and Jharkhand had gone back to their states so that impact revenue, but if you look at where we are targeting we have started targeting more at light infra as we call it we are already L1 in one of our small metro project we have quoted for a couple of elevated. We were not there on the NHAI and all that but some on those some of those specialized projects and all that we have been focusing and I think we are reasonably well placed. So, I think hopefully in the next maybe quarter or so you will see some orders coming in from civil.

**Moderator:** Thank you. The next question is from the line of Ankit Soni from Karvy Stock Broking. Please go ahead.

**Ankit Soni:** Just want to know almost all my questions have been answered just want to know like the sticky projects which was going on what is the status or any leads from there?

**Vimal Kejriwal:** Sticky projects was not going on that is the problem Ankit.

**Ankit Soni:** Like when are we going to get any lead from there or what is the process as of now, what is the status as of now?

**Vimal Kejriwal:** Ankit what I can tell you is that it is a project of national importance, a lot of people are watching it. What we understand is that the banker who have got a large exposure of this project have already started looking for people in a very formal manner and I think hopefully, ma be I do not know 4-week, 6-week or so we should have some clear way forward on this. Let me put it this way, we are today in a better position than we were when you I spoke to you all last time when we were stuck completely and we were not seeing what is happening, but right now I think a path has been defined and we are seeing some people walking on that path let us see whether they can reach the conclusion or you get stuck again. But our talks with parties who are interested are that they are looking at it very positively, but to me I think once the Green Energy Corridor

decisions are made and the balance 4 or 5 tenders are awarded that is when people who do not get it or people who have get less and all that then they will come back and relook at it.

- Ankit Soni:** So basically, we will be getting a clear picture by next quarter most probably?
- Vimal Kejriwal:** Next quarter or maybe earlier if the transactions go through faster.
- Moderator:** Thank you. The next question is from the line of Dipesh Agarwal from UTI Mutual Fund. Please go ahead.
- Dipesh Agarwal:** One clarification in your Note #7 you have mentioned you have an exposure of 147 crores to that slow-moving project, is that balance sheet exposure?
- Vimal Kejriwal:** Yes, this is.
- Dipesh Agarwal:** So, this would be the outstanding receivable from that project, right?
- Vimal Kejriwal:** That was the one which I was just talking before you asked me that question.
- Dipesh Agarwal:** And sir what is the unexecuted order book pertaining to this project is it again 400 crores?
- Vimal Kejriwal:** Roughly said I think 450 is what I had said I think it is roughly in that range.
- Moderator:** Thank you. The next question is from the line of Ranjeet Shivram from ICICI Securities. Please go ahead.
- Ranjeet Shivram:** Sir just a small clarification this order inflows which you have given is for YTD so as on end of Q1 what will be your order intake?
- Vimal Kejriwal:** It is more or less are from the same quarter only.
- Vimal Kejriwal:** I do not have the exact number maybe 1500 crores may be something which we may have in July, but most of it for the last quarter only.
- Ranjeet Shivram:** And regarding the L1 position you in your call you mentioned 3,500 crores, but in your that 3,500 crores is the one which stands at L1 currently that is what we should understand?
- Vimal Kejriwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

**Amber Singhania:** Sir just one thing I wanted to know you mentioned during the opening remarks and later on also that order award is a bit concerning as of now for you. So, just wanted some elaboration on that which pockets we are seeing some concern coming in, has definitely India side we are not seeing any award happening per se on the T&D side, a lot of talks have been there for Green Corridor and other projects, but we are not yet seeing the award happening yet. So, where exactly things are getting stuck? What is your assessment of the award in this year going forward when we will see positivity coming in the sector as such?

**Vimal Kejriwal:** From a Green Energy I just talked about it as I said that 6 projects have already been awarded on Green Energy to the developers, Sterlite, Adani, Power Grid and all that so I think they will now quickly award the EPC because they have to complete the projects in 15 to 18 months now I think December 2020 is most of the projects of the deadline. So, those orders will start coming in maybe I will say maybe one week, maybe two weeks but they should come in very quickly. As far as trades are concerned what they have done was most of the tendering had been stopped or cancelled, they have restarted that. Some of the tenders have actually been opened about 3,500 crores L1 I think we have decent amount of L1 from states. So, we are keeping our fingers across that those L1 will be awarded in Q2 itself. Most of them should be awarded so something would come from that rest of that will come from countries like Bangladesh, etc., and some projects in Africa and maybe if something they come in from Fareast.

**Amber Singhania:** Domestic side sir if I ask specifically like Power Grid, we have seen last two years completely slowdown on the order award, this year they are talking about 15,000 crores kind of award similarly Green Corridor there was a talk of 40,000 crores I am not very sure how much is plans to award in this year. So, roughly what kind of overall award you are expecting from T&D side on the domestic part from a state Green Corridor and PGCIL?

**Vimal Kejriwal:** According to me total should be around 6,000, 7,000 crores including all. So, if you look at Green Corridor the total number, we are talking about is 15,000, 16,000 crores of which a part of it has been given to power grid on a nomination basis. If my numbers are correct and 13,000 crores was the exact number on TBCB. Apart from that they are now come out with some more TBCB tenders in UP and other places we will have to wait and watch what happens and Jharkhand has also got lot of TBCB tenders which have been sort of bid out to Power Grid. Now I do not know what as in when the actual RFPs will happen for those tenders. So, I think we are seeing a little bit of a flux, but as I said earlier that in the last one month 8 projects have been awarded on TBCB and those should come on now.

**Amber Singhania:** And sir just two small things how much of private orders we are having in our order book currently from the TBCB side and what kind of inflow we are expecting from this segment?

**Vimal Kejriwal:** I think if we do the total it is around 1,000 crores I do not have the exact number, but Essel, Adani and all put together and Sterlite. I think for me we have Essel of 450, we have got couple

of orders from Adani and a small order from Sterlite I think 700-800 crores it will be around that.

**Amber Singhanian:** Any issues on Essel side now, how things are there on that part?

**Vimal Kejriwal:** As I have said earlier our understanding Essel and the lenders are talking to other people to come in and let us see Essel has sourced some part of it, some equity so we are keeping our fingers crossed.

**Amber Singhanian:** Sir final question if I may ask I believe there has been some tenders have started from the smart metering side on the turn key basis, so is that a segment we are also looking as an opportunity and if yes then which pockets of those we are?

**Vimal Kejriwal:** We are not there in that business.

**Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco Mutual Fund. Please go ahead.

**Rita Tahilramani:** Two questions from my side what would be the cash on the book as on date as on Q1?

**Vimal Kejriwal:** It is around 300 crores as of now.

**Rita Tahilramani:** And we mentioned that we are L1 in our solar EPC project, could you help us with the quantum of the project and which geography is this?

**Vimal Kejriwal:** It is a 30-megawatt project in Africa funded by World Bank.

**Rita Tahilramani:** And what could be the quantum of this project?

**Vimal Kejriwal:** I think it is more than 100 crores I do not have the exact number.

**Moderator:** Thank you. The next question is from the line of Chandrashekhar Sridhar from Fidelity Investments. Please go ahead.

**Chandrashekhar Sridhar:** So, just wanted to understand just when will the color of the inflows in the railway segment changed gradually towards signaling and you know just on that where has been the decision process of the government either Level-2 signaling systems or Level-3 signaling systems.

**Vimal Kejriwal:** Chandrashekhar as of now there are four large tenders out for level 2 signaling, but they will be out for the last four months and they are getting postponed every month. 2<sup>nd</sup> September is when they are due as of now. I honestly do not know whether they will happen or not because what we are also seeing at the regional level, they are still issuing tenders of level 1. When you talk

to the technology supplier, senior railway people are talking to them about level 3. So I honestly, we do not know what would happen on this right now the tenders are at for level 2 and large tenders I think probably around 3,000 crores or something like that. We are ready to bid for them if the tenders are bid on the due date if they get postponed, they will get postponed because last three months they have been postponing it.

**Chandrashekhar Sridhar:** So, policy wise you are not sort of finalized eventually still in which direction you want to head?

**Vimal Kejriwal:** We do not know the way the tenders are getting postponed looks like a policy issue. Whatever we are hearing in the market is that I think there are two views whether they should stick with too which is proven right now or straight away shift to level 3. I think that is where the tenders of level 2 are getting postponed.

**Chandrashekhar Sridhar:** So, if in that case so how should we look at the color of your inflows expected in railways this year?

**Vimal Kejriwal:** I think as I said at the start of this the railways probably this year would be more on the stable side which would be like we are L1 in RRDS. We are also talking about some other ROBs, etc., on the civil side. Apart from our normal OHE and doubling, tripling and track renewals we are expected to do a lot more on signaling, but unless this issue gets resolved a signaling, they have to wait for some time. Rebuilding is another big trick number which is going on where you know they want to remodel or rebuild 200 and now they have agreed to do it on EPC on an average cost of 200 crores it is becoming a 40,000 crores business. So, I think for the time being going forward for next two quarters at least my railway order book could be more on OHE, track-laying and on the Civil Infra.

**Chandrashekhar Sridhar:** And how should we look at the CAPEX for this year?

**Vimal Kejriwal:** CAPEX I think what we were looking at the railway CAPEX would probably be around 40-50 if you are asking my CAPEX, I want 30, 40 crores or something like that for our side.

**Chandrashekhar Sridhar:** And sir the overall?

**Vimal Kejriwal:** Overall, for the company we have been looking around 150, 170 crores the CAPEX between railway and civil will be interchangeable because most of it in terms of matching plants and transit mixers and cranes, etc. So, we will decide that there could be some CAPEX happening in Brazil on the EPC side. So, most of it would be more on the project side, factories and all that may be 30 crores, 40 crores all the factories put together.

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



*KEC International Limited*  
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**Vimal Kejriwal:**

Thank you very much for your continued interest in KEC. Thank you.

**Moderator:**

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