



“KEC International Limited Q2 FY 2020 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEC International Limited Q2 FY 2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 “*” then “0” on your touchtone phone.

I would now like to hand the conference over to Mr. Vimal Kejriwal. Thank you and over to you, Sir!

Vimal Kejriwal: Good evening to all of you. Welcome you all to the Q2 Earnings Call of KEC.

Our revenues for the quarter of Rs. 2,809 crores have grown by around 17% vis-à-vis Q2 FY 2019 with an EBITDA growth of 16% and margins of 10.5%. PBT has grown at a faster pace than the revenues at 21% Y-o-Y, improving by 20 basis points to 6.4% in Q2 FY 2020 on account of improvement of interest as a percentage to sales.

PAT has grown by 42% Y-o-Y, the PAT margins improving to 5%. Y-T-D order inflows have touched Rs. 3,766 crores, including the latest order announcement of Rs. 1,806 crores. Our order book as on September 30th, 2019, is at Rs. 18,085 crores, while we still have a large L1 position of Rs. 5,000 crores plus. This L1 is majorly from domestic T&D, railways and civil.

Coming to businesses. T&D revenues, including SAE has grown by 30% this quarter on account of execution on large international order book as well as significant revenue contribution from the execution of all the 3 EPC projects in Brazil, though T&D revenue growth has stepped up our expectations. The slowdown in T&D order inflows on account of elections and the format of how the international tenders have not made up to our expected pace.

Railways continued its revenue growth momentum with Rs. 568 crores of revenues for Q2, a year-on-year growth of 35%. with continued thrust on execution, order book at plus L1 of more than Rs. 6,000 crores and H1 revenue of Rs. 1,000 crores plus. We remain confident that railways should continue its revenue growth trajectory for the year.

We have added some new sub-segments to the railway vertical this quarter with entry into RRTS and civil works for railways. Our civil business has faced strong headwinds on account of generally prevailing muted industrial CAPEX cycle. However, we are working on scaling up the civil business with additions of new sub-segments for growth.

Similar secured government orders in civil defence metro this year, which are longer in different cycle. We are currently, L1, in a very large metro project worth Rs. 850 crores plus. This order, once secured, will strengthen the civil business further during the year.

Cables business has maintained its volume growth. However, there is a marginal value degrowth due to lower commodity prices. Solar and smart infra, are yet to pick up momentum on the back of mixed signals by the economy. Smart infra has commenced execution of the orders which we had secured last year. We are being very selective in bringing for orders in solar and are focused on select international markets.

Our borrowings plus interest bearing acceptance has reduced significantly by Rs. 400 crores over Q2 last year, despite a 17% revenue growth on account of improved receivable days.

Our foreign borrowings mix has improved from 37% in Q2 FY 2019 to 64% in Q2 FY 2020, the total borrowings on a year-on-year basis. Hence, we expect the interest cost to decrease further in the coming quarters.

Our interest cost in the current quarter as a percentage to sales is lower at 2.9% versus 3.2% in the corresponding quarter last year. Saudi receivables position has normalized with low ordering positions as on date. We have received more than Rs. 600 crores from Saudi till date this year.

MENA market, especially Saudi, is returning to normalcy with new tenders coming up at reasonable intervals. With our Saudi outstanding very normalized, this market is expected to start yielding revenues steadily as the intensity of local competition reduces. Based on our current order book, strong L1 and significant tender pipelines, we expect to maintain our revenue growth and EBITDA margin guidance for FY 2020 and a similar revenue growth for the next year.

Thank you so much. We can now move on to Question-and-Answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Ranjit S. from ICICI Securities. Please go ahead.

Ranjit S.: Yes, I just wanted to touch upon our order intake. We had, I think, shared a guidance of close to around Rs. 17,000 crores. So is that still on or you are re-looking at that number?

Vimal Kejriwal: I do not think in the current circumstances, we can keep that on, to be very honest, okay? We have a large L1 plus order by tender pipeline. So maybe, I think, in a couple of months, maybe by December end or so, we will probably revisit it. As of today, I think, Rs. 17,000 crores looks a little bit tall because we had expected that post selection large number of orders will come up. But both have seen at a central level in power grid as well as on the industrial side in civil, the growth is not happening. I think we are facing some challenges. So I think we will wait for a couple of months to come back with our revised guidance. But Rs. 17,000 crores right now looks difficult.

Ranjit S.: Okay. And so will that impact our execution in FY 2021? Or you are confident that these delays will get captured in the first-half of FY 2021? So even in FY 2021 growth direction will continue?

Vimal Kejriwal: Our numbers. What we have said is that we have orders of 18,000 in hand and another 5,000 plus of L1. Plus we have a decent pipeline tender pipeline. So to me, today, if you ask me and I do not see any issue at all in maintaining our growth in FY 2021. At most, if I do not get anything at all, maybe Q4 of FY 2021, okay? This is something which we will start a little bit worrying, if we do not get anything. But as of today, I think we are pretty comfortable with our numbers and our guidance.

Ranjit S.: Okay. And when we look at the cash flows, the cash flow from operations continued to be negative. And one of the major things is this payable reduction. So what is your outlook on that? And when can we see that normalizing?

Vimal Kejriwal: I think, it will only normalize if the whole banking system gets normalized because today what is happening is that most of the large companies are becoming bankers in case of NBFC's. That is what is happening, most of the vendors still do not have money. So especially in businesses like railways are all there, where many of our vendors are still mom and pop shops. And even in T&D, we have seen lot of names where they are having significant problems in getting units and funding from bank. So that is impacting. In fact, if you look at our overall numbers, debtors has gone up by hardly Rs. 200 crores in spite of a 17% increase. The entire impact on the working capital is coming only from the reduction in payables, which I have been talking over the last two quarters, we have been making efforts, we have been slowing switching over to larger vendors. But the issue is that where is my railway business growing, okay. The number of vendors, which we have there is limited and that is falling. I think, we are trying to take care of it. So I think overall, what is also happening is that although that is negative with numbers improving. Our interest costs are going down and in spite of everything else, the overall interest costs has gone down.

Ranjit S.: Okay. And lastly, on the Saudi receivable, how much is pending in our...

Vimal Kejriwal: I think, whatever is left in our revenues for the quarter, per year is hardly Rs. 150 crores. I think, our total receivables are around Rs. 540 crores, a large part of it is retentions on the current contracts, which are under execution. So as and when the contracts get completed, the retention get due. But as of today, we do not have a single rupee or riyal of outstanding money there. As I think, everything current has been paid off.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital.

Jonas Bhutta: So one question which was interrelated. One, (a), if you can help us understand the tax rates for the first half. Also, if you like, do an average, it comes out to 20%, which is below the 25% rate

and the impact of the deferred tax reversal that you have seen of almost Rs. 27 crores. The second was on an increase of Rs. 175 crores in our noncurrent investments in the standalone books. (a) Where has this been invested?

Vimal Kejriwal: You are through?

Jonas Bhutta: Sir, and the third one is more on the numbers in terms of other expenses, both in standalone and consol versus as we have seen a very sharp chunk which are about the sales growth also. So is there a one-off or any provisioning there?

Vimal Kejriwal: So the third question first'. I think on the third question, what we would have noticed is also our international revenues have shot up significantly. And a consequence of this, freight and other costs have gone up very large. So we have got large shipments happening to Bangladesh and some of the landlocked countries of Africa. So that has resulted in huge logistic costs, okay? Second piece is we also said last time also, there was some electoral bonds, etc. so that is also lying there. So that is why it is there, the other expenses look larger in proportion. Rajeev, you want to answer on the defer taxes?

Rajeev Aggarwal: So basically, on the tax rate for this quarter, approximately the tax rate of 22.9% is essentially because in the first quarter, we had made the provision at the rate of 35%. So that number has reverse for the quarter and that benefit this thing you know reduction has been taken in this quarter. So that is for the quarter, you are seeing the number of close to 22.5% - 23%. But for the year as a whole, we are expecting the tax rate of 28.5% for the year as a whole and that this where, for the half year number is 28.5% if you look at the half yearly number. As far as your other query on the investment is concerned. So far, this has been an increase of about Rs. 170 crores. Essentially, let us say, invested in our SAE business basically to retire our EBITDA outstanding debt, acquisition debt of close about Rs. 200 crores, which are outstanding in the books. So that has been prepaid because that were costing us a lot of money that was a high interest cost of borrowing that we have repaid with this money.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead. Mr. Kapoor, your line is unmuted. Please unmute the line from your side and go ahead.

Saket Kapoor: Sir, firstly, one transmission project was pending, I think last quarter with the payment and all. Is that done and the funds have been received?

Vimal Kejriwal: No, not yet.

Saket Kapoor: There was a cut off signs sir, I think so what is the update on the same, sir?

Vimal Kejriwal: There is no cut off time, okay? But the project, it is really being restructured by the owners and the lenders. I think, a lot of developments, which are happening. We were hopeful that something

would have happened last quarter. But it has not happened. So we do hope and I think that this quarter, it should be done.

Saket Kapoor: What is the value, sir, if you could confirm?

Vimal Kejriwal: Outstanding are around Rs. 145 crores or something. That number remains the same as last quarter.

Saket Kapoor: Right, sir. So in the T&D order bookings, how much is set towards our power grid? And how much is the private sectors there?

Vimal Kejriwal: So power grid, we do not have too many order right now. But in L1, we have close to Rs. 500 crores of L1 in power grid, okay? The rest would be largely from states. Not private sector may normally do not have L1. So either you get the order. I do not have the exact number, but Rs. 100 crores will be in it.

Saket Kapoor: No sir, like order booking is your 17,000 of which 56% is of T&D. What is its break-up of that what is its general details?

Vimal Kejriwal: What you said Saket, say again please.

Saket Kapoor: Sir, I was telling that out of the Rs. 18,000 crores order book as on 30th September, this 56% is attributed towards T&D. So out of that 56%, I want to find generally how much we attributed to which segment, which state and from where it would be further details of the Rs. 9,000 crores?

Vimal Kejriwal: No, if you want more details, then take it from Nita

Saket Kapoor: But I want all the states out of that Rs. 18,000 crores.

Vimal Kejriwal: Okay. State is there, and even private is also there we are doing projects for Essel as well as for Adani as well as Sterlite, okay? So there will be private also in that, okay?

Saket Kapoor: Okay. One more point on the cable part, sir. You told us that cable segment was muted due to the decline in the prices. So what is the outlook going forward? And if the raw material price are benign, how is this segment going to continue towards the H2? When H2 generally is always bigger than H1 for our industry as a whole total for KEC. So this year also likely the same trend should be there?

Vimal Kejriwal: In H2 there is no such major trend in cable...

Saket Kapoor: Not only in cable, whole thing

Vimal Kejriwal: 60 - 40 normally happens I do not exact. But whatsoever is there 60 - 40 is there normally. So I do not see any reason why this year will be different from earlier years.

Saket Kapoor: Okay. And what you were telling for cable?

Vimal Kejriwal: In cable a little problem which was there of value but I think we have got lot of orders now on the pipeline especially AHU orders are coming where per kilometer value is more. So I think, hopefully in the H2, we will be able to catch up and do much better.

Saket Kapoor: In the cable, sir, which segment are we getting? Is it the higher voltage part, if you could give the profile?

Vimal Kejriwal: Okay. Right now high voltage is going on more because in LTE industrial market is down so majorly it is going in utilities and exports, okay?

Saket Kapoor: Higher is going to be ASB side only?

Vimal Kejriwal: Yes.

Moderator: Thank you. The next question is from the line of Indrajeet B. from Macquarie. Please go ahead.

Indrajeet B.: My first question is on the T&D opportunity. What do you think is the progress on the green corridor? And what kind of project you expect over the next 12 months or so from that site?

Vimal Kejriwal: So green corridor is in the process of being awarded. Some of the projects have been awarded, some are being awarded now. So we have got a couple of L1s in our order book out of the green corridor, okay? Unfortunately, we have still not received a single amount, but in L1 it is, so it will come sometime. As far as further opportunity is concerned, I do not remember the exact I think, Rs. 34,000 crores is the figure, which has come out from the ministry, saying this is a project which they want to do in the next one year. In fact, it you need the Prime Minister's statement on the PRAGATI, where they are monitoring all the large projects, specifically the one with the statement saying that our eight states, that they want to do more transmission based on the renewables I think yesterday's news paper is carrying a large statement on that. So I think on the central side, we are talking about Rs. 34,000 crores - Rs. 35,000 crores of projects. How many of them come to power grid and how many come to TBCB is a discussion, which is right now happening on ministry. And once that discussion gets concluded, I think in the next couple of I think three months - four months we should start seeing tenders growing out of backlog.

Indrajeet B.: Okay. My second part, of the questions is say you have seen a very strong growth in this quarter. What is a sustainable number to work within SAE? Is that because of some one-time shipment or something like that you have got a big jump here? And if you could also give us similar color

on the railways ordering, we are hearing that Rs. 30,000 odd crores of projects have been brought back augmented to tendered out? So that is it on my side.

Vimal Kejriwal: So on SAE, you remember, we have always been talking about three large EPC projects, which we had unfortunately or fortunately, the existing all three of them started together. So clearly, there is a bunching of revenues in that way, which will continue at least, I will say Q3 and maybe even largely to Q4 also. These projects should get over by Q1 next year. So I think, next couple of quarters, we will see elevated revenues from SAE. We are right now negotiating some more contracts. We have some L1s in our list which includes SAE. So hopefully, once they get converted, I think SAE should continue to do good. Clearly, I do not see them increasing in the same manner, okay? This quarter, we have got probably some 80% - 90% increase in revenues. So I do not think, we can have that sort of revenue. We have been talking about 20% - 25% annual growth. So we are keeping our fingers cross that all those L1s get converted into orders or there is a December auction, which is happening roughly \$1.5 billion. And depending upon that result, we will decide FY 2021. But FY 2020, we are pretty confident and even maybe one or two quarters of FY 2021 look good right now, depending upon the auction and what else we are able to secure will decide how much more they can grow, okay?

Indrajeet B.: Okay. And any comment on the railway side?

Vimal Kejriwal: Sorry, railways, I think we are doing very well. We have a number of close to Rs. 6,000 crores right now and I think we have a lot of projects in the pipeline as far as tenders in the pipeline. So railways I think we are pretty comfortable. We had earlier thought about doing 2,400 - 2,500. We will probably do closer to 2,700 - 2,800 this year and probably at least 20% - 25% growth next year based on our order book. I think we are pretty happy with what is happening in the railways. We are seeing railway tender coming back with a bang, unlike T&D. T&D is still slower but railways has come back and we are seeing at all the levels, RVNL core and the zonal railways. Sp I think we are pretty happy. Metro is also doing well. So with lot of civil work happening in metros and entire electrification and S&P, etc. metro is coming up, which we are not doing earlier, which just started bidding. So that is a new area, which has opened up for us.

Moderator: Thank you. The next question is from the line of Ayushi Mohta from CD Equisearch. Please go ahead.

Ayushi Mohta: I just wanted to understand, why has your railway order book surged so much recently?

Vimal Kejriwal: why they surge so much.

Ayushi Mohta: What is driving the growth in this railway order book?

Vimal Kejriwal: Part of my speech, what we have said was that we have actually expanded our portfolio to include a few more verticals of railways. One of them was a railway rapid transport. So we got a large

order from an entity for called NCRTC, which is a joint venture of Indian railways and a few state governments for Delhi Agra, Alwar, etc. So there, we have got a large order. Also, been getting a few orders on railway over bridge is railway under bridge ROB. So if you have been reading the railway articles, they have been talking about two things. One is safety first, so they want to basically ensure that all the level crossing are shut. So they are building a railway over bridges and all that above that. The one is that for a high-speed train and bullet train, etc. All the roads which are there in the path of these railways are being scale over bridges are being built. I think third part is that what we announced recently 1,800 of that. There was roughly 800 odd crores which is railway electrification it is any one of very first order ever given by railway that is the bases I think, the next point I would like to say is that we are clearly saying that with the liquidity crunch and the banking tightness. The competition is a bit lower than normal because many of our competitors are not in a position to get banking facilities able to put in this.

Ayushi Mohta: And sir, what is the completion period of these projects?

Vimal Kejriwal: Typically, it varies within 18 months to 30 months

Ayushi Mohta: 18 months to 30 months?

Vimal Kejriwal: Yes.

Ayushi Mohta: Sir for electrification that would be how much?

Vimal Kejriwal: Electrification, normally it is 24 months for contractually. But we end up doing it 12 months also. That is the way the railway wanted to be done. The contract period is much longer. Electrification, normally what happens in electrification is that you do not have to complete the entire line. What they do is you electrify 20 kilometers - 20 kilometers of tracks and all that. So you normally complete the electrification projects segment wise. Generally, by 18 months, we complete the entire thing. But largely, in 12 months should have finished most of the contract.

Ayushi Mohta: Okay. And sir what about these over bridges?

Vimal Kejriwal: Over bridge is normally 12 months.

Moderator: Thank you. The next question is from the line of for Swarnim Maheshwari from Edelweiss Securities. Please go ahead.

Swarnim Maheshwari: So couple of questions. First one, in your opening remarks, you mentioned about working in the new space in several vertical. If you can elaborate more over there?

Vimal Kejriwal: So in civil, what has happened, one thing is that this last quarter, we announced two orders. One is in the defence sector. So we got our first order in the defence, we have been working on it for

some time. So it is a start, so that is one space. The second was on the metro, we got an order for expands for extending the Kochi Metro. So those are the two new spaces we have got and I think as I mentioned just now, we are also L1 in a large DMR order.

Swarnim Maheshwari: Sir, metro, I understand. I am sorry, but what is exactly in the defence space that we are looking at? Is it construction of some building or what is it exactly?

Vimal Kejriwal: Right now, more on the civil side than anything else, it would be like construction of some buildings. There are construction of hangers, there are other related civil pieces of defence, okay? There could be residential houses, where you build houses for your army officers and all that. But right now, the project which we have is a sort of a commercial cum residential project in one of the naval ports.

Swarnim Maheshwari: Okay. So sir, I mean, if you can just outline the opportunity size over here that you were looking at in the defence space specifically?

Vimal Kejriwal: Defense space is almost endless if you want to looked at it for our presence because we are hardly there. If you take residential, we are normally about Rs. 4,000 crores to Rs. 5,000 crores of residential spend, okay? So there are similar spends like that which keeps on happening on various naval dockyard and ports, etc. Then we are now talking about, let us say at the border where, right now let us say, the army people do not stay alone. Now we have been talking about moving the family's closer. So we are talking about a huge network of residential houses coming up in the entire Northeast. So there is a lot of spending, which has been budgeted. Honestly, I do not know what will happen because we are still at the fringes of it. But we have been seeing for some time and we are lucky, but we are happy that we got our first breakthrough.

Swarnim Maheshwari: Sure. And I would presume, sir, that this will be margin neutral for us.

Vimal Kejriwal: We are always very careful on our margins.

Swarnim Maheshwari: Sure, sir. Sir, my second question is actually, if you look at on the debt side, specifically, despite kind of retiring the debt of about \$1.7 billion you mentioned at the SAE towers debt is kind of flat. So I mean, if you could just look from the working capital perspective, we have retired the long-term debt. But I think, the short-term debt is kind of shorter than this quarter sequentially. Is that a correct understanding?

Vimal Kejriwal: If you look at the numbers, the debt has shot up when you look at March, okay? And September to September or September to June the debt has come down and number two, when we talked about SAE that was, in a way a tax inefficient debt, it was lying in one of our overseas subsidiaries. And there were no tax breaks, etc. So it was becoming very ineffective. So what we did is we replaced it by a local debt, okay? So it is not a retirement of debt in that sense.

- Swarnim Maheshwari:** Okay. I mean, we are just kind of interchange the debt.
- Vimal Kejriwal:** Effectively...
- Swarnim Maheshwari:** Refinance it.
- Vimal Kejriwal:** Effectively, yes, okay? .
- Swarnim Maheshwari:** Sure. And sir, any FOREX gain or losses during the quarter?
- Vimal Kejriwal:** I think, there is a gain of roughly around Rs. 20 crores or so in this quarter.
- Swarnim Maheshwari:** So this is in other expenses, is it?
- Vimal Kejriwal:** It would be created in other expenses.
- Moderator:** Thank you. The next question is from the line of Ajinkya Bhat from Macquarie. Please go ahead.
- Ajinkya Bhat:** My question is mainly about the EBITDA margin that you have reported. Now, the way I understand is the T&D business typically has margins of about 11% to 12%, right? And you have been building up your railways business for the last few years, investing in capabilities, investing in people, even before you could achieve that kind of revenues to justify the cost. Now over the last few quarters, we have seen railways revenues growing significantly. They have ramped up fairly well. But EBITDA margins seem to be at the same level of about 10.5%. They have not really reached your benchmark margins of 11% - 12%, as you see in T&D. So could you just highlight the reason behind it? Or have the margins in T&D actually gone down? What could be the reason?
- Vimal Kejriwal:** Ajinkya, we have always been maintaining that railways is ramping up slowly. And we said that exit of FY 2020, we should be touching double-digit. That has been our consistent stand, and I think we are maintaining that stand that at exit levels, maybe we will reach 10%. That is what we have said always, okay? So I think, we are on our track, you understand one thing, with the revenue increase of railways, railways having cross Rs. 500 crores for the first time in this quarter, we are still able to maintain our 10.5% margins. So obviously, the margins in railways have been increasing otherwise able to maintain, okay? And transmission has always been 11% - 12% plus and all that and it continues to be that way.
- Indrajeet B.:** Okay. So in the railways, do you have any road map, in specifically in railways when you might be able to reach double-digit margin? Or is that not possible in the railway business?
- Vimal Kejriwal:** Ajinkya, I just said that the exit of 2020, which we should be reaching double-digits.

- Indrajeet B.:** Okay, in railways that...
- Vimal Kejriwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Just a follow-up on the debt numbers. How much of debt is there in the other current in the form of current maturities, sir? And if I can get the comparable number for September last year as well?
- Vimal Kejriwal:** Jonas, in the investor presentation has been circulated. The full number of debt has been wherever it is, has been given in the numbers. If you want more details, Smita can give it to you. But basically, as I said earlier, the debt has gone down from September as well as from June, okay?
- Jonas Bhutta:** Sure. And my second question, if I heard you right was a Rs. 20 crores FOREX loss in Q2. In addition to the Rs. 6 crores - Rs. 7 crores that you incurred in Q1?
- Vimal Kejriwal:** And the current maturity is around Rs. 400 crores. Rs. 400 crores, yes.
- Moderator:** The next question is from the line of Ankit Soni from Karvy Stock. Please go ahead.
- Ankit Soni:** Just one question from my side. I just need the numbers on the L1 orders. So how much it would go to the different sub-segments like railways or out of GEC, how much it is?
- Vimal Kejriwal:** I do not have that exact breakup, roughly, I think around 20% is from railways and 20% is from civil. Rest would be all from T&D.
- Ankit Soni:** And T&D particularly will be out of GEC orders, right?
- Vimal Kejriwal:** GEC as well as SEBs and there are some international orders also.
- Ankit Soni:** Okay. So can we just break it, like how much it will be international and all in percentage terms?
- Vimal Kejriwal:** I do not have those numbers right and we do not give out that numbers.
- Moderator:** The next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.
- Abhineet Anand:** I think, you did mention that Rs. 16,000 crores - Rs. 17,000 crores inflow looks difficult task. And a few months into Q3, we will probably be able to give better perspective. But still, any color as to whether this mix could be more or less like last year, we did around Rs. 14,000 crores

or whether we will have some growth I mean, based on the pipeline and the L1 that you have. If you can give some more color on that?

Vimal Kejriwal: Yes, I think as we have announced order of roughly around Rs. 4,000 crores give or take Rs. 100 crore a year. We are around 5,000 plus something. So we are already at nine plus, okay? I do not know the exact number, but we would have quoted tenders of at least Rs. 20,000 - Rs. 25,000 already tender, which are quoted, okay? And we are quoting some very large tenders in the international market as well as a SAARC apart from civil. So last year's numbers, I think it looks to be easily achievable. Now whether we will be able to exceed them or not is something, but a little difficult for me because let us say I will give you an example you get one more DMRC tender that is another Rs. 1,000 crores. So it is a little bit difficult in this business right now to predict as to know exactly we will be able to do. But based on the, I think, tender pipeline I accept that, we will have to wait for maybe December - January pattern we would have bid for many of our tenders would have been open, where you will know exactly where you stand. But as I said earlier 70,000 is difficult right now because we have lost a few months and the entire central government tendering has just not happened. Even the new energy, GEC now they have announced 34,000 and all that that looks like four months - five months. It will not happen, so I do not think those orders, which we have factored some of them coming this year may not happen in this financial year.

Abhineet Anand: Okay. And even the other expense you said because one being that high logistics cost because you know a lot of international revenue. And secondly, you again mentioned the electoral bond. So even this quarter had a little bond, sir?

Vimal Kejriwal: No.

Abhineet Anand: That was largely 1Q, right?

Vimal Kejriwal: Yes.

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

Saket Kapoor: Sir, in the SAE segment, the growth which we have witnessed for the first half there is a very likelihood of the continuity in the second half also? Or they should perform much better because you were telling that the region is getting better there?

Vimal Kejriwal: Saket, as I said earlier that in this quarter, we had a bunching of three EPC execution orders. So that will continue for some more time. So at least, Q3, Q4 this growth should continue it will happen on the same level or not, it is difficult because I think Q2 last year was very low. So the growth this year is very high but absolute number, I think should continue.

- Saket Kapoor:** Sir, for the FOREX gain part of Rs. 20 crores, how much was **0:37:10.5** and how much was in the provision?
- Vimal Kejriwal:** I do not know, I do not have the breakup of that. Okay.
- Saket Kapoor:** And sir, lastly, then going forward also, the other expenses profile will be elevated only or because one of the quarter in which the land locking part and the transport played its part? Or going forward, would it remain elevated the way it was for this quarter?
- Vimal Kejriwal:** When you look at elevation, what happens is that we always factor that in our margins. If I know it has to go to landlocked I do not think we should get worried about it, we should be looking more at the overall EBITDA margins rather than getting into line-by-line item of the business because this business is very different from other businesses. We cannot compare line-by-line every quarter-to-quarter the line-by-line will differ. And so long as our international business is growing, the other expenses will always keep on going but there is a lot of expenditure in core logistics, in land transportation, some of the countries, we are moving 1,000 kilometers after landing at the port. So this will continue to some extent. But again, at my request Saket is that do not look at line-by-line. You add all the lines and see the same number, because of how you execute the contract. If you will get the contract then you will get sub-contract. If you will send your employee so employee will go on the cost.
- Saket Kapoor:** Sir, lastly, in the cable part, sir. The order book is totally towards the domestic segment?
- Vimal Kejriwal:** If we have roughly around 15% of our revenues in cable, it comes from international market on exports.
- Saket Kapoor:** And they are getting to which category? All in the EHV or only extra high voltage only?
- Vimal Kejriwal:** EHV is less in that all that happens is that manly HV is 33 KV and 11 KV is more.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.
- Riya Mehta:** Yes. Actually, I wanted to have a outlook on the T&D space. So do we see like with the government saying Rs. 32,000 odd crores coming in for all PGCIL as well as **0:39:28.9**. Do not you see the **0:39:31.4** number as last year or how do we see that prospects?
- Vimal Kejriwal:** Sorry, what is your question?
- Riya Mehta:** Do we see growth to come in this year? Or do you see it in FY 2021, I mean what would be the lag effect that how after clearances and when shall we see these orders are coming into play?

Vimal Kejriwal: So current green energy corridor orders are getting announced now. So some of them will come now, but the next one of the Rs. 34,000 crores and all that, I do not see that happening right now this financial year because I think government has still not decided, I think it is lying between ministries and everyone as to how much of that should be on nomination to power grid and how much of them should come in TBCB. So by the time they decide and allocate it to REC, PFC, or Power Grid when the tendering happens, I do not think that order will happen this year. But what is happening right now and if you look at even large part in some states, state tendering is still going on there in a large manner, number one. Number two is SAARC was also very muted in the first half in terms of tendering. Those tenders are happening, so I think within the South Asia region, we will see a lot more of tendering coming up in H2. International, I think Saudi is coming back. So we have Saudi, Kuwait is another country where we are seeing huge amount of tendering happening. So I think, we should be also happy with what happens in the Middle East. And lastly, would be with Brazil, as I said earlier.

Riya Mehta: Okay. And sir, on the Green Energy Corridor the one on tendering has already been done. So we have not received any orders from them. So in the L1 of the current what you have given, would we have orders from Green Energy Corridor, or we do not have orders Green Energy Corridor?

Vimal Kejriwal: Yes, we have L1 from green energy corridor. And also, some of the orders are yet to be placed by the developer. So what has happened is that there are many developers who have yet placed orders that negotiations are going on. So those will also come.

Riya Mehta: Sir, can you quantify the amount of if you could help with that?

Vimal Kejriwal: It is very difficult because I do not know what orders we will get, what we will not get, okay? Very difficult at the moment to say because private is not a pure L1 basis saying that I know I am L1, so I will get it. Those are under negotiation. Apart from that we have got some numbers in L1 which I do not think I want to disclose right now but they are there in L1 already.

Riya Mehta: Okay. Sir, going forward in civil and cable, if you could give a broad outlook of where do you see FY 2020?

Vimal Kejriwal: So cables should be around the same number, maybe a little bit we would grow a little bit physically, but with the prices, the commodity prices being down, I do not see cable going up in terms of revenues, okay? Civil, we will definitely grow in revenues. Now I do not know how much we will be able to grow because the industrial sector was very muted. It is still muted but we are discussing some of the orders. So if we get a couple of them more immediately then some more revenues will happen. So probably, I think civil should grow around maybe 25% or something like that from last year. Cable in terms of revenue will have some marginal growth or maybe flat.

- Riya Mehta:** Okay. And then in civil which space do we see the growth coming from, if you can help us with that?
- Vimal Kejriwal:** Civil, I think, largely we have seen from the urban infra. We already have a large order, as I said, from Kochi metro, where we are doing an extension. We are an L1 in the DMRC we just got a defence order we have one order. Hopefully, we will get another order, so I think that should also pick- up.
- Moderator:** The next question is from the line of Ankit Babel: from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Sir, I joined the call late. So sorry if I am repeating. Sir, in case, if you are around Rs. 14,000 crores - Rs. 15,000 crores of inflow in this year, will you be in a position to grow at around 15% in FY 2021?
- Vimal Kejriwal:** Even without a Rs. 14,000 crores inflow, we should be able to grow at 15%. That is what I was saying that there is an order book of more than 18,000 L1 of 5,000. I think we are pretty comfortable with our growth guidance.
- Ankit Babel:** Okay. And sir, this year, what is your growth guidance on FY 2020?
- Vimal Kejriwal:** FY 2020, we had said 15% to 20%, okay?
- Ankit Babel:** Okay. And sir, lastly, in spite of the interest-bearing debt coming down on a sequential basis, your interest cost was high. What is the reason?
- Vimal Kejriwal:** When you see interest costs of high means what number are you?
- Ankit Babel:** On a Y-o-Y basis, interest cost was like Rs. 82 crores or the Rs. 76 crores, in spite of an outstanding debt. So what was the reason?
- Vimal Kejriwal:** I think, the basic reason is that your business has grown by 17%. So it is a business where your DSOs are Rs. (+200) crores. So interest costs would absolute numbers will definitely grow up, okay? I do not think it is going up. And also, I think what Rajeev is saying is there is the impact of lease accounting also which has happened where some of the amount which we are again as lease rentals, etc. are going into depreciation and interest now.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Vimal Kejriwal for closing comments.
- Vimal Kejriwal:** We would like to thank you very much for your continued interest in KEC. Thank you so much.



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Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of KEC International, that concludes this conference. Thank you for joining us and you may now disconnect your lines.