



“KEC International Limited Q3 FY20 Results
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEC International Limited Q3 FY20 Earnings Conference Call. 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 “*” 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: Thank you. Good evening to all of you. I welcome you all to the Q3 earnings call of KEC. And my apologies for delaying the call as the board meeting lasted longer than what we were expecting. Revenues for the quarter at Rs.3073 crore have grown by around 16% vis-à-vis Q3 FY19. With an EBITDA of 319 crore and a margin of 10.4%. PBT has grown at 19% Y-o-Y with PBT margins improving from 6.4% to 6.6%. With improvement in interest cost in absolute terms as well as a percentage to sales. PAT has grown by 29% Y-o-Y with PAT margin improving to 4.7% vis-à-vis 4.2%. We are declared an interim dividend of 170% of the face value at Rs.3.40 per share on a face value of Rs.2, a total outflow of around 105 crore including dividend distribution tax. Y-T-D order inflows have touched Rs.9820 crore, our order book as on 31st December is at 22,011 crore with an L1 position of around 2500 crore. The L1 is majorly from T&D business. T&D revenues including SAE continue growth traction at 21.5%, majorly backed by the International and SAE Brazil EPC execution. T&D tendering pipeline especially power grid continues to be under pressure. However, we are witnessing a resurgence in the Middle East tendering activity. Railways continue to grow with a revenue of +600 crore for the quarter. We are on track for a fully railway revenues of around 2700 crore. At the exit of this year we expect the railways margins to improve to double digit with the new inflows from overhead electrification as well as composite and ROB, RUB jobs. We have the railway order book at 6860 crore now. Our civil business has not grown as anticipated and faced headwinds on account of generally prevailing muted industrial CAPEX cycle in India and challenges faced by the realty sector. However, we have now seen some flow of orders in industrial and real estate sectors recently. Defense segment is also picking up momentum. Civil order book has now scaled up significantly to +2400 crore with Delhi Metro and Kochi Metro orders. Execution of Delhi and Kochi Metros has commenced and is progressing well. Significant revenue contribution from the metro projects is expected from the next year start and maybe some part in this quarter also. Cable business has witnessed revenue slowdown due to lower order intake and impact of commodity prices. Execution of existing order book for both solar and smart infra is on track. We have a few L1 positions in solar and smart infra businesses respectively.

Total borrowings plus interest bearing acceptances have reduced significantly by Rs.684 crore over 31st December 2018. Despite a 16% revenue growth on account of important NWC based. This has enabled a reduction in interest cost for Q3 FY20 in absolute terms of approximately 5%, interest as a percentage to sales has reduced from 3.2% to 2.6% in this quarter. Saudi receivable position has normalized with no overdue position as on date. We have received approximately 680 crore from Saudi till date. Based on the nine months revenue from 16% and

the current execution traction in the order book. We maintain our revenue EBITDA margin guidance for the current year FY20. Thank you very much and now move to Q&A.

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 Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir my first question, within the T&D when we saw healthy growth this quarter, what was the growth performance of the domestic and the international bucket within the T&D mix if we look at it. And how do you look at growth going forward, given that this year has already been challenging and inflows has been a bit tight in the current financial year on the T&D side?

Vimal Kejriwal: So Renu, I don't have the exact numbers but the T&D India has been relatively flat. For nine months there has been a growth I don't have the exact number of growth, this quarter was pretty challenging for T&D. One was because of the extended monsoon and secondly, we had some delays in the delivery of some of the substation equipment. So Q3, per se has been a little bit challenging for the India T&D business.

Renu Baid: Sure. And sir aligned with the India T&D portfolio one of your other co-partner in the private sector TBCB player essentially SL, GT&D has apparently booked some ECL provisioning on the pending receivables. So do you foresee that some kind of hit could come to our books as well or probably the change in ownership of the asset should be done by March and we could probably escape this kind of provisioning and the project might see movement coming back, what's the status here?

Vimal Kejriwal: Our understanding with the lenders and cell and others interested stakeholders has been that the project should start in the month of March. We understand that most of the required approvals are in place. And I think –6:55 all the companies involved are listed companies so I don't want to make too much comments on them. But the understanding what we have with our auditors also is very clear that, if there is no substantial progress by March or so, they will start looking at making some provisions. But if you ask me as a confidence level, I think our confidence level is pretty high right now that the project should restart within March that's the understanding we have from all the stakeholders. Even if it doesn't start, but I think by within this quarter, there would be a clear closure of the issues and we should have a live project.

Renu Baid: Sure which is more comforting on that side. And second question is if you look on the borrowing cost obviously this quarter, we have seen an improvement, but given that we have now a higher mix of foreign debt. So in moving towards fourth quarter and the next year, should we expect our overall net interest to borrowings to substantially reduce and how does the broad philosophy of the company here be in terms of going forward moderating or reducing debt if incremental business has not been as working capital intensive from rail, and civil EPC side?

Vimal Kejriwal: So, I don't agree that it has not been working capital intensive but I think we have been able to do all.

Renu Baid: It has been intensive yes.

Vimal Kejriwal: We have been able to do a little bit good job on the debtors where we have been able to reduce the VSOs and the networking capital because railway as well as metro and all that are that way intensive, maybe not as intensive as T&D, but they are. Our view and why we have increased foreign currency debt is that, as I was saying our international business has done very well, we have probably may be 29%-30% growth rate in the international so our dollar receivables and all have been going up. So instead of doing a normal hedging and all that I think we realized that the arbitrage opportunity between rupees debt and international debt is probably higher than the forward premium which we get. So which is why we decided to do it that way. So the net impact any case, if I had not done a foreign currency borrowing, then my EBITDA would have been higher because then I would have sold some dollars, and that foreign currency would have come up. I think we're pretty happy with what we are doing on the debt side. That's why if you look at the year-on-year the debt has gone down significantly, December-to-December.

Renu Baid: Correct. And sir I have just one last question, if you can elaborate for the benefit of the audience if you can elaborate a little more about the company's strategy on the civil part of the portfolio. We've been into building and factory segment, then to residential space, and now scaling up the portfolio on the metro civil side. So how are we looking at this business from a two to four years standpoint and what are the kind of risk mitigation measures you've ensured so that the business remains profitable and grow sustainably?

Vimal Kejriwal: So Renu, if you want to look at the overall strategic numbers which we want to do in civil is we think that we are two or three years behind our railway business growth. So, the way our railway business has grown we are looking at civil as a very large opportunity. It's a large wide space there are lot of areas which we can look at and get into. Unfortunately or fortunately competition has come down for whatever reasons it is. So we started with industrial, we have done one or two residential I don't think we are focused on doing too many residential maybe two or three or four buildings in a year. That will give us 200, 250 crore of revenue if I'm not mistaken. Industrial unfortunately has done very badly this year because there's no industrial demand. There are hardly any new factories coming up, but in the last one month we have got few orders. Couple of them have been announced, couple of them are lying in my L1 and all. We are looking at some of the other related areas which could be oil and gas and all that we recently announced a defense project, we got one defense project, we are L1 in another defense civil project. Clearly the looking at also oil and gas business, which could be outside battery, OSBL, it could be pipeline, it could be other related issues. And I think the last one is what we were talking about metro. So infra we are looking very seriously at the metro civil business. So to me there are four

or five areas, which we are looking at and maybe in three or four years it should become a 4,000 core business that's what we are looking at civil.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir if you can help us with what is happening in this green energy corridor, when can we expect good ordering happening from that. What is the outcome on that?

Vimal Kejriwal: So on the green energy a few of the orders have already happened. We have got three or four orders we have got, whatever we announce in this year on power grid are all of them are green energy only. We are L1, one or two of the private sector funds unfortunately the private sector ordering has got a little bit delayed on the Gujarat side, Rajasthan side has been ordered. So the bank order should come out in next maybe 10, 15, 20 days because the lines have to be done in 15 months now by next March.

Renjith Sivaram: Okay. And is there any delay in terms of ordering in that or is it going as per what we had planned?

Vimal Kejriwal: I think there is some delay because earlier the lines were supposed to be completed by November of this year. Now, I've seen some CRC petitions and all that where they are talking about finishing it by March. So, there has been some delay in these awards, in these line completion and consequently the awards.

Renjith Sivaram: Okay, and sir when we annualize the railway budget the allocation towards electrification for next year has reduced. So is that something which we should be worried about? Because that was one area which was growing at a handsome rate for us?

Vimal Kejriwal: Whatever we could understand is that, they have postponed the competition program by two years. Earlier, they had a very, very aggressive program saying by 2022 we will finish everything. Which I think was physically not doable they all realize that. So now I think the ministry has sort of converted the reality into numbers also, instead of 2022 they are saying now we will finish by 2024. I don't see that impacting the revenues.

Renjith Sivaram: Okay. But in terms of order intake, will it be a bit slower next year compared to what we had seen currently?

Vimal Kejriwal: Well in Q2 there was a slowdown in the ordering and all that. Q3 we saw decent and now they've announced a lot of tenders. So although those orders may not be placed in Q4 but I'm pretty sure that in Q1 there will be a lot of ordering happening because tenders are now been announced but these tenders are due in February and March first week, second week. So, I don't see most of them being awarded by 31st March. But they would be bid by that time. So, I think in Q1 all

these awards will happen and fortunately for me with a close to 7000 crore order book, I am particularly happy that even the orders get delayed slightly here or there. It will not impact my growth plans.

Renjith Sivaram: And sir finally on the SEB side how is the overall outlook and which are some of the SEBs where you're seeing some traction?

Vimal Kejriwal: So, SEBs I think the traction continues in Tamil Nadu, Karnataka, we are seeing something, some few jobs coming up in West Bengal, Odessa, Rajasthan has just announced some large projects. They are not yet in the tender stage but they have announced saying that we will do a lot of projects. Gujarat has been coming up so Gujarat, Rajasthan, West Bengal of the new one and I will say Odisha.

Renjith Sivaram: Okay, so can we assume that because the power grid is clearly slowing down even in their CAPEX for the next year also, we are seeing a muted number so, can we still expect the domestic order intake to pick up because of this traction from these SEB?

Vimal Kejriwal: Honestly looks very difficult right now, but also want you to understand is that, they've announced some new TBCB jobs, some 34,000 crore of new green energy corridor to and all have been announced. A few of the tenders are now coming up. So, it would actually depend upon how quickly this entire Rs.34,000 crore gets ordered. SEBs will continue SEBs, we do around 1.5 to 2000 crore of revenue every year. So, I see that that continuing, but the PGCIL part either has to be replaced by the private sector or PGCIL has to win these new jobs. So, I can see that there is some push in the ministry to do these jobs early because they have already been delayed because of a fight between whether they will be given to PGCIL or on the TBCB. Now, that a large part of that issue is getting resolved. So it would depend upon when these get turned out and how much be without of them.

Moderator: Thank you. The next question is from the line of Nitin Dharmawat from Aurum Capital. Please go ahead.

Nitin Dharmawat: Sir what is the total consolidate debt now. And what is the projection that we have for the next quarter?

Vimal Kejriwal: Currently we are at about debt of close to about 2400 crore.

Nitin Dharmawat: And next quarter?

Vimal Kejriwal: Next quarter also we are expecting to be slightly lower than this number so, because we expect book collections to come in the Q4 probably we should be maybe couple of 100 crore lower than the current number.

- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir firstly how has FOREX played for this quarter, FOREX gain or loss?
- Vimal Kejriwal:** FOREX gain has been positive. Around 25 crore for the quarter.
- Saket Kapoor:** We have gained 25 crore?
- Vimal Kejriwal:** Yes.
- Saket Kapoor:** And what was the figure for the September quarter?
- Vimal Kejriwal:** More or less same. Nine month is 70 to Rs.75 crore.
- Saket Kapoor:** And sir how has this gain been generated?
- Vimal Kejriwal:** When you have orders and all that you will do a net of that, so it's normally coming from forward sales number one, number two is also because you're getting a higher price realization etc. You can premium from that.
- Saket Kapoor:** So when we are taking the net profit, we should explore this bigger as it's non-recurring in nature going forward?
- Vimal Kejriwal:** It is your choice Saket but it is recurring, every year we have been showing this sort of numbers. With our foreign overseas income of 50%, foreign currency will always be there if you do it properly. So, I don't think it is right to exclude it from the income. Already when they do a tendering also we do keep this sort of foreign exchange gain will happen. Because our contracts are of three years, two years and all that. To me it is part of the normal profit.
- Saket Kapoor:** But it can also be on the reverse side also, if the currency was given?
- Vimal Kejriwal:** That happens in all the tenders as well, if you quote for 10, it can be in 10, 20 or 0 so that risk belongs to us. So this is like a normal any other risk which we have in the tender.
- Rajeev Aggarwal:** But only thing Saket I would like to say that with the current foreign exchange FOREX policies that we have been following and we have been generally making profit out of this foreign currency hedge position and which now regularly getting factored into a tender costing, so that way it is a normal profit for us.
- Saket Kapoor:** So, now coming to the cable part of the story this time, what was the reason for the lower turnover and what is the outlook going forward?

Vimal Kejriwal: We had two reasons one was very clearly the metal prices had gone down and they're still down. So, cables is a cost plus business always so that one. Secondly, we had some small floods in Baroda and all that so, we had to, that impacted some production pace also.

Saket Kapoor: So, what were the utilization level sir if you take cable as a whole?

Vimal Kejriwal: It is around 80%.

Saket Kapoor: And this will improve going forward for this quarter?

Vimal Kejriwal: We expect it to improve because we have started manufacturing lot of products for our railway business, since we also have in-house consumption available the production will definitely improve.

Saket Kapoor: Looking into this, that 1.5 lakh crore figure the official day for the transmission sector in that 105 lakh crore in total infrastructure spending over a period of five, six years whatever government have shown. So, what catapult for KEC as a company is looking when this figure of 1.5 lakh crore, even 60, 70% of this come into a reality, what kind of growth trajectory. Can we map into going forward and how well are we prepared to take advantage of the same?

Vimal Kejriwal: It's very difficult to link the transmission figures directly with 105 and all that, 105 is a mix of different things, to me what we have been talking with CRC, CAA and everyone else has been is that on the transmission side they expect a expenditure of around 40, 45,000 crore per annum as against 60, 70 which we have been talking earlier. Now from 45, 10 will go in power grid, 10 will go in private, 20 will go in ECB then it would be slightly different mix of that. That's the way I look at the broad numbers. Right now our Indian business will be around 3-4,000 crore. Right now I am not seeing it grow significantly on the T&D today. But today if this 34,000 comes or if the big solar plant comes in Leh Ladakh and other things which their government is talking and you need to understand one thing is that we have not had growth in the power generation in the last few years. With the matter of time that the power demand catches up and you start again doing generation. So after two years it will again start, for a year or two I feel there is some problem. But, the other thing what is there also is that with your power for all and with power in every house and with the push of EV and the railway electrification and all that. Some way or the other, you will have to build new lines to cater to all these demand also. So, I think today the government has not taken a very detailed view on this. But it's a matter of time that many of the lines associated with these things will also come up.

Moderator: Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just couple of things. One, as we have got this Delhi metro large order of (+2000) crore, and the difference between L1 and L2 was significantly higher. Sir historically we have seen that most

of the players have never made money in Delhi Metro projects. How do we see it and because it's a relatively a newer sector for us also, what is our thought process and what kind of margins and other things we are anticipating in this kind of projects as such, because historical track record of many players are not very, very great in Delhi Metro execution on that part.

Vimal Kejriwal:

Amber couple of points, one is I do not know from where you got very high differences, 2 to 3% are normal differences in large tenders, that's number one. Number two, both our tenders which we have one are significantly different because we are the, one of the very few tenders which have been awarded over the MRC estimates. Till now whatever you're talking all those projects, most of them have been awarded at significant discount to the estimates. So you have to understand one thing is that, people and at least we learned a lot from what others are doing or what others have not done. So, we are right now pretty confident we have incurred a lot of costs already committed a lot of costs. And right now, we are doing four projects in the metros and all four right now we are ahead, much ahead of our projected numbers. And the third piece is that clearly, we will not take 2000 crore of business to lower our numbers. So, when we are taking businesses like this, they will be at standard margins. The margins may take one year or two years to reach those levels, but we are very clearly not seeing Metro as trying to destroy my margin levels. We are very confident of what we are doing on the numbers and on the margin in metros. I don't want to give specific numbers but let me just assure you that we are pretty okay with the margins.

Amber Singhanian:

Fine sir. Sir, secondly if you can just give some color about the bidding pipeline overall in both the segments, railway as well as power grid India and sorry, if I missed earlier. What is the near term bidding pipeline as such or any major large project if we can high light on that?

Vimal Kejriwal:

Railway there is a huge amount of pipeline both within conventional railway which will be eventually new lines etc. Recently they were announced a lot of projects. So railways I don't think on the conventional side plus now that we also bid for the metro electrical parts and the track laying and the signal S&T power systems. So all of them we are bidding so clearly, I don't think on the railway side we are worried about the pipeline. T&D the worry is mainly on the power grid side where we are not seeing too many things happening. States, enough jobs are coming. I just named some of the states where they are coming. Internationally, Middle East is doing very well. Far East Malaysia, Thailand and all are doing well. Africa is now seeing, now we are seeing some jobs coming up but Africa has been slightly I'll say a little bit less than what we would have loved it to do. Mexico is doing well on tendering now on EPC. So, overall I will say railways we are very happy, T&D I will not say we are very happy but I'll say it's decent, we would have been happier if it would have been more than this, but it's okay.

Amber Singhanian:

And lastly sir if you can just reiterate the guidance for order inflow revenue and margins both for FY20 and 21?

Vimal Kejriwal: So margins we had been saying between 10 to 10.5. We are already at around 10.4. So, we should be ending closer to 10.5 rather than 10 in terms of margins. Revenue we are at 16% roughly so we will continue the same in Q4 also. Order book is a bit dicey today. I honestly, we have got orders of close to 10,000 crore. We have L1 or 2.5,000 crore. So we are just hoping that we should touch on last year's number of 14,000.

Amber Singhanian: Okay. Next year also similarly sir?

Vimal Kejriwal: Yes, on order inflows.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from IDFC. Please go ahead.

Bhoomika Nair: Sir just wanted to understand SAE a little better we've seen a very good execution in the nine month period but, order inflows have been quite muted which has resulted in a depletion of auto backlog out there. So, how is the new order pipeline looking there were a couple of EPC projects which were there, so if you can give some color out there?

Vimal Kejriwal: So Bhoomika you have been –28:42 on the order inflow it has been poor. So let's be very clear. We had a poor order intake, revenues we did very well, we have almost a 40% growth, mainly with the three EPC projects which we are doing. We have some L1 positions, the problem what we are seeing in SAE is that, we have got, we've signed a couple of deals EPC is to go ahead. We are again like last year waiting their approvals to start work. If that happens, then if we are able to start work properly, then this should be able to sort of match what we have done this year. I'm not seeing growth happening in SAE next year because we already did a 40% growth this year. Order intake has generally been poor, because last year because the election they skipped one auction. There was only one auction which happened in December, now they've announced two auctions one for May, June and one for December. The ordering for the earlier auctions is now right now going on, we have some active negotiations going on. And I think in the middle Sterlite came and sold one or two auctions where we were the contractors. So those projects are now getting reassigned to the new owners and I think work will start there. Similarly also on the other project, which we have with Sterlite again, there's been some talk of going and selling one or two of them. So there's been some delay and because of that I think there's some uncertainty in the entire market also as to who will buy, who will also do. So there has been a general delay in ordering. The other thing what happened last year in Brazil was that, with the dam burst with Vale, there has been a lot of cost increase is happening in the country, because of which most of EPC, most of the developers have been holding back the ordering to wait for the price levels to stabilize, because right now steel and transportation have gone up, like a rocket. We are slowly seeing the pricing coming down. So, I think that's the developers have been going slow on closing the EPC orders and in Brazil, they give you five years to complete the projects. So, I don't see any terrible hurry also with this. So, I think next year we'll probably have a flattish year in SAE.

Bhoomika Nair: Okay, so it was looking like there might be actually a decline next year so you think we should be able to actually hold on to the revenue?

Vimal Kejriwal: Hoping that they go flattish but even if there is a decline then it won't decline by 20 or 25, if it will decline it will be 5 to 7%. But we have also added a few machines there so I think from the tower side we should get more revenues and all that. Which is why I think that we should be able to able to maintain the revenues, max maybe 5% or something.

Bhoomika Nair: So, sir just on the other part was metros you spoke about, the autos being quite profitable. So, would it be comparable to our current margin profile of double digit because the order profile is now moving towards railways and civil to a large extent which is largely metros. So, railways you mentioned it is, it has reached double digit, but how would metro orders be comparable relatively?

Vimal Kejriwal: So today the metro orders are not in double digit. But I think we have been able to get some good deals right now in cement and steel and god willing if the same thing continues when the execution is going on. We may touch double digit, on the margin side. Today It looks like a fair chance that we may touch. So we are very close to that, so whether you touch double digit or you are 100 basis points below them or not. I don't think we are talking about doing 4 or 5% as others have been talking about saying metro will be ruined, it's not like that.

Moderator: Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

Swarnim: Sir two questions. Firstly, when I look at the staff cost, it's actually higher by about 43% and 10% Y-o-Y and Q-o-Q respectively. So, are we scaling up our employee base to take care of the rising infra mix that we are targeting?

Vimal Kejriwal: The major reason for the employee cost has been Brazil EPC where we are doing three projects together and there of course the way it is that you have to have hire the employees on your own. So, that how the staff cost got reflected number one. Number two is that we had lot of this international projects where in general in entire African other regions you have to take the people on your roles because you don't get the qualified people there. So that's the reason, the third one would be railways, were with the amount of work which we have. We have hired close to 600 people. We have hired close to 600 people in railways this year. So there are three major reasons why the costs have gone up.

Swarnim: Fair enough sir, so would it be a correct understanding that once the share of the Brazilian EPC goes down, ideally at least that proportion should go down as well?

Vimal Kejriwal: 100% you are right.

Swarnim: Got it. Okay, sir secondly on this you did give a broader outlook on the civil part how you're targeting. Just specifically on the margins trajectory, so would this be a correct understanding that it will actually follow just like railways what happened in the railways business, starting from 6.5 to 7% to converging to about 10% kind of margin over the next three to four years period?

Vimal Kejriwal: That is right, because our internal guidelines are very clear that if your business is not doing 10% we will not do the business. Whether it's, three years or four years that is something it should depend upon each business, how do we draw the strategy and all that, but the long term view in the company is very clear that if we are doing a business, we should be having a substantial, decent revenue I'll say and also going forward a margin of at least 10%.

Swarnim: Fair enough so scalability and 10% revenue, that is the benchmark?

Vimal Kejriwal: Yes.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura Securities. Please go ahead.

Priyankar Biswas: So my first question is on the cables. So you had said that due to floods and of course on the cost plus basis you had certain issues. So what would have been the potential margin impact, have been at the cable segment level of this impacts?

Vimal Kejriwal: I don't think there's a significant margin impact in fact our overall margin this year on cable has been higher than last year. What we discussed was on revenue impacting why the revenue has shown some de-growth. That's the reason why we explain, running on margin we are better off the last year.

Priyankar Biswas: So margins would have improved you are saying?

Vimal Kejriwal: They have improved this year.

Priyankar Biswas: And sir the question like, we were discussing about the signaling CAPEX for railways. So what is the status of those, when do we get to hear about the signaling tenders possibly?

Vimal Kejriwal: Honestly, no idea. There was one, I think one tender has been quoted EPC as two, one tender has been quoted, we not seen anything happening on that. As, I said last time the debate was going on railways is what technology they want, whether they want ATCS-2 or ATCS-3, so I don't think railways have been able to overcome that piece on the technology fight. So, I have not seen many tenders of signaling, all that are coming are small ones are of ATCS-1 and all that. Advance signaling I have not seen, no.

- Priyankar Biswas:** Okay. And sir the final question from my side, can you give me an idea let's say in the domestic T&D market since what we understand is a lot of the players are facing financial stress. So how would your market shares would have moved let's say in a SEBs that you are present and of course PGCIL like from a year back so any market share gains, some color on that?
- Vimal Kejriwal:** So, SEBs where we don't work in too many of them but Tamil Nadu, Karnataka, West Bengal I think we would have a share of 20-25% in all of them. Power grid we have not got too many jobs. I think we have one around 500 to 550 crore of jobs, okay. So power grid has been lower this year as compared to the earlier years.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir last week when you were commenting what a 14% growth in revenue. Sir generally the fourth quarter is the largest of all. So we can presume 14% revenue growth on what we did for fourth quarter last year?
- Vimal Kejriwal:** So overall they have been talking about our 15% growth for the year, if we have thoughts about 15% then it will be there in the last quarter as well. Otherwise you would have not been able to achieve the 15% growth.
- Saket Kapoor:** Right. And is interim dividend a part because of this dividend distribution tax going away and it is being taxed at the hands of recipient or is it the batter cash flow menu that we are coming with until even this time?
- Vimal Kejriwal:** These issues which will not be able to, but it's not necessarily what you to understand is, I said when we have got 600 crore of Saudi cash flows which came in, which come in the form of dividend, we already have a huge dividend distribution tax credit available to me because of the Saudi income. So, more to do with what we received than what we have paid.
- Saket Kapoor:** Sir you were telling that railways performance was not, the way you were expecting the railway intake will be there and the growth had not happened so, what are the main huddles that you were facing while collecting orders from the railway part?
- Vimal Kejriwal:** I didn't say that I have huddles in getting orders. What I had said was that, there were less tenders happening in Q2 and all that when elections were going on in May, obviously all the campaign and all. So in rebidding railways took lot more time than normal. So we lost let say Q1, Q2 railway tendering pipeline. So that pipeline is now coming back so that is why we have got orders of almost 3100 or something like that in Railways already this year. And there is a huge pipeline now, what I had said was that this pipeline may not get ordered by 31st March they will get tendered. And if it will come it will be in Q1 next year. They might give one or two if their quota is left but I expect them to be released in Q1. There is no issue in tendering in railways.

Saket Kapoor: Right sir. Bu the pain is on the T&D part, our dependence on the power grid and all, so no that you are not seeing it nicely, this is what the message you gave?

Vimal Kejriwal: Yes, I gave that message, but I also gave a message internationally it's looking up. So, I think overall T&D has grown this year and we do expect that we will grow next year also. Whether the rate of the growth will be again 20% like this year or 10% next year I cannot comment right now. But there will definitely be a growth next year also.

Moderator: Thank you. The next question is from the line of Rakesh Rao from Indsec Securities. Please go ahead.

Rakesh Rao: Sir, I have two questions, first question is can you explain the scope of work we are looking defense and oil and gas sectors?

Vimal Kejriwal: Sorry come again?

Rakesh Rao: Sir, scope of work we are looking in a defense and oil and gas sector?

Vimal Kejriwal: Defense right now we have been looking at a civil defense. So, we have got some orders on buildings on defense buildings, etc. So that is that, what is that we're looking at right now. There have been some other items which we have not yet got the orders so, I don't want to give it out right now but they are on higher technological grounds then just buildings. Once we get the orders formally we will announce them. Oil and gas we have been looking at two or three different things, one is obviously the pipeline's fees which could be accrued pipeline product, gas or even a water pipeline for other binary. So that's one part of it the second is the OSBL question will be outside battery limited, you can do tankages, you can do lot of infra development, there are a lot of other things which are there apart from the process units. So right now we're looking at doing process unit, but minus process units. There is a lot of work in there, which we are basically looking at.

Rakesh Rao: Sir my next question are we in station development task of a railway station development because today I am reading somewhere that government is going to tender nearby 50,000 for station development.

Vimal Kejriwal: So Rakesh, the amount 40,000 crore is what they've announced as a budget for a figure for station redevelopment. The problem in that is that, models are pretty confused, sometimes they come on a development model. So that's a bit of an issue. We have already bid for a few projects which were on a pure EPC model. Unfortunately we have not won anyone of them. But if there are EPC model, then to me it's a simple civil job. We have been building and we will continue to bid, but we are not touching by once where they are on a development model where you have to build them and then sell and then get your money.

- Moderator:** Thank you. The next question is from the line of Darshan Mehta from Ambit Capital. Please go ahead.
- Darshan Mehta:** Sir, there have been some news flows which talk about KEC bidding for running passenger trains. So, can you throw some light on that area like what is our strategy and something on that length?
- Vimal Kejriwal:** We are not going to bid for passenger trains. Railway board had called that meeting of some contractors, so our guy went to see what's happening so they added his name as well. We are not going to.....
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir in the smart meeting space we are also seeing a lot of traction set, so anyway our company can fall in place in this gradual change in this smart metering part. Anyway we are interested?
- Vimal Kejriwal:** We are not there in the last mile connection work, so smart meters we don't touch. We have done this work earlier, lost shirt, pant, everything and most of the larger players have also lost that. So, we are far away from that business.
- Saket Kapoor:** Right. And in the civil part you were explaining earlier that defense colonies and a lot of work you would, you have been interested and you will be going to do also, so what share of work can we look forward and out of their order book position how much is depending on the defense?
- Vimal Kejriwal:** It's difficult to tell share of defense because half of its work is not announced and they do it quietly so nobody knows actually how much money defense is spending on these contracts, number one. Number two, we have just started doing we are still doing a very small ones. Ultimately our target is that we get bigger jobs but today 200, 250 crore order book would be in total in that.
- Saket Kapoor:** Right. And we are doing civil part in metro as well. What is our role in Metro?
- Vimal Kejriwal:** In metro we have to do everything but currently we are doing civil and we have got four orders of civil. We have been bidding for electrification, laying off rakes, power system, etc, etc. I don't have order right now, it's a matter of time that we will get order in the other pieces also.
- Saket Kapoor:** Is RIETs is the competitor in this segment in the railway part?
- Vimal Kejriwal:** Right. He is a client for us.



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

Vimal Kejriwal: Thank you very much for your continued interest in KEC. Thank you.

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