



“KEC International Limited Q1 FY-22 Results  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the KEC International Limited Q1 FY22 Results Conference Call. We have with us today from the management, Mr. Vimal Kejriwal – Managing Director and CEO, Mr. Rajeev Agarwal – 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 ‘\*’ 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 Mr. Kejriwal.

**Vimal Kejriwal:** Good morning to all of you. I welcome you all to the Q1 earnings call of KEC. I hope that you and your family are keeping safe.

Let me start with an update on the overall performance for the quarter and thereafter talk about each of the respective businesses. We have achieved revenues of Rs. 2,540 crores for the quarter with a robust consolidated growth of 15% and a standalone growth of 24% vis-à-vis Q1 last year despite the challenging environment. The growth has been delivered by good performances in all our businesses such as T&D excluding SAE, civil, railways and cables. The growth would have been higher but for the intermittent COVID challenges faced at some projects, especially in international locations and volatile raw material prices. Considering the elevated price levels of raw materials such as steel, aluminum and zinc, we have taken a conscious call to regulate the supply of towers and conductors in some of our projects wherever the schedule permits. We have started seeing some softening in the prices recently, especially in steel. During the quarter, we have already reduced our old, fixed price steel exposures by 25% to 30% with tower supplies having been done. Considering our current order book and L1 position, we are very confident of a continued good growth for the year despite the regulation of the steel supplies.

Despite the significant issues we have achieved EBITDA margins of 9.6% at the standalone level and 6.3% at the consol level for the quarter. We have delivered a PBT margin of 6% and the PAT margin of 4.4% at standalone level. Our consolidated PBT margin stands at 2.3% and PAT at 1.8%. The margins have been impacted primarily due to the elevated commodity prices globally and the cost of time escalations in SAE Brazil amidst the pandemic. Our YTD order inflows stand at Rs. 4,401 crores including the recently released orders of Rs. 1,503 crores, a strong growth more than two times over last year. The largest contributor in the order intake have been our T&D and civil businesses followed by railways. We have a strong order book of Rs. 20,434 crores as on 30<sup>th</sup> June ‘21. Additionally, we have L1 position of over Rs. 6,000 crores majorly from our international businesses. Our net debt as on 30<sup>th</sup> June stands at Rs. 2,533 crores which is largely in line with our targeted average borrowing levels of Rs. 2,500 crores for the year. Our interest cost for the quarter as a percentage of sales has been brought down to 2.6% which is a reduction of 40 basis points vis-à-vis Q1 last year.

Now coming to our specific businesses; our core T&D business excluding SAE has been successful in delivering the growth for the quarter despite the intermittent challenges faced due

to COVID as I said earlier especially in the international locations like Malaysia, Thailand etc. apart from Middle East. In Brazil, the pandemic continues to impact the economy with significant rise in number of COVID cases per day. We are clearly disappointed with the poor performance in Brazil during this quarter. We had anticipated a turnaround in the ground situation from Q1 onwards resulting in an at par situation by the year end. The actual situation during the quarter continued to be difficult and showed no improvement on the back of the increasing COVID spread in Brazil which touched record levels in June '21 and the inability of authorities to control the same. This has resulted in delays in the completion of existing projects and significant additional costs. The availability of manpower shortage and steep rise of raw materials has impacted execution of EPC as well as tower supply projects. These challenges resulted in significant time and cost escalations which have impacted the margins much more than what we had anticipated earlier. We now expect to complete the two legacy projects and one project secured in Q3 last year by Q2 or Q3 of this year effectively delayed by a quarter beyond the earlier expectations.

The silver lining is that we have commenced construction in three new projects which had been acquired earlier. Additionally, we have secured supply orders in excess of Rs. 500 crores in the last few months in Brazil. The momentum in T&D order intake continues with new orders of over Rs. 1700 crores led by significant orders in the international market especially in the America, Middle East and SARC. The overall tender pipeline T&D continues to be very strong especially in the international market.

Our railway business has clocked the revenues of Rs. 600 crores for the quarter with a strong growth of 14% vis-à-vis Q1 last year. The business has also secured orders of Rs. 900 crores comprising of orders in conventional OHE as well as orders in the new areas of speed upgradation, port connectivity and third rail for metros. The railways tender pipeline continues to remain robust with a blend of conventional, technologically enabled emerging areas as well as international opportunities. With the continued thrust on execution and an orderbook plus L1 of over Rs. 7,000 crores, we remain confident that railways will continue its revenue growth trajectory for the year.

Our civil business has delivered a stellar performance surpassing revenue of Rs. 300 crores for the quarter with an impressive growth of over three times vis-à-vis Q1 last year. The growth has been delivered by robust execution in metro and industrial projects. I am happy to share that the business has secured a large order in the urban infra segment for the construction elevated viaduct stations for Chennai Metro. This has significantly enhanced our orderbook in this segment. With this order we're currently executing six Metro and RRTS projects. We are very pleased with the physical progress achieved in all our Metro civil projects. We continue to bid for opportunities in water pipelines, airports, urban infra, data centers, warehouses, defence and select industrial and residential segments. With the robust orderbook plus L1 of over Rs. 4,000 crores we are confident that this business will be one of the key growth drivers for us this year.

Our cables business actual revenues of Rs. 334 crores with a robust growth up over two times vis-à-vis Q1 last year contributed by growth across all segments. The business is progressing well with the development of new products. It has received approvals for quite a few products during the quarter and is on track to commercialize them this year. The profitability of this business has been under pressure with an elevated raw material prices such as XLPE, PVC etc.

In solar, we are progressing well towards completing the last phase of the 20 MW carport project for a reputed automobile manufacturer. We have also successfully charged a significant portion for the 11.3 MW of the 13 MW rooftop solar projects for a corporate client. In smart infra, the execution of existing projects is on track with the Aurangabad and the Bidkin smart city projects now nearing completion.

Coming on to ESG as conveyed earlier we have developed a strategic sustainability roadmap in consultation with a reputed consultant that lays down a sustainability, aspirations and action plan towards the sustainable business transformation of operations. The detailed roadmap is covered in our published integrated annual report for FY21. We have identified key sustainability focus areas and have set measurable targets to be achieved over the next 3 to 5 years.

On a concluding note, I would like to say that except for Brazil where the uncertainty is expected to continue for a few more months, we are quite confident about our overall performance despite the current academic scenario and the prevailing commodity prices. The tight control on interest costs and the momentum in order intake resulting in a robust orderbook plus L1 of over Rs. 26,000 crores and a strong tender pipeline, we are confident of delivering a good growth in the balance three quarters of the financial year. Thank you. I am open to take your questions now.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Renu Baid from IIFL.

**Renu Baid:** My first question would be to understand bit more on the margin side which was decadal low. If you can help us understand what was the quantum of operating loss in Brazil which we had during the last quarter and given that you mentioned that it will still take couple of quarters for the old projects to be completed, how we should be looking at the performance of SAE through the year and what could be your expected quantum of under recoveries or losses in that business for the current year?

**Vimal Kejriwal:** So, Renu, I don't have the exact number but I think approximately around Rs. 75 to 80 crores is the loss which we have booked this quarter in SAE Brazil. Next quarter should be lower than that because we were expecting it to be okay but I think the issues are still continuing but there is project progress which is happening. So, the balance work to be completed is slowly going down. As I mentioned out of the two problematic projects which we have and which are large projects, one of them should get over by September or October also hopefully and the balance one will go for another month or so. My view is that we will see some more hits going on in Q2.

Q3 maybe marginal loss or maybe we'll be able to cover everything in Q2. So, Q3 should be as a marginally loss and Q4 should start showing profits. I think that's the way I'll talk about Brazil.

**Renu Baid:** Subsequently when we look at the corporate level overall EBITDA while Railway and the other portfolio start delivering double digit margins and sustain that profitability level. For the current year in terms of the execution of backlog that we have in the cost headwinds which are prevalent, what is your outlook in terms of margin? Should we be able to at least maintain 8% EBITDA margin or that would be a bit of challenge for the current fiscal year?

**Vimal Kejriwal:** To me I don't think that should be a challenge because with the amount quantum of loss which we have booked at I'll say a lower revenue the revenues could have been higher. We clearly see a larger revenue growth in terms of absolute numbers because Q1 was pretty low even otherwise. I clearly see that absolute numbers will go up in the remaining three quarters which will give us a little bit more floor to absorb the SAE losses. I think, I am okay, we should be able to reach that much EBITDA margins for the full year.

**Renu Baid:** Secondly, when we broadly look in terms of the order inflow outlook, you seem to be pretty positive. The first quarter inflows were almost 2X. How should we look at the inflow numbers for the year and if you can highlight broad pipeline of prospect of projects across the different segments of operations?

**Vimal Kejriwal:** As of today, if I look at the numbers, we have around Rs. 70,000 crores of tenders which have been quoted or to be quoted in the quarter. So, what are not yet opened and what will be bid, put together are roughly around Rs. 70,000 crores and of which almost I'll say Rs. 40,000-45,000 crores are from the T&D market, both India as well as international and around Rs. 11,000-12,000 crores from railways and a similar figure from civil and others. That's a broad number I am saying tenders which we have quoted or we will be quoting now. I think we have a very robust pipeline across our businesses.

**Renu Baid:** Lastly just a bookkeeping question, if you can just share inputs in terms of within the T&D as in ex of SAE. how is the performance of our domestic T&D and the rest of the world in terms of numbers? Do we see our domestic executions picking up meaningfully on the backdrop of strong backlog we had?

**Vimal Kejriwal:** Domestic T&D had a double-digit growth. International and others were I'll say slightly negative, mainly because of a huge COVID restriction. We are not allowed to send people to Middle East or Abu Dhabi, Oman, Saudi, even Bangladesh which is a large country. There have been significant COVID restrictions which have pushed back the international revenues which would have grown otherwise. But domestic has grown and domestic we have decent orders intake, so clearly, I see that the India T&D on the back of orders will have a good performance this year.

**Moderator:** The next question is from the line of Priyanka Biswas from Nomura.

**Priyankar Biswas:** My first question is on the working capital side. Usually, you had highlighted that with increasing level of civil revenues in the mix, ideally working capital levels should have improved. I mean you know 1Q level. So, is there some build in either the T&D or the railway segment either in receivables or maybe more payables, has something like that happened?

**Vimal Kejriwal:** Let me just give a simple answer then Rajeev can answer it further. We did see some delays in payments from railways initially. I think of late now it's been virtually regularized. I think that could have seen some blips somewhere, maybe if you want to answer it?

**Rajeev Agarwal:** Priyanka, basically as you rightly said that since the execution in civil vertical has improved and consequently, we are seeing improvement on the working capital intensity as far as the civil business is concerned. But during the quarter there has been some delays from the railway vertical because the passenger trains are not running, so they are slightly in a tight position as far as the fund flows are concerned. So, that is intermittently getting delayed. I'm not seeing a huge issue on that side but yes there has been some delays off and on the railway verticals. That has let's say taken away the advantage that we have derived from the civil business. To that extent AR is slightly high but nevertheless within the quarter if you look at, we have improved DSO days by 4 days compared to what it was as of March, we were at 264 days and as on June we are at 260 days. So, our working capital intensity in the non-T&D business except for railways has improved.

**Priyankar Biswas:** And what about the T&D?

**Rajeev Agarwal:** T&D is by and large we are able to maintain the same numbers as of March and as of last year. So, some places we have seen some improvement but as Vimal also mentioned on the question that on the international locations we are facing intermittent issues, the clients are getting closed because of the COVID issue. We are not able to send our people to the site because the Visa not available or flights are not operating because of those issues. But we are quite confident that we will improve the situation in the coming quarters.

**Priyankar Biswas:** Last question from my side, you have already highlighted about the commodities. But my question is regarding the rise in freight rates, I mean the ocean freight rates and also lack of availability of space on ships. So, is this also among the reasons that has led to maybe lower performance with the international and how do you see the situation pan out in the coming quarter?

**Vimal Kejriwal:** Priyankar, I will not say that freight and all have cost a situation international market. Fortunately for us a large part of our revenues this quarter was more from domestic. Clearly the freight rates have gone up, probably more than double. But as far as availability is concerned, I think we were lucky that we had some good arrangements etc. As of now we have not seen availability being a major concern. So, you do miss one ship and all that one day, so it may get postponed by another week or so, but now we are not we have not seen any issue. There is a marginal impact

of late definitely on the cost part of it. But as I said that this quarter was more domestic so we are able to manage it.

**Moderator:** The next question is from the line of Ajinkya Bhat from Macquarie.

**Ajinkya Bhat:** A couple of questions from my side, number one on civil segment you have expanded quite a lot recently and clearly your addressable market has now gone up significantly. If you could just give us some idea on what has been the win rate for KEC in the tenders that you have quoted so far in the civil infrastructure segment and any indication on what has been the winning margin in the sense that, has there been a significant difference between your L1 bid versus L2 or what has been a percentage difference on average? That's my first question.

**Vimal Kejriwal:** So, on an average, the difference would be between 5% to 6%. Some of the bids have been very-marginal where the difference was almost nil. And in fact, in Chennai Metro and all that we were not even L1 because there the contract had a clause that only one bid will be given to one, so we were almost I think 6% or 7% higher than the L1 when we bought it but that was a strategic way of bidding. I have not seen significant differences in civil. One thing we have to understand, in civil Ajinkya, is that most of the clients give you a base rate of cement and steel. You always quote with a base rate and there is a price variation clause which is there. So, a large part of your civil cost is cement and steel. Since the base rate is given and the BOQ quantity is given, most of the competitors would be almost at 60% to 70% of the costs will be at similar levels. It's only on the balance 30% cost of mechanization and labor and other things where you tend to play around and then decide. So, civil I don't think you would see large differences in the bid. As far as the success rate is concerned, I think our success rate in civil, generally has been pretty decent in terms of the industrial. That is because industrial are more negotiated, on the public spaces where government tenders are there I'll say that normal like a one out of six or something like that is what has been the winning rate.

**Ajinkya Bhat:** Second question is on the solar EPC business. So, from your perspective what is the outlook on solar EPC and competitive intensity and if you could just highlight when it comes to bidding for solar EPC contracts, what is the key differentiating factor that determines a winner versus a loser? Is there any engineering ability that is involved in solar EPC or is it purely just erection of some metal framework and installation of solar panels, so it's broadly the execution efficiency that matters?

**Vimal Kejriwal:** So, to me the major part or the major role is played by your risk profile. Most of these tenders will have something on how much power you can generate, what is the guarantee you are giving and all that. Depending upon what is your risk appetite people can play on that and say my PU ratio will be this, my generation would be this, my DC to AC ratio would be this. And we have seen a lot of people coming to grief because of very aggressive calls on that. For us solar we started sometime back. At least I am not seeing a great future in KEC for solar EPC. Since we are there, we have got capabilities and at sometimes we are able to use it together with others

that is like a data center or in other places we are we have we are running this. We have clearly seeing that wherever modules have been taken, most of the cases we have seen that it's always been negative for whatever reason, either the Chinese module prices go up or the government imposes duty or the FOREX goes against you. So, for us I don't think solar at least in the near future has a major role. And people who are willing to take calls on modules are the ones who have an edge over other people. Otherwise in engineering and all that, there are standard software modules available where you can work out all this and come on with numbers etc. I don't see people having a significant edge. We do manufacture our own structure, so we do have some edge over other people on that but structures are again not a great percentage of your cost. 60%-70% is module costing. So, I don't see people having any significant advantage over each other except on the aggressive calls which they take.

**Ajinkya Bhat:**

Just one final question. The margin decline on consolidated financials that we have seen in this particular quarter, is it entirely attributed to SAE as in would you be able to quantify, could we say about 200 to 250 basis points would have been the EBITDA margin impact because of challenges in SAE?

**Vimal Kejriwal:**

Yeah, you can see the numbers between standalone and consolidated. Its SAE and there is a small number I think of our Dubai plant which would be positive. So, it would all be sort of the entire difference would be contributed by Brazil only, by SAE. Mexico is neutral so Brazil only more or less.

**Moderator:**

The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund.

**Vivek Ramakrishnan:**

My question again goes back to the working capital. The reason why I'm asking is that interest rates seem to be slowly inching upwards and the rating agencies have mentioned that your working capital cycle is the matter of reason why they would look for change in rating downwards if it balloons. Is there any point of time where you will start looking at equity to just kind of kill the working capital cycle or how comfortable are you that you'll be able to keep it within what the rating agencies have said? Just to give indication rating agencies have said negative in case total outside liabilities to total net worth is more than four times is what ICRA said and CRISIL has said weakening of financial risk profile due to stress in working capital cycle?

**Vimal Kejriwal:**

We have no program for looking at raising any equity. I think we are pretty comfortable with what's happening. I think the other piece is that even if the domestic rates go up with my international business being 40%-50% of our business, we can easily raise money overseas without any foreign exchange risk. I don't think we have any plan for any equity raising either today or in the distant future also.

**Vivek Ramakrishnan:**

Would you say that you'd be able to better control working capital cycle? I can understand COVID and so on, there'll be so many disruptions but year-on-year the numbers would be better than last year?



**Vimal Kejriwal:**

So, Vivek, if you look at our borrowing numbers and our commitment to keep the borrowing around Rs. 2,500 crores, we have been sticking to that notwithstanding the increase in revenue. Even this quarter our revenues have gone up by 15%, last year also. So, I think we are very clear on that our working capital cycle is definitely improving because of the same amount of borrowing we are doing a higher turnover, number one. Number two is, if you look at the various businesses and especially as Rajeev was talking about a civil business where the DSOs are lower and collections are better. I think and with that with their share in the pie going up, I clearly see that we should be able to manage our ratios very well. Rajeev you want to add anything on this?

**Rajeev Agarwal:**

Basically, Vivek you talked about the rating agency. If you look at our long-term ratios, 1 year could be a slight aberration I would say. If you look at that last 5-year trends, our overall liabilities to the net worth, our overall borrowing numbers, all the ratios if you look at what the rating agencies really focus on, they have all been coming down even last year for 31<sup>st</sup> March, 2021 we have been able to improve our total liabilities to the net worth. We have been able to improve our net debt to EBITDA number. All the numbers we have improving and our guidance as far as the overall borrowing is concerned of Rs. 2,500 crores, we have been able to maintain despite 10% to 15% growth which we are witnessing for last 2-4 years. Our overall level of borrowing which we're at about Rs. 3,500 crores thousand crore which I remember about 4 years back, we have come down to Rs. 2,500 crores whereas during the same period our topline has grown from Rs. 9,000 to Rs. 13,000 crores. So, there is a very clear focus on the working capital. Even now we are not really happy. When I tell you that our current working capital, we still have a plan to further reduce the working capital intensity and with the businesses that we are getting into for example the civil business, railway according to me is a temporary issue, so that will also get corrected. There is a lot of focus on the working capital and I'm quite confident that the working capital we will be able to control.

**Moderator:**

The next question is from the line of Ravi Swaminathan from Spark Capital.

**Ravi Swaminathan:**

This is Ravi from Spark Capital. Only one question with respect to railway order inflow, so what kind of order inflow both from railways and civil side that we might be looking at this year, given the fact that last year due to COVID was slightly on the lower side. So, basically can we go back to the Rs. 3,000 crores levels of order inflow in the railway side and civil side what kind of order inflow targets do we have and what are the drivers, it would be there to drive that inflows?

**Vimal Kejriwal:**

So, to me Ravi, between the two of them we should be looking at anywhere around Rs. 8,000 crores or something of order intake. That's what we've been looking and if you look at our current numbers, I think we have already got around Rs. 2,200-2,300 crores of orders between the two businesses. I think Rs. 8,000 or maybe even its slightly above that would be a fair estimation of what sort of order intake we're looking for these businesses.

**Ravi Swaminathan:** And railways which are the segments which are driving the fixed flows and civil also if you can throw some light there?

**Vimal Kejriwal:** So, surprisingly it's been OHE more. We had thought that OHE will slowly taper down but I think OHE is coming back on two grounds. One is whatever balance orders are there they want to fast track. Second is that there is I don't know what they call, I think operation Raftar as they call it. That's operation Speed and railways have launched this operation Raftar where they are trying to speed up the trains on all the Metro routes. So, between Mumbai-Delhi, Delhi-Calcutta, Bombay-Calcutta and all that. Based on that they are actually removing the existing OHE and putting up new OHE which have some higher conductivity and more capacity so that the engines can get more power. Recently we have won almost 80% of the contracts which have come on this. I will not say they are not actually OHE in that traditional sense but they are OHE because they're replacing the conductors, you are erecting new ones, you are doing a lot more cables and all that, different type of cabling etc. So, OHE has been big for us. The second one has been on the Metro side. Metro we have got in a large way on the non-civil which is what my railway team is doing which is all ballastless tracks, embedded tracks, we were recently L1 in a power supply contract. We have now got into almost all actions on the Metro side except signaling in Metro. Right now, we have won any contract there but it's a matter of time. So, to me that piece also is becoming critical. So, OHE, in the conventional railway and the other pieces in the Metro.

**Ravi Swaminathan:** And civil side, what is driving growth?

**Vimal Kejriwal:** So, civil, if you look at the volume side, value it will be Metro-civil and also water pipelines etc. So, these are the two large volumes. Then there are obviously a small amount coming from residential. We are not very big there. We only work with a couple of developers and industrial, industrial we have got a lot of projects but they are still not very, I will say in number they are large but volume wise they are either Rs. 60 crores, 70-80 crores, 100 crores. We just got our first FMCG order. We are just hopefully getting a first order in a pharma company. Otherwise, we have basically been cement and steel. We have got some chemicals and some others but largely, our large revenues are coming from cement plants and steel plants.

**Moderator:** The next question is from the line of Amish Kanani from JM Financial.

**Amish Kanani:** The question I have is, what are we doing to kind of mitigate the losses? First of all if you can remind us the kind of losses that we had, is it a project loss or is it a fixed cost incurring losses on the large base that we have or is it the FOREX loss if you can give us some flavor of that? As you said it will taper down by Q3, so are we looking at some drastic cost reduction program there or we will take a very long-term strategic view of the business and we say that in the long run we sustain this, we will come back to the profitability the way it was on Brazil side?

**Vimal Kejriwal:** So, Amish, let me put it this way; we acquired this business in 2010 and till March 2020, that's 10 years, we have been consistently making money. Even on these projects we did make money till March '20. And after the COVID hit unfortunately what has happened is that in other parts

we were able to recover but Brazil being Brazil whatever is happening, everyone is aware of the dynamics and the politics and all that and there is a demand for impeaching the president because of his failure to control COVID etc. so there are a lot of things which are happening. So, the problem is you ask me it is fixed costs or project costs? Effectively what happens in Brazil is that the labor laws there are I'll say more are checked than what we had in India a few years back. So, we have got and if you look at our HR manpower cost and all of you see a significant jump in the quarter because in Brazil what happens is most of the labor is also on your roles. Now if there's a COVID shutdown, now I have two choices either I asked the labor to go and there the separation costs are very high. And then you are not sure whether you'll get them back whenever permission is received or you continue with them so effectively what happens with these project costs which have becoming fixed costs. You have your labor sitting idle which you can't do much about it because if you let them go you are going to incur lot of costs and also, you're not sure you will get them back. So, that's a catch 22 situation, unfortunately with travel restrictions, visa restrictions and all that you are not able to somehow beef up the management or the project teams and all that. We did send some people from nearby countries there but the restrictions are very strong. I think it's just a matter of time, so unfortunately what had happened or I will say with an unfortunate or fortunate we've taken two large projects and both of them have turned out to be difficult projects and they were interconnectivity of each other. I think once these projects are over, I think we do expect that Brazil would start getting back to normalcy.

**Amish Kanani:**

Second question I have is if you look at this standalone margin there still, we have at 9.6% for the quarter. My question is on the railway side you mentioned that you've been taking metro projects and then some of the metro projects you've seen some of the companies facing challenges on sometimes on the political side the progress of the project stalled and given the COVID situation sometimes these public utility projects where railways are not even functioning, you know the priority of completing those projects can be delayed. The question is what kind of project mix that we have on the railway metro side which gives us the confidence that at least on the standard on margin side which is healthy at 9.6% at risk given the metro projects that we have and you can remind us of what is that level of margins between railway and civil have we reached those threshold margins we always expect that we should reach there?

**Vimal Kejriwal:**

Let me answer on the margin front first. I think on the margin front we have on railways we have touched double digit last year, this quarter maybe we're slightly below 10 or something I don't know but that's nothing was not very different from what we wanted it to be. As far as civil is concerned with the volume growth the leverage is really coming into play and I do hope that things become normal on the COVID front, we should be close to a double digit by the end of the year. That's what we had talked earlier. I think we are confident that we should be reaching that by the end of the year or maybe a quarter here or there, so I'm not worried about margins on railways or on civil. As far as metro and all is concerned let's understand one thing, the civil piece of the metro except one project which was started by railway initially on the RRTS side everything else is in this is on the civil business. So, railway does not have except one project

on the civil side of a metro rest of all what railway has is that non civil portion that's ballastless tracks, embedded tracks, third rail, signaling, power supply etc. and all those come into play once a civil piece is ready and operate, we have clearly seen whether it is KEC or whether it is anyone else. You'll see keep on reading my announcements. The viaduct construction is becoming faster. I will give a simple example, in our case in Chennai from the day we bought an LOI within 1 week our first test pile had been done. Now within 1 month I think we have already casted quite a few normal piles also, clearly on the on the civil construction side of metros we are clearly seeing most of the competitors are also doing a lot of fast tracking. Most of the metro projects have got definite lines of funding to finance them. So, I have not seen a single metro project or a single payment either from Chennai or Kochi or from DMRC or from RRTS, in fact most of them are one of the best pay masters in our overview Rajeev was saying as similar DSO's coming down is because of the very quick payment from the metro clients. So, I don't think we are at all worried about metro being a drag either on margins or on revenues.

**Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.

**Saket Kapoor:** As you were explaining the SAE underperformance, so what is the size of the two projects and what portion of the same has been executed up to this first quarter?

**Vimal Kejriwal:** I don't have that number but what I can say is one of the projects has got very little, I'll say probably 10% or 15% execution left. Other one would have maybe 20% and broad value both of them put together would it around Rs. 800-900 crores when we originally got them and now very little value is left.

**Saket Kapoor:** Secondly, now we're seeing this commodity upswing getting strength if we may call stabilizing also the prices of major commodity that these levels with slight plateauing. So, what portion of the order book you still feel is that there would be lower margins we have to book because of the prevailing commodity prices.

**Vimal Kejriwal:** As I said last time, we had around I think 1,00,000 tons of steel on the old, fixed prices of which as I mentioned in my speech around 25%-30% has already been executed during this quarter. So, whatever is left depending upon how the project progress requires we will also execute it. But let me put it very clearly that as compared to what we saw in the March-April and all that the steel prices have come down by close to around Rs.4000-Rs.5000 per ton. That may not be what seems from market reports but that's the fact that because we use long products, we don't use flat products where the prices are still, we use little bit of flat product I'll say, but most of our products are what we call PMP Saria, billets and angles and channels etc. so their the prices have come down. There was a sharp uptick in the start of the year because of the oxygen shortage, because of which per secondary market had shutdown. Now that oxygen issue has been closed and industrial oxygen is I'll say virtually freely available. The secondary market has started operating fully in which has caused a significant dent and also with the problems in shipping and all that we are clearly seeing that export market has come down for many countries

especially China from India. Fuel prices are clearly below what we had projected, so I'm not worried about that. As far as other matters are concerned, they have been on I'll say jigsaw is going on, aluminum was at USD 2,500/ MT and now to USD 2,300/MT, now its again back to USD 2,600/MT, so I think there is enough time to wait and watch. I'm not seeing a significant impact of the non-steel piece today because I have enough time to wait and watch. Steel is something which we cannot wait for indefinitely which is why we reduced 30%. Maybe again another 30% will go in Q2. You had heard of me on my first question on my margins and all that, so most of the margins where we were little bit on the back foot was because we had accounted for the current steel prices.

**Saket Kapoor:**

Concluding the performance of SAE's contributing negatively to the consolidated number it is very likely to assume that it will be difficult for us to close the margins for this year even levels for FY21. The margins which we had for the FY21 it will be difficult in the negative contribution will mitigate the profitability?

**Vimal Kejriwal:**

Difficult to say in the sense that if you're looking at percentage maybe you may be right. It could vary by some basis points here and there but we have also to keep in mind is that we have a strong order book, so there will be a strong top-line growth which will give us some leverage. So, in absolute terms our margins will definitely be higher than last time 100% there's no question about that. Whether in terms of percentage we are able to meet them or we will be slightly lower and all that, as this is difficult to say because I do not know what will happen to steel, what will happen aluminum? Let's say commodity prices become little bit more favorable and then we may be able to meet our last year margins. So, if commodity prices go up further, then we may not be able to move the last year margin percentages but in absolute terms I think with that with the growth we are talking about I'm more than confident that we will deliver more than last year.

**Moderator:**

The next question is from the line of Deepak Narnolia from Birla Finance Insurance.

**Deepak Narnolia:**

I had two questions actually; one is about your margin. Lot of questions were there about your margins, and I wanted to know that in SAE towers your standard margins are relatively better I think but this quarter SAE towers have been mainly impacted. But since last quarter you have been saying that you had three orders in Brazil and most of them were largely getting over. So, I wanted to know if you can give any color on your future margin or next 3-4 quarters and what exactly is the problem in Brazil? And in margin only, the commodity price means it has not hit you in a big way but then the commodity prices are strong. I remember that in the last call you had said that if this continues to remain strong then it hit your margin. So, what is your view on that? Number one question, number two as far as your working capital is concerned absolute number of days looks like 135 days but your acceptances has increased significantly this quarter, so what is the exact situation of receivables and what the future view on that?

**Rajeev Agarwal:**

So, basically, if you look at the working capital piece, there are some acceptances have gone up but that is by design. We should really look at the overall networking capital, networking capital days is 135 days which is more or less than the similar lines as we had the same quarter last year. But despite that if you look at the interest cost, interest cost has gone down from 3% to 2.6% on a consolidated level and 2.5% in a standalone level. So, basically, what we look at is because we have many levers to pull in the working capital piece sometimes, we borrow largely in the foreign currency loan. Sometimes we switch over to reduce our foreign currency to start getting earning the lot of premiums out of the furnishing market because your forward premium goes up to 5% and all and then we also have a lever in terms of reducing the number of days, creditors going up and stuff like that. So, what I'm saying is that there are many leavers so ultimately what you should be really concerned is that interest cost. Interest cost during the quarter has gone down both in the absolute term as well as percentage to sales. This is what actually we look at while exercising our various levers for the working capital.

**Vimal Kejriwal:**

So, coming to your questions on Brazil and all that, normally we quote there on our standard margins of 8%-10% there as in the other markets. As I said, we were expecting to complete the projects, one project within this quarter and one I said that will probably go to Q3. But the way with the COVID currently going on what we have now said and at the start of the conference was that there'll be 1 quarter delay and both the projects should get over in Q3. So, clearly that there will be a large amount of additional costs which we're incurring which is causing the loss. The second thing there is that material price impact there has been much more than even in India and because of COVID there has been a huge disruption in their entire manufacturing and you can see that happening. Of late we are seeing a bit of the recovery in their GDP etc. so I do hope that will also come down to the construction companies and the market start stabilizing there. But we have secured three new projects on EPC and relatively smaller projects not as big as the ones which we are currently executing and all these three projects have started well. Apart from that we have now got more orders on the supply side also. I think we are confident that we should start seeing a turnaround happening from Q3 in the Brazil numbers.

**Deepak Narnolia:**

One more thing if you allow me to ask that your numbers are quite off late to the market trend, everybody delivered a very poor set of numbers say in first quarter of last year and this quarter other companies most of the companies are delivering well truly. Much better results in comparison to the last year but in your case where I see that you delivered relatively better results than last year but this year first quarter is much lower performance in comparison to what other companies are reporting through, what exactly is the reason behind that?

**Vimal Kejriwal:**

I think the reason is very clearly that in the first quarter last year our international operations were continuing very well. So, we were able to deliver a lot of revenues from international operations in Q1 FY21, whereas in this year it's been the international operations have been impacted including Brazil etc. That's why if I look at some of our competitors results are well come out and I was having the same question as you are but then when you open their FY20 Q1 and then when you map FY20 Q1, FY21 Q1 and FY22 Q1 you'll get an answer where you will

see a lot of similarity from FY20 to FY22, if you ignore FY21 and compare us with FY20 with our peer companies you will find that almost everyone is delivering in a similar manner. Others have shown lower number in FY21 we have shown a higher number because of the international operation which is now reverse now for us in this quarter.

**Moderator:** The next question is from the line of Renjith Sivaram from ICICI Securities.

**Renjith Sivaram:** If I look at your cable business, that has shown good numbers, so what is your overall thought regarding distribution reforms is also coming up. So, is there any plan to double up the capacity because there will be huge requirement for cables then, so isn't it right to that has a good growth opportunity for us?

**Vimal Kejriwal:** We are seeing a growth in cable in I'll say on more on the EHV and HT side and also on the railway side. The LT side is I'll say still relatively flat and there is a cutthroat competition and if you see the results of all of the cable companies also, I think on the plot like cable I'm not talking about house wire cable section, people have been having some difficulties because of at least till now that there is not major traction on the LT side. One was because of the COVID, second is because the raw material prices are so high copper and aluminum that people are postponing their procurement on many places wherever they can. But having said that we did invest lot of money last year in expanding our railway capacity and this year we do expect that our railways so probably be 30% of our entire cables and we're talking about a growth of almost 20% in our cable. This quarter we have been double up last year, last year was pretty bad for Q1 because the factory was shut down because of COVID. I think cable will be a very positive about the growth we have not yet started, we are looking at whether we should invest or not I am not sure about it whether we will invest our money but we can do a lot of bottlenecks etc. because on LT side we have old plants. So, it is easy for us to expand capacity. We have already done some de-bottlenecking on the EHV and HT side and we'll clearly see a lot more share in our revenues coming from the higher products up to 20 KV etc. and also railways. So, clearly, I think we have pretty very positive about cables and that's one business where our networking capital is negative.

**Renjith Sivaram:** Are we there in solar cables?

**Vimal Kejriwal:** We are there in solar cables but not in a large way because solar cable is single core cable and the productivity gets impacted significantly and also what we are seeing is that with the current prices and options etc. but the EPC prices are pushed to the bottom so the price which you get from solar manufacturer is little bit of concern. Secondly what is happening is that with the recent judgments and some of the state governments going back on their PPAs, we are seeing a lot of solar projects getting postponed. That leaves you with open orders you do not know when you'll execute etc. So, solar is not a large share for us, we do sell some solar.

**Renjith Sivaram:** Lastly on the oil pipeline, you told about water pipelines so why are you not getting into this oil and gas pipelines?

**Vimal Kejriwal:** It is my mistake I should have covered it. We have actually opened a separate SBU for oil and gas pipelines. It's apart from a civil SBU where we have and for us it looks like a very important, I'll say adjacent diversification for us in terms of oil and gas. I had said earlier this time I did not cover I should have covered it. We have already bid for a few projects; even now we have some open bids on oil and gas pipeline. Clearly, we are very bullish about that business and you will if not this quarter next quarter since we are bidding you will definitely start seeing some success some announcements from us on oil and gas pipelines.

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

**Parikshit Kandpal:** First question is on commodity inflation, first of all in this environment of benign commodity prices, so how is the induction remain and what are the steps in this mitigation you are taking bidding for projects?

**Vimal Kejriwal:** I'll say three things which are happening. One is obviously we are going back and talking to people saying that whichever fixed price contracts can we get some leeway and we can convert them etc. There are some places you're seeing some success and on some you're not seeing success, wherever the projects required you're still supplying to them. That's one part on the existing orders. On the new orders clearly, we are referring to the industry and have been talking to all the clients etc. saying that you need to shift to variable pricing. Although, now with the prices coming down now there's no one now shifting to variable pricing but that's the second piece. Third piece is wherever there are fixed price contracts you are quoting them with a lot of caution and with expectation of what is happening and adding your forward premiums etc. So, I think what you will start seeing also is that whatever contracts we have won now with the last or let's say a quarter or so they were quoted at current prices or maybe slightly higher than current prices. So, when they start getting executed, they will set off some of the lower price contracts.

**Parikshit Kandpal:** Question on the point you highlighted that about 1 lakh tons of steel you have supplied about 30%. Just wanted to know how much of this is line business and in the business which you explained how the business works in Brazil so we have a high fixed cost proportion of the cost EPC for the Brazil labor laws. So, how this is the ordered business in time not given the political term this around COVID so because what happens is they say you come back to back but next year again if it is no different pipeline the ordering size has fixed overheads you are taking start with margin front then to your margins for next year, so can you just highlight on how will entrepreneur the way it happens?

**Vimal Kejriwal:** A large part I'd say almost everything of the fixed price what you are talking about is on Brazil. Brazil as I said these projects are close to completion and all that, so there's hardly any fixed price on steel etc. in the current projects. Number one, number two when I said fixed costs in Brazil it was with the relevance or with reference to these particular projects where because of COVID you have had people waiting and all that. Otherwise, I don't think we have a large fixed cost in Brazil, number two. Number three is we as I said that we have almost more than 500



crores of orders now we have three new projects in Brazil on EPC. I don't think we are worried about absorption of fixed cost in Brazil. We have enough orders I think I don't have the exact number right now in Brazil we have enough orders. Maybe someone's getting but I think we have orders of more than Rs. 1,000 crores in Brazil which are at reasonable I will say margins. I don't think we are worried about going forward absorption of fixed costs except for the few projects which should get over in by the next quarter or so.

**Parikshit Kandpal:**

Last question on the data centers that you touched upon. So, just wanted to know the civil side of the data centers is too small. So, typically, when you are bidding is it that the entire lump sum contract of turnkey project which expands the product part also which you will supply or it's just the civil part which you are...?

**Vimal Kejriwal:**

Parikshit it would depend upon what the developer is looking for. For example, right now we are just about to finish one data center for our Defence client where you have done everything from site gridding into building to NEP and to air conditioning and everything. Obviously, you don't do the hardware and the software part of it. That's always put in by the client or the networking etc. so that part is not in this. There's another one where we are bidding where we are only doing civil. Then there are others where we are talking where since with the power consumption and there's a lot of emphasis on green energy. We are now talking with someone to do entire data center including a sub-station and the solar panels. We are doing everything except for the let me say the technology part of it inside the data center. Then there are couple of people who are talking to us saying only those are the civil part of it. Right now, I got one contract from one of our leading data center developers was first given me the infrastructure. Saying why don't you come and develop the infrastructure and the ground level and then we will give you the contract for the civil and then for the other pieces. It actually depends upon the developer, in what format he is trying to structure that data center tendering but with our cable supply, with our solar, with civil and everything in place we can actually do the full data center for everyone minus the technologies to top it. Technology I can still use Zensar if I want to, but I don't think we want to get into that. Right now, most of the developers want to have their own technology or they will use it for the client. Let's say somebody is developing a data center for Amazon or Facebook or whoever it is then that entire piece will come from them. That's the way we are looking at data center.

**Moderator:**

The next question is from the line of Gopal Nawandhar from SBI Life Insurance.

**Gopal Nawandhar:**

My question was on again on the SAE part. We have been making losses in the last couple of quarters and we know not these orders are going to make losses. Why we don't make any prudent provisions on those projects in a given period rather than spreading it over the couple of quarters?

**Vimal Kejriwal:**

We do not know that we will make losses. Otherwise, I would not have stuck my neck out and said that we will not make losses. The problem is when you enter the quarter then suddenly something is happening and like no one who have predicted that you will have a wave 2 in India.

Same thing is happening there. We had never thought that there will be a loss going on. There are compensation claims and all that; how much you will get, what will happen. Lot of things are there. If I know that I am going to lose money; even now when I am talking about Q2 and Q3 there are lot of discussions going on which obviously I cannot disclose here with clients and all that, what they will pick up, what we have to bear and everything is there. So, prudently we do not know, if we know prudently that this loss is going to happen, obviously we have to provide both in accounting terms as well as prudent management. The problem is that we do not know, we expect and we start, we think that this will become normal and will not be losing money and we will be able to recover whatever we have lost. Unfortunately, that's not what has happened.

**Gopal Nawandhar:** Another question is the situation is still grim in Brazil and we have got few orders in last couple of quarters. The question again is that how confident are we to make the margins which we were making earlier in this business?

**Vimal Kejriwal:** I think let us be very clear. These orders were taken 2-3 years back when the manner in which the orders were taken were very different. They were large orders where the engineering was to be done. There were lot of variables and that was a typical way in which ordering used to happen in Brazil. Off-late, the entire ordering pattern has changed in Brazil. The sizes of the orders have come down, the developers who are now putting one order to one person, so they have been breaking it down. Engineering is being done in advance. So, the variables come down significantly. You are now aware of what is happening on the cost side. The cost sides are getting factored largely. That is a way the risk profile of the orders has changed significantly.

**Gopal Nawandhar:** Lastly India performance has been very strong despite these all-commodities related issues. Is there any one-off gains in the India business or?

**Vimal Kejriwal:** No, there's no one-off gain in the India business.

**Gopal Nawandhar:** Then basically these kinds of margins at least in the India business we should be able to sustain if commodity prices doesn't go up from here?

**Vimal Kejriwal:** We do expect to sustain the standalone margins. I am sticking my neck on beyond India. So, India is one part of it. There are other international minus Brazil where we have got margins and all that. I don't think we have any issue unless we suddenly find how it is spiking up further. On steel it is Rs. 50,000 so from Rs. 50,000 it can't be Rs. 60,000-70,000 That's been accounted for when you talk about it.

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

**Jonas Bhutta:** Two questions, first what we have seen is and this is something I am picking up from the annual report is the investments in the holding company that holds SAE. The investments by the parent entity have gone up by almost Rs. 400 crores in 4 years. Now given your outlook for SAE for the current year and maybe some buffer for next year, you believe that the level of investment

stays here or do you think you will have to put in further cash funding to SAE at least for the next year or so. We believe that...?

**Rajeev Agarwal:**

Jonas, Rs. 400 crores number has gone up actually last 3-4 years, you are right. But basically, what we have done is this we have prepaid the high-cost loan because to acquire the SAE business we had taken a big loan. It was a fully leveraged buyout so because the cost of debt acquisition was very high in terms of cost of the loan was very high. It was going to 5.5% to 6% in terms of the foreign currency loan so we decided to prepay it. That is the reason we have invested equity in that business and we have prepaid that entire debt. Virtually at the acquisition level there is no debt. Also last year there was some losses and because of debt we had to fund those losses. We have invested some additional amount to take care of the losses and to make that company liquid.

**Jonas Bhutta:**

And this year given the outlook that at least next two-three quarters are going to be loss in minor losses or whatever. So, do you believe that this year also loss funding is required from the parent company?

**Rajeev Agarwal:**

There will be some loss funding definitely because that company if you look at the size-wise that company is about Rs. 1,000 odd crores. They had a net worth but with the kind of a losses that we have let's say incurred on the couple of these projects. We are required to do the loss funding. So, that they will be some additional money would be definitely required to be pumped in into that company.

**Jonas Bhutta:**

My second question was on the smart city vertical that we entered. While there's not been much of a growth there but just wanted to hear your views on over the next 2 to 3 years whether this would be another growth area or it will be something like solar EPC where you don't expect great growth?

**Vimal Kejriwal:**

Jonas, smart city as I said we are finishing those two projects. We have got one more project which we are executing and we have bid for a few more projects. Unfortunately, what happened is with COVID coming in, most of the states have diverted all their funds available into different areas. We still call them smart city but basically, they are used for different areas. If you look at the number of jobs which are coming up have gone down significantly and tenders which have been bid are not being awarded and etc. Right now, it's not looking great but someone asked me question on data center and when you look at Railways, telecommunication, other things what we are finding is that we are able to leverage a lot on our smart city or smart infra capabilities to bid for many of them specially on data center and specially on Metro, telecommunications and even in the conventional communication etc. we are finding that useful, now we are even in a large airport project. Now that airport project has for a large element of smart infra in that. So, we may not see too much of smart infra as smart infra vertical but clearly that entire piece is helping us in other verticals and hopefully government renews its focus on smart cities and all

that and starts actually investing then we are there, we have the team which is now right now doing other things.

**Jonas Bhutta:**

On data centers, I just missed out on your comment there. The kind of contract that we take is basically just pure civil or it's like a turnkey project where even the sub-station part even though while there might be bought outs on the sub-station side but that also scope, we are getting or how does it work? As a percentage of total data center cost its technically is about 30-40 crores of MW. KEC share would be how much?

**Vimal Kejriwal:**

It depends upon as I said from tender to tender. The one which we are right now doing has got everything including sub-station and the connections and all that. There are others where I know in some cases our sub-station itself is Rs. 100 crores. There normally the client would like to separate it out and give it to a separate sub-station operator because not all the data center, also EPC contractors are capable of doing sub-stations or people feel that maybe an ABB or Siemens can give them a better price than what a KEC or someone can give. It would depend upon how the developer looks at it. We have been talking with developers where we are saying that we can do everything for you including sub-stations and the lines, in some cases the power line has to be drawn up, in some cases they are looking for a pure play green data center where they want you to do solar panels, solar is also. It is more on the developer but we are trying to sell ourselves saying that we can give you everything minus the technology and we are getting some jobs like we already have one job. We are talking about one more like that or that manner.

**Moderator:**

The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.

**Bhavin Vithlani:**

This question is reference to the discussion we had in the previous earnings call where in you mentioned that steel as a commodity is something that you might have to take the hit but aluminum is something we can spread out and lower the impact. Would appreciate where are we in that? Have things improved or deteriorated from those levels?

**Vimal Kejriwal:**

As far as aluminum is concerned the things are at a similar level as before. The aluminum price has been around USD 2,400-2,600/MT. I think today it's become USD 2,600, then will become USD 2,300. So, we are still on hold on aluminum because we don't need to supply today. We still have at least another two quarters till we hold on, I think the cycles are showing signs of coming down. On steel obviously we cannot hold on because that's the start of the project and that it takes a lot of time. So, which is why I said that in this quarter we have brought down our fixed exposure from 25% to 30%. I think roughly around 30,000 tonnes of towers we have supplied on our old fixed place contracts thereby reducing our exposure significantly.

**Bhavin Vithlani:**

The last question is what should one expect as the average debt for this year? We ended the year with Rs. 1,700 crores, we are at Rs. 2,500 crores. What is the average debt one should expect for the fiscal year '22?

- Rajeev Agarwal:** So, Bhavin basically as we have guided considering the increase in turnover, we expect the average debt level to be about Rs. 2500 crores. Last year was also on a similar level. It was only the let's say last 10-15 days higher collection, that had pushed down the debt level to Rs. 1,700- Rs. 1,800 crores. But if you look at the average debt level for throughout the year, that was more or less at the same level. We don't expect a debt level to go up because we are expecting a lot of efficiency on the working capital side to improve this year as well and our focus has been to improve the working capital. Our average debt level will continue to be at the same level despite our increase in top line.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Out of the total cable business, what portion does EHV contribute?
- Vimal Kejriwal:** EHV, there are two portions in that. One is EHV cable and EHV Cabling. So, if I look at capacity wise, I can do almost 30% from EHV. Till now the orders have not been there, now the orders have started picking up for EHV. So, I think 20% to 30% can do from EHV.
- Saket Kapoor:** The total pie of cable order booking, what is the proportionate? How much is our order book in cables?
- Vimal Kejriwal:** There is not much order book in cable because orders come and goes immediately. I don't have them we don't even track in that fashion but approximately if I can tell you Rs. 300-400 crores orders would be there. Minimum next 3 months orders we have so it would be around Rs. 300-400 crores.
- Saket Kapoor:** How has FOREX played for this quarter? The impact of FOREX?
- Vimal Kejriwal:** FOREX we were positive by around Rs. 15 crores.
- Rajeev Agarwal:** That's correct Vimal. Similar basis as last year so we had a Rs. 15 crores positive gain this quarter.
- Saket Kapoor:** You were expecting that commodity like aluminum, copper will may cool down say two quarters down the line. So, what is our requirement now? How much aluminum and how much copper are we unhedged out of the total requirement?
- Vimal Kejriwal:** Copper is hedged fully, if any one tender remains then that's a different story but copper would be fully hedged. Aluminum is not hedged for those tenders where the tenders were awarded to us late there we are not aware that L1 will be there. I don't have the exact number of unhedged. I will tell Abhishek to tell you separately.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vimal Kejriwal for closing comments.



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**Vimal Kejriwal:** Thank you very much for your interest and continued interest in KEC. Thank you very much and please stay safe.

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