



“KEC International Limited Q4FY22 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEC International Limited Q4FY22 Results Conference Calls.

We have with us today from the management, Mr. Vimal Kejriwal - Managing Director & CEO, and 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 sir.

Vimal Kejriwal: Good morning. I welcome you all to the Q4 Earnings Call of KEC. I hope that you and your family are safe and healthy.

Let me start with a key updates on the overall performance for the year and Q4 and thereafter talk about each of the respective businesses.

We commenced the Financial Year amidst global upheavals due to COVID-19. The environment continued to be challenging due to a relapse of COVID-19 in many countries, supply chain disruptions and continuous rise in commodity prices and logistic costs. The situation showed some signs of improvement with some corrections in the commodity prices in Q4FY22. However, the ongoing tension between Russia and Ukraine created fresh geopolitical uncertainties and another surge in the already elevated level of commodity prices.

At the end of the year, our performance for FY22 has been a mixed bag. While revenue and margins have been impacted, we have achieved the highest ever order intake, and have been successful in accomplishing quite a few strategic initiatives across businesses.

Our order intake for the year stands at Rs. 17,200 crores, a robust growth of 45% over last year with large contributions by our international T&D and Civil businesses. This has significantly enhanced our closing order book to over Rs. 23,700 crores, a robust growth of 24% over last year. Additionally, we have an L1 position in excess of Rs. 4,400 crores. Our order book is well diversified across businesses with an equal share in both T&D and non-T&D businesses.

Financial Performance

We have achieved revenues of Rs. 13,742 crores for the full year, with a growth of 5%. The growth has been contributed by good performances in Civil, Railways and Cables. We are making good progress in deploying several mechanization, automation and digitalization initiatives across projects, to improve productivity and quality of execution.

In-line with our strategy, the share of non-T&D business has increased to 50%. The growth could have been higher, but for a few force major reasons such as suspension of the projects in Afghanistan, impact on DMRC projects due to NGT/ environmental issues, COVID-19 challenges in international projects, and also increasing commodity prices.

We have delivered EBITDA margins of 9% at a standalone level and 6.6% at the consol level. The consol margins have been impacted primarily due to the continuous increase in commodity prices such as steel, aluminum and copper, rising logistic costs and obviously the Brazil performance.

I am pleased to inform that in SAE Brazil, the two legacy projects have been physically completed. One of them has already been commissioned. And the second one is expected to be commissioned in the next few weeks. The commissioning of the second one has been delayed by a few months owing to external dependencies and heavy rainfall. These have resulted in unforeseen costs which were not anticipated earlier in the form of rework of some foundations for strengthening and rebalancing. The work on other three EPC projects secured last year are on schedule. Two projects are expected to be completed this quarter, and the third one by Q3 FY23.

We have also significantly enhanced our order book in Americas, with orders of almost Rs. 1,400 crores for supply of towers, hardware and poles a growth of over 50% vis-à-vis last year. In North America, we have secured the highest ever order intake over Rs. 500 crores for supply of powers and poles. With this we now have a complete loading of the SAE Mexico factory for FY23.

With the easing of COVID restrictions, we have also strengthened the organization in Brazil, by sending experienced resources from India. Considering the performance of Brazil we adopted a prudent approach and made an exceptional provision of Rs. 99 crores, primarily towards the impairment during the quarter. This has impacted our PBT at a standalone level. However, there is no impact on the consolidated PBT.

Excluding the impact of exceptional items, we have delivered a PBT margin of 6% and a PAT margin of 4.5% at the standalone level, and a margin of 3.2% and PAT margin of 2.6% at the consol level.

Our net debt as on 31st March '22 stands at Rs. 2613 a reduction of Rs. 300 crores vis-à-vis last quarter. As communicated in last call with dedicated efforts the debt levels have largely normalized and we have been able to bring it closer to our targeted borrowing levels of Rs. 2,500 crores, however, the average debt level has been slightly elevated during the year which has led to higher interest costs.

Coming to the Q4 we have achieved a revenue of Rs. 4,275 crores. Our revenue was virtually flat vis-à-vis Q4 last year and a robust growth of 28% sequentially. Again Civil, Railways and

Cables have delivered good performance during the quarter. We are delivered EBITDA margins at 7.3% at standalone level and 5.9% at the consol level. The margins have clearly been impacted by the high commodity prices during the quarter. Excluding the exceptional items stated about we have PBT margins of 4.6% and PAT of 3.7% at the standalone; consol PBT margin stands at 2.8% and PAT margins at 2.6%.

We have secured orders of over Rs. 4,500 crores in Q4 led by several international T&D and Railways business.

T&D Business

T&D business has achieved revenues of Rs. 6,900 crores for the year. The revenues are slightly lower due to the suspension of our projects in Afghanistan, some of the continuing COVID challenges, and continued elevated levels of commodity prices.

The business has secured significant strategic orders of over Rs. 7,400 crores across Transmission lines and substations. The inflows have been led by orders in the international market, especially in the Middle East, SAARC and Americas. In line with our strategy, the business has expanded its footprint to two new countries during the year.

Post-commissioning of our six-tower manufacturing facility in Dubai last year, we have ramped up the production capacity from 36,000 metric tonnes to 50,000 metric tonnes this year. In addition to supplying towers for KEC projects, the Dubai subsidiary has been successful in securing orders of over Rs. 250 crores from third party customers during the year. These include orders for supply of towers and maiden EPC orders from reputed utilities and private clients. The state-of-the-art plant is well poised to serve the high growth Middle Eastern and African markets amongst other regions.

Despite a muted domestic environment this year, the business has strengthened its presence in India with orders of over Rs. 1,500 crores from PGCIL, private players and state utilities including Green Energy Corridor Projects. During the year business has also reinforced its presence in the cabling solution segment and has secured one of its largest orders ever for laying underground Cables for the state utility in India.

The overall tender pipeline in T&D is strong across both international and domestic markets. With significant upcoming opportunities of Green Energy Corridor Phase II and the Leh Ladakh HVDC lines, we are witnessing a gradual uptick in the domestic T&D market which has been sluggish for the past few years. Some of these tenders have already been floated. Additionally, we are seeing opportunities in states such as Karnataka, West Bengal, Tamil Nadu and Bihar.

Railways

This business continued its growth trajectory, as it achieved revenues of Rs. 3,860 crores for the year, delivering a growth of 13% vis-à-vis last year. The business has been successful in delivering double digit margins for the second consecutive year despite a challenging environment. We continue to maintain leadership in the conventional area of overhead electrification OHE, having successfully executed 24% of India's Railway electrification in FY22, highest in the industry.

The business had secured orders of over Rs. 2,500 crores, a growth of 45% over last year, and a market share of over 20%. In-line with this diversification journey, the business has deepened its presence in technologically enabled areas of metros through orders in OHE, power supply, ballast less tracks and third rail for Metros, and also widened its presence in the conventional segments with orders in speed upgradation, port connectivity, tunnel ventilation and Railway sidings. We have seen some good success with orders in these new areas, especially in the semi high speed rail under Mission Raftaar where our current market share is over 60%.

We have also started bidding for tenders on TCAS (Train Collision Avoidance System) under the Kavach name, which aims to enhance safety of Indian Railways with world class technology developed in-house, developed within India.

The overall tender pipeline continues to remain strong with a blend of conventional, technologically enabled, emerging areas, as well as international opportunities. We are also witnessing a gradual reduction in the competitive intensity, especially in the larger projects with the reinstatement of the bid bonds for government tenders.

With a continued thrust on execution, a strong tender pipeline, improving market share, and an order book plus L1 of Rs. 6,000 crores, we remain confident Railways will continue its growth momentum going ahead.

Civil

Civil business has delivered a stellar performance with revenues of approximately Rs. 1,900 crores, an impressive growth of 75% vis-à-vis last year. The growth has been delivered by robust execution across metro, water pipelines and industrial projects. The business has also seen a record year in terms of order inflows with orders exceeding Rs. 5,800 crores in FY22, a staggering growth of over four times over last year.

The business continued its diversification by foraying into public spaces segments with maiden orders for construction of an Airport, and a High Court building. Reinforced presents in industrial and residential segments strengthened our portfolio in urban infra and water pipeline segment and expanded footprint in data centers.

The uptick in order intake has significantly enhanced the order book plus L1 to an all time high of over Rs. 7,500 crores. We are confident that the Civil business will be one of the key growth drivers for us going ahead.

The growth trajectory in our non-T&D businesses is a testament of our capability to identify new business segments, develop capabilities and scale them to drive the company's growth.

Oil & Gas

In Oil & Gas pipelines, the business has demonstrated a very good performance post-acquisition of KEC Spur Infrastructure in October '21. The business delivered revenues of ~Rs. 180 crores and secured orders of ~Rs. 300 crores for H2FY22.

At a standalone level, KEC Spur Infrastructure delivered revenues of Rs. 255 crores for the full year, against Rs. 104 crores of last year, a robust growth of 145% vis-à-vis the last year. Obviously, this full revenue will not come in our books part of it was before acquisition.

In our quest to achieve excellence, we have laid special emphasis to integrate KEC Spur Infra with KEC's policies and processes during the year, which is helping us leverage cross-functional synergies between the teams for faster growth. With an order book and L1 in excess of Rs. 800 crores, we are confident that this business will become a significant part of the KEC's overall business portfolio going forward, both in India as well as overseas.

Cable

Our Cable business has delivered an exceptional performance as it registered its highest ever revenue and profitability during the year. The business achieved revenues of Rs. 1,524 crores, with a robust growth of 45% vis-à-vis last year, contributed by growth across all segments.

In-line with our focus on developing new products, the business has commenced manufacturing of a wide range of new Cables which include new varieties of contact wires, catenary conductors, feeder, jumper and dropper wires, Railway OFC Cables, Railway quad Cables and hybrid Cables. The business is also on track to develop and commercialize more products for domestic and export markets in FY23.

Smart Infrastructure

In Smart Infra the business has secured an order as a Master System Integrator (MSI) for three smart city projects in Punjab. In terms of execution, the projects of Aurangabad and Bidkin Smart City have been completed. The defense project for integrated perimeter security system is progressing well towards completion.

We had embarked on our ESG and sustainability journey last year, as we have identified key ESG and sustainability focus areas with measurable targets as part of our Strategic Sustainability roadmap for the next three to five years. I am happy to share that we are taking great strides on this front and have undertaken several measures towards transforming our operations in a sustainable manner.

One of the key measures is installation of additional solar energy capacity at our Jaipur and Nagpur plants. We are also planning a new solar plant at our Dubai facility. Our progress on this front has been well appreciated which is reflected in the improvement of our ESG rating by S&P Global and KEC being ranked in the Top 50 most sustainable companies in India by Business World.

During the year, we have partnered with a Global Consultant for a twofold business transformation program on world-class engineering and Civil execution excellence. These initiatives are aimed towards building a world-class engineering organization and developing deep execution capabilities for consistently delivering projects ahead of schedule.

Overall, we are pleased with our order intake and developments on the strategic front. However, we had a challenging year in terms of revenues and profitability. We have started seeing some softening in the commodity prices of late. I would also like to add that we have commenced the execution of quite a few new projects, which have been secured based on our current commodity logistic costs.

Having said that with a strong focus on execution, robust order book plus L1 of over Rs. 28,000 crores and a strong tender pipeline we are confident of an improved performance going forward. Considering the strong order book and robust business outlook, the Board of Directors have decided and recommended a dividend at the same level as last year of 200% in line with of Rs. 4 per equity share in the face value of Rs. 2 each.

Thank you. Now I am open to questions. Thank you so much.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi. S from Spark Capital. Please go ahead.

Ravi:

My first question is with respect to the EBITDA margins. This year, we had at a consol level around the 6.6%, what kind of margins, we can expect over the next 12 to 24 months, assuming commodities stay at the same price. What kind of margins can we expect keeping in mind the mix, and also the raw material inflation?

Vimal Kejriwal:

So, Ravi, I think for the next one or maybe two quarters, we do not see any major change in the EBITDA margins. Because even Q1 now, we are buying at, you know now the prices started coming down, but most of the costs have been committed at the same levels as Q4. So, Q1, and

I will say to an extent even Q2, although Q2, maybe better, but I don't know today. So, I will say that Q1, Q2, should remain at the same levels in standalone.

Consol, we will have to wait and see how Brazil shapes up. We do not expect that the numbers will be as bad as they were in FY22. So, there could be something coming better from that.

As far as going on a longer term, since you asked about next two years, I think, H2, we definitely see an improvement in the margins, because by that time, I think almost all of our old projects and wherever we have got some fixed price contracts and all that, either they would have been closed, or we would have got a price increase as we are negotiating with some of the people right now.

As far as FY24 is concerned, I think we should be back to a decent or maybe a reasonable amount of margins maybe 9% to 10% I don't know it is very difficult to hazard a guess. But I think we will get back to I think decent margins in FY24 starting from H2.

Ravi: And with respect to individual segment level profitability Civil will it be on par with Railways and Transmission line towers or how is it the profitability?

Vimal Kejriwal: So, as of now most of our hit has been in Transmission, so Civil even now is much better than Transmission today. If you look at FY22, especially on the international side where the fixed price contracts were more, if you look at Railways, Railways profitability is definitely better than Civil. But I would say it's marginally better, we expect to have Civil turnover to almost double this year in FY23. And with that happening and the benefits of leverage, it will either catch up with Railways or it will be, I will say very close to Railways.

Ravi: And the kind of growth that we have seen in Civil is very commendable. So, what kind of order inflow growth we can see next one, two years over here?

Vimal Kejriwal: Our target would be somewhere between Rs. 5,000 to Rs. 7,000 or Rs. 8,000 crores is what we are looking at on the Civil order book. See Civil, I think the issue is that there is enough business going on. We are just being particular in picking up only what we think our top-line, what we want to do. So, Civil order intake to me is not constrained by the market, it is more constraint by our ability or what we want to do.

Moderator: Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: My first question is pertaining to the outlook if you can speak a little bit about order inflow outlook next year we have done very good Rs. 17,000 crores. So, how should we look at order inflow for next year and specifically the T&D part how is the big pipeline and how is outlook there?

Vimal Kejriwal:

So, Kunal T&D India is picking up, looking up after a long time. Both as I have said earlier both in terms of Power Grid, we have already quoted a few orders, issued tenders for Power Grid, a lot more are coming up, one is on the TBCB side and also on the Leh Ladakh tenders are I think about to be issued or will get issued shortly. So, on the PGCIL side, they have also been awarded a lot of projects on RTM. So, that is definitely picking up, and I think most of these project tenders would be out and probably be awarded in H1.

On the state side as I mentioned, we are seeing quite a few tenders in the pipeline in Tamil Nadu and Karnataka, and also Bihar and West Bengal. And some of the private sector clients also are there, we have one TBCB projects who are not yet awarded EPC. So, those are also under discussion which will get finalized hopefully in this quarter.

So, as far as India is concerned, we are pretty happy. If you come to SAARC both Nepal and Bangladesh we are seeing a lot of tenders there, that's the second piece.

Third is Middle East again Saudi and UAE, large number of tenders. Africa is right now muted not too many tenders. East Asia Pacific there are a few tenders we have already quoted some tenders which would now be open. So, I think we should hopefully get some orders from East Asia.

North America that is USA particularly huge amount of orders coming in, right now I think we have virtually stopped taking orders because our factory is now probably booked for 18 months or so from now. But we are trying to see if we can service those orders from India or our Dubai factory, but for the logistic cost is only problem which we will see. Otherwise, we should be able to do it. I think that's broadly on the T&D market.

Kunal Sheth:

And overall any targets that you are putting for order inflow in revenue growth for next year.

Vimal Kejriwal:

So, difficult at this moment, but I think with our current order book and all that, we should at least do a 15% growth next year. And order intake again, I will take a similar target so Rs. 17,000 crores this year and another 15% you add, let's say around Rs. 20,000 crores should be the number for our order intake target.

Kunal Sheth:

And should the mix remain similar given the non-T&D is almost 50%, I mean over the next two three years this mix should remain more or less same.

Vimal Kejriwal:

This mix will increase I think the non-T&D will go up especially on the back of the Civil growth. So, my guess is that it will probably go up by up to 60% or so in either next year or the year after.

Kunal Sheth:

My second question is pertaining to the provisions on SAE that we have taken Rs. 99 crores in the standalone. So, I mean just a background to, what was the background for this, right now?

Rajeev Agarwal:

So, basically Kunal, on this since we have lost about Rs. 350 crore odd in the current Financial Year in the SAE that triggered the impairment of investment, with the auditors. And obviously with such kind of losses, auditors insisted on the, let's say valuation exercise, detailed valuation exercise of SAE, and where we had to take some impairment of something around Rs. 97 crore to Rs. 98 crore.

So, basically, the trigger was the losses in SAE, but ultimately at a standalone level, there is no impact because when investment gets nullified with the amount of equity that we have invested in that entity.

Kunal Sheth:

And just a small clarification you mentioned that the margins will remain more or less at similar levels for the next two quarters. So, when we say similar levels, it is a Q4 level or FY22 level?

Vimal Kejriwal:

It is difficult to answer because we will have to wait and see how the metal prices react right. We have seen copper has come down to USD 9,500/MT, aluminum has come down below USD. 3,000/MT after a long time. I think it will depend upon how steel behaves. Coking coal is coming down. Steel, primary steel at the same level, secondary has come down. So, very difficult to answer whether it will be at the year level or Q4 level. I think I will just reserve it right now.

Moderator:

Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid:

My first question is on the working capital side. So, usually we see end of year, cash collections improve and though the average debt levels are targeted Rs. 2,500 crores, we tend to reduce it. This was the same target for FY22 end but unfortunately we are not able to do that. And you highlighted some cash flow delays, payments from rail and Afghanistan. So, if you can just help mention that, did you see any other pockets of delay in customer payments or pockets the working capital has got stretched beyond the given timeline? And how should we look at the same situation panning in FY23, given interest rates are heading northwards?

Rajeev Agarwal:

So, basically, this time we have been able to reduce, let's say borrowing by about Rs. 300 crore in Quarter 4 compared to the Quarter 3. But basic difference where we could not probably reach to the level of below Rs. 2,500 crores is there are a couple of large orders that we have taken earlier in Railway business as well as in T&D business where there is a large amount is, billing is dependent on the construction of the project. So, basically it is a large milestone payment. So, basically you have supplied the material, and that material could not be billed to the customer because there is a dependency on the completion of construction and commissioning of the project.

So, on these projects, we will get payment only after we have erected the equipment. So, there is a large dependency that actually led to the higher increase in working capital. And also generally in Railways, we quoted a couple of EPC projects so these projects are slightly different from what we were earlier mostly doing on BOQ basis. So, BOQ basis, you are able to supply the material, the client used to pay us 80% of the payment. But in case of an EPC, you do the

billing and payment only once you have completed the construction and you have achieved a certain milestone.

So, it is a milestone based payment, which actually really impacted some cash flow. And we were also let's say in Railway business, we were new to that methodology so there were some issue from our side as well to which we are now trying to sort it out and probably in Financial Year '23, we should be back to the normal state of working capital.

Vimal Kejriwal:

So, Renu, let me add one more point here to what Rajeev has said is, when he talked about milestone, etc. in these contracts you have to finish 15 kilometer stretch continuously, which normally becomes a bit difficult, because you will have some right off way something like that. And unless you complete that entire 15 and then hand it over, they will not pay you for anything which has gone in that 15, I think that's something which was a little bit new for us, and also for Railways, it was the first time that they have given these contracts. But I think now it's under control. So, hopefully from Q1, you will start seeing improvement happening. And by Q2, I think it should get largely normalized that's how we see.

Renu Baid:

Right, but overall because of an increase in borrowing costs, the interest intensity for the P&L would be higher in '23/'24.

Vimal Kejriwal:

Till now it doesn't make any difference but yes, '23/'24, in fact in FY23 may be some difference would be there, because right now the CP market and all that is started going up. So, we will start seeing some impact for this year.

Rajeev Agarwal:

But Renu my view is that probably our effort would be to neutralize the impact of the higher interest costs with the working capital improvements. So, there is a significant focus on the completion of those milestone and recovery of payment from the client after achieving the milestone. So, that should get neutralize the impact of the higher interest cost.

Renu Baid:

And if I read through our cash flows, so I think almost after five years this is the first time where operating cash turned negative, largely because of this working capital and lower profitability. So, once this working capital issue is sorted largely because of the rail projects, should we again expect that business should be back to normal in terms of intensity and cash flows? Or do you think there could be pockets of weakness in '23 as well?

Rajeev Agarwal:

Yes, you are right, Renu.

Renu Baid:

The second question is, broadly, can you help us update on the overall backlog, what is the share of fixed price projects that we have today, largely centered around T&D and Oil & Gas pipelines. And you did mention in terms of impact on the backlog in terms of margins as we come for a execution in first half. But if we see last year, a good share of the hardware supplies, the conductors were delayed and deferred, and I am sure they will come up for billing sometime this

year. So, I mean should we brace for some shocks in the 1st Quarter or 2nd Quarter or broadly, it should be broadly intact.

Vimal Kejriwal:

So, Renu, Oil & Gas pipeline as of now we don't have contracts which have got supplies and all that. Right now, most of the contracts, since Spur was a smaller company, are all, laying contract. So, there, we don't have any issue on the price rise. And as far as I know, most of the contracts are backed by price variation, also. So, Oil & Gas is not a worry.

As far as T&D is concerned, we have I will say, three or four contracts where we still have some issues going on. And most of these contracts, I will say almost all of them are under active negotiation with the clients on what is to be done.

Fortunately, or unfortunately, one of the large contracts on the Green Energy, which comprise of five or six orders, which we have, are all under hold because of environment and regulatory issues. And these have been on hold for a couple of months, which was also one of the reasons, why our Q4 revenues were slightly lower than what we had talked about because the projects were put on hold. Now, it's anybody's guess what will happen, when do we get an order from the Supreme Court, when the client decides to restart and then what happens on the intervening period on steel as well as conductor, that's where we have a larger exposure.

On the other pieces, we do have some exposures but all of them we are under active dialogue, negotiation with the clients on what needs to be done. So, that is why I was very guarded in my forecast when somebody asked me on what is happening on Q1, Q2? We really do not know how these negotiations will go on and what will happen, which is why we said that Q1, Q2, could be muted, but we do expect that everything should get over more or less by this period. That's what we are expecting.

And also, since you can see our standalone margins in Q4 were also lower than earlier. And partly because a large part of the supplies have been made, especially on the steel side. So, although steel prices have not come down, our exposures have been coming down because the fixed price contracts are under active execution. And currently, many of the new projects which we are executing are at a reasonably, I will say decent steel prices.

Renu Baid:

And just one last question that broadly if you look at a two-year cycle that you have seen of this commodity inflation, would it be right to perceive that probably now we are almost or close to the peak steel prices or aluminum prices. And would it make business sense to probably look back aggressively at fixed price projects in the international market or domestic market? Or do you think it's still too early to call it endgame there?

Vimal Kejriwal:

So, Renu, one thing is that our view also is that we have probably reached the peak of the metal prices. So, fixed price contracts we had not stopped quoting, but let's say the cushion which we used to build in the prices saying steel would be Rs. 70,000 would become Rs. 80,000 and you build in Rs. 10,000 in your costing. So, that we are now revisiting saying what should be done

so supply chain works actively. And we have seen I think over the last one month or so the steel prices have been more or less constant and you have seen Tata Steel result yesterday, all the other steel companies, the EBITDA started coming down because there is a strong resistance from the market. And those of you track the secondary steel, the secondary steel or the rebar or the sariya as we call it, the difference with primary is now up to Rs. 5,000 to Rs. 6,000 per tonne, because primary producers have still been trying to hold the prices, whereas secondary have realized that they cannot sell. And because the government had earlier issued a relaxation thing you can use secondary steel. So, I think, I completely agree with you that our view also is that we have reached a peak.

Secondly on your aluminum question, we had deferred a lot of revenue, some of it we have already started booking. So, this quarter we will be able to reduce our aluminum exposure to some extent. Whatever is open is either under negotiation, or as I said is under hold because of court orders which when you start work again, obviously there will be a renegotiation. So, I think that's where we are.

Rajeev Agarwal:

And Renu, I just want to add to what Vimal said that as far as the aluminum prices are concerned last, let's say, one week the aluminum has fallen and it has come down to now Rs. 2,900. So, some of our tenders which were quoted around these levels, we are able to now hedge those quantities. So, those quantities probably will start getting dispatched in the current quarter and to that extent, the exposure will also further come down.

Vimal Kejriwal:

And that will also help probably in our Q1 revenues.

Moderator:

Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

My first question is, till now we have seen negative surprises on accountability. In the fourth quarter, we have seen hit on the standalone margins. So, do we do cost to completion accounting and provisioning for the escalations in the raw material. If so then why we are still continuing losses in SAE for the next year? And can any negative surprises spring up on the standalone side especially on the metro projects, elevated metro projects, if you can give some guidance.

Vimal Kejriwal:

So, Parikshit, we do a CTC. And the way it is done is that if your projects go into negative, at the time of doing the CTC, then all the future losses are also provided for, that's number 1. Second is that whatever is in a way visible, like the problem, which I mentioned about Brazil, it has been the unpredictability of the completion costs. I will give a simple example like the Lot 4 which we commissioned recently. When we were about to commission we realized that due to rains and all that some large hills had come down below the lights, which reduced the clearance level and contractually, we had to spend a ton of money to clear that entire mud and create clearances and all that.

So, wherever you have a clear line of sight and saying that this is what is happening, we do normally provide for it, unless there is a chance of recovering it etc. So, like metal prices normally we do not provide because we do not know what is going to happen on the metal prices. But if there is clear construction costs happening which we know that we are paying a higher rate etc, then those gets built in.

So, SAE will continue to be a little bit, I will say an open issue for at least a quarter more or so. Because till the lines are completed, till everything is charged and handed over all the snag items are cleared, and all that because we still keep on getting some surprises on the completion. So, now that one line has been handed over, second line is, as I said physically complete whatever losses or whatever costs we are incurring, will get booked in this quarter if we are able to finish everything. And then I think that's where we will probably as I said earlier that H1 should see the end of the uncertainty in SAE.

Parikshit Kandpal:

Some of these unforeseen circumstances or situations which develop during the project. So, are there any coverages on the insurance side I mean will we get compensated on some of these issues because Rs. 350 crores of loss in SAE last year, I mean has made a huge dent both on cash flows and profitability. So, if you can give some sense on that, whether we covered on insurance here. And on new orders which you are bagging in now so when do we think, SAE hitting normalized EBITDA margins, from which quarter, do you think the normal EBITDA margins will come in SAE?

Vimal Kejriwal:

So, to me most of these things are not covered under insurance because that could be a design error or a construction issue or things like that and unfortunately COVID related delays and all that are not covered by any insurance company, in terms of the profit reimbursement etc.

As far as SAE is concerned, I think next year onwards we should start seeing a normalizing of margins, because all the EPC projects which we have should get over by Q3 as I said earlier. There will be only one EPC project left after this quarter, others all will get over including the two new ones. And right now, we are not taking any EPC projects although we have been looking at that, but now that we have a stronger management team in place, we will review this.

However, we have got significant amount of tower and hardware orders in Brazil. While the hardware orders are always very profitable, towers have been a little bit under pressure because of the steel price hike, which also was there in Brazil, but now that the international prices have started softening, we do expect that that will come under control. But overall if you look at SAE as an entity now, I also talked about Mexico, we have large orders of almost I think \$70 million or something in Mexico. So, you will also start seeing some neutralization happening through higher revenue and margins in Mexico.

Parikshit Kandpal:

So, this Rs. 1,400 crores of inflows in SAE this year, so these are largely, I mean these does not include any EPC order?

- Vimal Kejriwal:** No, they don't have any EPC orders, no.
- Parikshit Kandpal:** And what is the EBITDA margin in these new order which we have won?
- Vimal Kejriwal:** Normally in that market, we quote anything between 5% to 15%, so they will be at different levels.
- Parikshit Kandpal:** So, blended could be about 9%, high single digit something like that?
- Vimal Kejriwal:** It is difficult to guess right now, difficult to guess because you still have imponderable. So, let's keep our fingers crossed and see that you know that's why I said that we will start seeing normalized margins from next year.
- Parikshit Kandpal:** Just last one the Civil business on the metro, standalone business. So, especially in the elevated metro, do you see any reason because we are seeing developers aren't making margins in metro typically in metro elevated, metro project end up under loss by the time they complete. If we can give some sense on any negative surprises it could potentially sprung up, outside SAE universe, wherein we can see standalone margins under pressure for next two, three quarters because of some of these issues on elevated Metro and the project, if you can do some sense there.
- Vimal Kejriwal:** We are doing seven projects in elevated Metro. One of them has been handed over. And we have definitely made more money than what we had tendered for. The balance six are under various stages of execution. And I honestly do not see anything negative happening on them in that sense. But that would always be you know, if I bid a 10%, that could be 9%, or it could be 11%, but I am not seeing a 10% becoming a 4% or 5%. So, I don't see any, as of now, on the six balance projects which we are doing, I think we are doing reasonably well. As I mentioned earlier on some of the DMRC projects, we have seen some delays because the client was not able to get approval for tree transplantation. I think we have got some of them. So, we will start seeing some revenues flowing in that site. So, there could be some marginal impact of delays and all that, if that client will compensate at the end of the project. So, I think I don't see that as a negative anywhere.
- Parikshit Kandpal:** Even on the standalone business, you don't see anything on the margin side, which could be negative right, including Civil, Railways and T&D?
- Vimal Kejriwal:** Not on Civil, Railways, T&D, I think we have, I just answered Renu in detail saying that we do have a few contracts where we are under negotiation, etc. So, let's see which way the negotiation is going, if it don't go in our favor, there could be some marginal impacts, but I think with the volumes those will get absorbed somewhere or the other.
- Moderator:** Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: I just wanted to know in the T&D business where you are facing margin pressures, would it be right to say that 35% of the contracts are fixed price contracts given the current order book?

Vimal Kejriwal: Difficult to say that, I don't think it's 35% it's less than that --. I don't have a ready answer for you, but it's not that high, okay.

Vivek Ramakrishnan: Okay let's say its less than 30% now what I would like to know is what percentage of contracts are with old aluminum prices and what percentage are with new aluminum prospectively where we can see better margins going ahead, because the old contract that is causing a lot of pain and it's distorting this, given the fantastic performance in the order book and inflows, it is still distorting the numbers as a company. So, I just wanted to know what percentage of contracts are with old aluminum prices which will get resolved?

Vimal Kejriwal: See, Vivek, I don't think you will be able to get an answer like that, because what is happening is that one is percentage of contracts and second is many of them, we have already supplied, some of them we have not supplied, so it's difficult to give you an answer straightaway. That's why when I was answering earlier, when I said there are, I think three or four contracts where we have fixed prices, where all of them are right now under negotiation or renegotiation with the clients, both in private sector, public sector and international market also. Negotiations are going on and depends upon how the negotiations pan out, what sort of impact would be there, but I still don't expect that there would be a significant impact, because a large part of the impact has already come in FY22. If you look at our numbers, then there was a question on the FY22 margins, one of the reasons for that margin is that the T&D, we did take a lot of hit because we continue to supply especially the towers on the elevated prices. I don't think we have too much of exposure right now, but we still want to keep ourselves a little bit on the safer side.

The other thing is that the new contracts have also started coming in. So, you will also start seeing a mix of that. So, even if we are supplying some of the old ones and the new ones will be at current prices. So, even if they are fixed price which is why I said I don't know I am not able to give a right answer or straight answer, because even if there are many contracts, which are at fixed prices, they are at current prices. So, when you announce an order intake of Rs. 17,200 crores and out of which Rs. 4,500 in Q4. So, whatever orders we have got in Q4, most of them are at current steel and aluminum prices. So, looking at the ratio of fixed and variable may not give you the right number.

Vivek Ramakrishnan: The second question is on the receivables and the working capital cycle per se. You have decreased the net debt number from December 2021, which is creditable, but your interest bearing acceptances have gone up. So, since you have to see it holistically, would you be able to guide on this number in terms of this what we see is Rs. 4,765 crores as of March '22, because you would have to pay interest on the entire amount?

Rajeev Agarwal: Basically, as I mentioned to the earlier participant that we are trying to correct some of our issues by, see we have, there is some change of model, business model, especially in the Railway

business and some of the contract in the T&D business, which have a large dependency. So, we have supplied material, and material we cannot build because you know ultimately in the contract, we will be paid once we complete the erection of those materials. So, that is where the large dependency is there, which is unlike previous Railway contracts when we were bidding on a BOQ basis, where we used to get 85% payment of the supply of material itself. So, there is some change in the contract, the way the new contracts have been designed and we have bid out. So, that is actually causing some pain on the working capital side. But we are completely aware of the issues in the working capital and we are very focused on that.

Our expectation is by Q2 of this Financial Year, FY23, we should be able to bill most of the material which we have supplied along with the construction. So, the working capital should start normalizing.

Vivek Ramakrishnan: Last question is on Afghanistan. Given that it's a multilateral project, is there any sign that they will make the payment to you?

Vimal Kejriwal: I think we are 100% confident that we will get all our payments, which is the reason no provisions have been made by us in the books and neither have been insisted by our auditors. There are three multilaterals, USAID, ADB and World Bank, and we are in active dialogue with all three of them. I think there have been some developments at the World Bank level and with the government at the U.S. levels where they have opened up some dollar lines to Afghanistan. So, I think the general view is that in the next two or three months, some payments should start coming in or something will happen on the project we start, but all the three lenders have assured us again and again, saying that all the amounts which are due to us will be paid by them. and Vivek, incidentally we have some ECGC cover on some of projects, so at least some money is also assured through ECGC also.

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

Priyankar Biswas: My first question, can you give us an idea like, how much of the T&D revenues were sort of impacted, due to this sharp rise in commodity prices. I mean, like, what could have been achieved, let's say we had a situation of relatively normal prices.

Vimal Kejriwal: So, to be frank, Rs. 500 crores was because of Afghanistan, had that project not stopped, we would have booked another Rs. 500 crores of revenue in Afghanistan broadly, I am saying. Another Rs. 500 crores would be on account of probably postponement of revenue because of commodity, broadly I would say Rs. 1,000 crores.

Priyankar Biswas: So, roughly a Rs. 1,000 crores hit is what you are saying because of Afghanistan and the commodities. And on the same vein, if I may ask, see I broadly understand that most of your non-T&D contracts would have price variation clauses, largely. So, is that a fair understanding? I mean, almost --

Vimal Kejriwal: 100%, you are right. It's a very fair understanding. But we need to keep one thing in mind is that in most cases, except for industrial projects, these contracts, these price wise are linked to indices. The indices may move exactly in tandem, or they may not move in tandem. So, sometimes there is a gap. So, you may have some negative impact. In a falling market, there is always a positive impact. Like today, when the copper has fallen from Rs. 10,000 to Rs. 9,500, your purchase price will go down immediately by Rs. 500. But the indices will take its own time to adjust to that Rs. 500. So, generally, although we have a full pass through in most of the Railway and Civil and the Cables contract, the indices moment will always lag a little bit on the rising side, as well as on the falling side. But more or less it evens out during the life of the contract.

Priyankar Biswas: So, the reason why I was asking that so we can broadly, safely assume that whatever margins you were making in non-T&D, like, let's say in Railways and Civil, so I remember like two years back, you had been very close to like, let's say a 10% margin on Railways. So, in the non-T&D broadly, it would be still at around 8% to 10% is what I guess, then --

Vimal Kejriwal: Well, Priyankar, except for Cables, Cables, we don't make 10%, but Railways I said we have a 10%, Civil is slightly lower than that, you are right otherwise, Yes.

Priyankar Biswas: So, broadly, around that level. So, it seems like then the T&D margin for the first time would probably be based on what the calculation I see. Could be below 5%, I mean, like some, what my calculation is coming somewhere around --

Vimal Kejriwal: You are right, Priyankar, primarily also impacted by SAE, you don't have to look at it that way, with SAE, otherwise standalone margins are at 9%.

Priyankar Biswas: Okay, so excluding SAE, the standalone margin is like 9%.

Vimal Kejriwal: Yes.

Priyankar Biswas: So, on that side, I am asking, like, due to the rising commodity prices as well. So, even in the new orders for Brazil, you would kind of have some impacts still going on in SAE. So, what is the FY23 losses that you can broadly estimate versus let's say FY22?

Vimal Kejriwal: I don't have a number, which I can give you right now, but I can only say that they will be significantly lower. I don't have a number, but you can safely assume that they will be significantly lower.

Priyankar Biswas: Last question from my side, is regarding how much part of the entire order book would be slow moving, because I heard a question earlier that there are some projects stuck due to litigation. So, what part of the order book including that would be let's say you would classify as let's say slow moving, in that sense?

Vimal Kejriwal: So, we first had DMRC, but I think we have got large permissions already so I will now not classify that into slow moving the only other orders is, we have got a few green energy orders which are under hold. I don't have the exact revenue but it would be around Rs. 300 crores to Rs. 400 crores roughly, I don't know, I think you have to speak to Abhishek later on, but maybe around Rs. 300 crores or Rs. 400 crores. So, Rajeev said, it would be Rs. 700 crores to Rs. 800 including the commodities and everything. So, that is on hold.

Priyankar Biswas: So, not a very big part of the order.

Vimal Kejriwal: No, it's not a very big one. As I said we are very happy that it is on hold because that gives you a contractual right to relook at all the costs and everything.

Priyankar Biswas: Just last question absolutely from me. So, if you can give me some idea of the prospects, let's say in INR crore, something like that, in the domestic T&D segment because we have not seen strength in this. So, vis-à-vis you gave an order, let's say a target of something like a growth of, like an order inflow of let's say Rs. 20,000 crores next year, but what do you see the prospect breakup, like in domestic T&D in particular, I mean in crores?

Vimal Kejriwal: Right now, we are looking at roughly Rs. 30,000 crores of tenders coming out in the next half year, H1. Rs. 30,000 crores of tenders, largely from almost Rs. 20,000 crores to Rs. 25,000 crores coming from Power Grid and another, Rs. 5,000 crores to Rs. 6,000 crores coming from HVDCs and private players, that's the number.

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

Bhoomika: For the Railways order, you know if you see the last two years have been quite tough in terms of order intake, and not only on order intake but also in terms of the delayed payments, etc. Now, as we move ahead, given that our order backlog is equivalent to our revenues, how are we looking at the segment going ahead in terms of finalization of orders etc. and kind of revenue --

Vimal Kejriwal: So, I think Bhoomika, the background you have got to understand is that last two years, the road sector has not been getting so many orders. So, one is most of the road sector players had moved into Railways, second is government had relaxed the requirement for putting in bid bonds and all that. So, which is the basic reason why we virtually gave up the conventional Railway market, so there was no point in competing with those players who are not on the same league in terms of fostering and standards etc.

Slowly, with 1st January, the bid bonds have come back. So, we have started seeing competitive intensity, let's say easing up a lot. In fact, in some of the tenders we already started seeing especially on Rs. 500 crore plus tenders, already started seeing, only three bids, four bids coming back. So, I think we will definitely start seeing a lot more orders coming in the Railways, in the conventional sector also, that's number one. Second, as I mentioned, that Railways has now

moved significantly towards the technology part specially on the Metro and even in conventional Railway, on Mission Raftaar and other things, where I would say competition is relatively lesser.

Third piece is that, we have started quoting a lot of international orders. We have quoted some orders in SAARC, we are quoting some in Middle East and also in the Far East etc. and Africa. So, we do expect that within this year we would start getting in hopefully some revenues this year, if not next year. I think we are still hopeful that this year itself we will get some revenues in the Railways from the international market. So, I think we will see a turnaround happening in the Railways growth model this year, which was slightly lower last year at 13%. I do think that this year onwards, we will start seeing better inflows.

Bhoomika:

As you mentioned on the margin profile, obviously, 1H is going to be a bit of a challenging, but as we move out into the second half and probably move on the longer term trajectory, given that the non-T&D portion is rising 50% already likely to go to 60% plus. And within that Civil is growing at a very fast pace, you mentioned that next year again, if we kind of double in terms of revenues, that being the case and Civil is at a lower margin profile, would that mean that coming to a 9% to 10% margin trajectory given the growing proportion of the non-T&D particularly Civil will be a challenge.

Vimal Kejriwal:

Civil is not significantly below, I will not say it will reach double digit but it's not something which is at 5% or 6%. So, Civil, also as I said earlier is slowly inching towards Railways. Now, whether they are able to achieve that this quarter, this year end, in Q4 or they go into next year. But I think we will definitely see an improvement in the margins. So, I don't think increase in share of non-T&D is a major cause of concern on the margin, right now the T&D margins are on the lower than this. So, I am actually pushing for more on T&D right now, okay.

Now the tide may turn anytime. But also in H2, I think we will clearly see that SAE impact of the negative EPCs should more or less get hopefully wiped off. So, T&D margins should start picking up plus you saw that we have got a Rs. 7,400 crores of orders in T&D, in FY22. And the execution of that has started so we will start seeing positive numbers coming in from those orders also, okay. So, I think H2 should start seeing a significant turnaround in the numbers which have been going down.

Bhoomika:

Just on Civil, our size has clearly grown we have like almost a Rs. 7,000 crore kind of an order backlog there. I was just asking, how would be the competitive intensity in Civil orders now that we are targeting more orders which are like Rs. 6,000 crores to Rs. 7,000 crores plus.

Vimal Kejriwal:

So, to me, if you look at, let me break it up in three or four different categories. If you take Metro viaducts, if the orders are below Rs. 500 crores, you will have six or seven players or eight players coming in, if it is above Rs 500 crores, you will normally see three or four players that way. If you take industrial there are normally I have seen only two or three players competing in, because each industry has got its own preferences, they would like to deal with particular contractors etc. So, typically industrial and even I will say residential, the competition would be

three or four players at the most. The maximum competition would come in orders for public spaces, like let's take an airport, there you may have 10 or 12 players so things like that were which are government contracts, you may see a lot more. Then Civil has also started bidding for international, right now they are primarily contracts which are funded by Government of India, etc. to start with or with known customers. There the intensity is significantly lower. I will say three players or four players maximum. So, Civil, except for contracts below Rs. 500 crores in water supply or in metros the intensity is not as high as we have seen other businesses.

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

Saket Kapoor: If you could explain how Forex has played its part for this quarter and the entire year?

Rajeev Agarwal: I think Saket, the Forex has played a very positive role in the current quarter, if I am not mistaken, I think close to about Rs. 30 crores Forex gain has been booked in this quarter. For the year as a whole I think we have booked about Rs. 60 crore Forex gains in the current Financial Year, FY22 as compared to last year it was I think around Rs. 20 crore to Rs. 25 crores.

Saket Kapoor: Kejriwal ji you were mentioning about the order for which some approval from Supreme Court is awaited. I missed that Green Energy or something, if you could elaborate what is the size of the order and what is the status on the same?

Vimal Kejriwal: So, there are around Rs. 700 crores to Rs. 800 crores of multiple orders, it is not a single order, client is single but here are I think five or six orders which are under hold because the Supreme Court is examining that entire Green Energy Corridor in Rajasthan, saying that there is some disturbance to the birds and ecology and whether there should be some transmission lines or whether there should be Cables and all that. So, right now, a few orders all related to the same piece are under hold by the client till they get a clarification.

Saket Kapoor: And on the Cable business, what is the outlook for the Cable business and we have seen this growth in turnover, is it totally on the price realization or also on the volume front, how is the cable business looking?

Vimal Kejriwal: Saket, Cable business is doing very well, as I said in my speech that this is the best year we have ever had in Cable, for the last at least, not last 10, 15 years I have seen the cable business. Part of the cable is obviously because of the price increase in copper and aluminum. Part is because of the diversification into higher value products like if you make more of copper rather than more of aluminum, your prices will go up. So, looking at what products can give you a higher realization, selective order intake etc. So, I will not say that there is a large volume increase, but it is because of sale of more higher value-added products or higher value products.

Saket Kapoor: Any particular cable you would like to mention for which the same has been there and what is the way forward, how are you seeing the current year shaping us, and which are the key client for whom we had customized orders?

Vimal Kejriwal: So, there are two major clients I will say, one is the Railways, because we have developed a lot of products for the Railways, especially for the Mission Raftaar and also for the Metros and all that. So, a large part of our increase is going to the Railways, either directly to Railways and the various Metro companies, to contractors of the metros and also Indian Railways, and also obviously to our own Railway business also. So, that is one part.

The second part where we will see some growth happening is on the, what you call digital and all that. So, a lot of Telecom Cables, we are seeing a lot of demand happening for bandwidth, with the government plan for no single fiber across the country, across all the defense establishment. Lot of inquiries are coming on that and we are getting some orders on the Telecom fiber, which was actually very low in the last two years. So, we will definitely see a growth in the Railways as well as on the Telecom side. And third is on the EHV, I already mentioned that we got a very large one of the largest orders we ever got on the cabling side in EHV. We are seeing significant inquiries for EHV cable, basically 220 kV. So, this year, I think we should do well on the 220 kV EHV also.

Saket Kapoor: For the EHV partner, what is our current market share, and what is the size of opportunity currently we are eyeing in the segment?

Vimal Kerjiwal: According to me, next year our turnover would be around Rs. 200 crores or Rs. 250 crores on the EHV cabling side. EHV and HV cable jointly comes to Rs. 400 crores to Rs. 450 crores revenue. There is some double counting because EHV cabling will use our Cables also, if you are taking only cable the cable revenue on the higher ones would be somewhere around Rs. 400 crores or Rs. 450 crores, either than that, if you see in cabling, this year we have got some international orders also, so this year the revenue can be anywhere between Rs. 200 crores to Rs. 300 crores on cabling also.

Saket Kapoor: And market share in the EHV segment.

Vimal Kejriwal: Market share is very difficult, there is no such work, hardly there is two or three players. So, you can understand that this is 20% to 30%, minimum.

Saket Kapoor: You were mentioning over the Telecom cable part, was that about copper cable or the OFC.

Vimal Kejriwal: OFC fiber.

Saket Kapoor: Optic Fiber Cables. So, we will be tendering them to the optic fiber players and then laying them out, that was the plan?

- Vimal Kejriwal:** We are not in the business of laying them out, we are only selling their product.
- Saket Kapoor:** So, we are not manufacturing OFC.
- Vimal Kejriwal:** Saket, I said, we are manufacturing, but we are not in the business of laying, we are not laying, we had done that before, but today we are not laying. So, now we will sell the product to the EPC.
- Saket Kapoor:** And what is our capacity for OFC?
- Vimal Kejriwal:** Anything around Rs. 150 crore to Rs. 200 crore for a year, we can make.
- Saket Kapoor:** And last point on the SAE front, what has been the total cash burnt on SAE for the last two years or till now what is the order pipeline is there, right now you have existing which is current yearly booked in that how much is the hinderence is there, that there might be a hit going forward.
- Vimal Kejriwal:** It was around Rs. 340 crore and I think approximately around Rs. 50 to Rs. 60 crores in the first year. Overall, it might be around Rs. 400 cash.
- Saket Kapoor:** Those have been funded from KEC?
- Vimal Kejriwal:** Part of it has been funded, part has been raised locally by borrowings.
- Moderator:** Thank you. The next question is from the line of Aashna Manaktala from ICICI Securities. Please go ahead.
- Aashna Manaktala:** My first question is towards the tax rate, it has been significantly lower, and what led to that and what levels are they expecting in the coming quarters?
- Rajeev Agarwal:** The tax rate for the current year is slightly lower because on the amount of losses that we had in the SAE business and where generally the tax rate is in excess of 32%. So, we have created a deferred tax asset so that has, let's say, reduced our ETR for us, in the current year. Also, we have got some, we had some income tax claim to the losses that we had incurred in South Africa, so that claims, we have been allowed at the appeal level. So, those impacts have also come. So, these are the two reasons, basically, which has impacted the tax rate and where tax rate for the year is looking lower, otherwise normal on a standalone basis, the tax rate is close to about 25% to 26%.
- Aashna Manaktala:** So, what level, can we estimate for?
- Rajeev Agarwal:** So, normal tax rate for the company would be around 25%, that's the normal tax rate.

Aashna Manaktala: Another question I had, like you mentioned like for North America that we are completely booked for upcoming 18 months. So, are we looking at some kind of capacity expansion in that region?

Rajeev Agarwal: No, we are not looking at any expansion at this point in time. So, we will be focusing more on the, though we have significant orders specially in Mexico plant, our order book this year, especially in the last three, four months has actually increased and that has resulted into the full load capacity for next 15 to 18 months in Mexico. Similarly, in Brazil, we have booked a lot of orders this year. So, we will be focusing only on manufacturing, no expansion, at least at this point in time.

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.

Vimal Kejriwal: Just want to thank everyone for their continued interest in KEC. And I think we are very confident that we will definitely have a better year in FY23, than in FY22. Thank you so much. Thanks, everyone. Thank you.

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