



“KEC International Limited Q4 FY-21 Results Conference Call”

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Moderator:

Ladies and gentlemen, good day and welcome to the KEC International Limited Q4 FY21 results conference call. We have with us today from the management, Mr. Vimal Kejriwal – MD and CEO, Mr. Rajeev Agarwal – CFO, Mr. Pankaj Kalani – Senior VP. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Vimal Kejriwal – MD and CEO. Thank you and over to you sir.

Vimal Kejriwal:

Thank you Ayesha. Good morning to all. I welcome you to the Q4 earnings call of KEC. I hope that you and your family are safe and healthy during these challenging times.

Let me start with a brief update on operation amidst the pandemic and lockdown scenario across many regions. All our manufacturing units and project sites continue to be in operation with strict implementation of COVID-19 protocols and government guidelines. Over the last few weeks, amidst fears of even more stringent restrictions we have witnessed some migration of workers. However, we are better prepared this year owing to the learnings of last year's impact and continue our focus on deploying new mechanization, automation and digitalization initiatives to improve productivity with reduced labour strength. As a responsible corporate citizen, we continue our commitment to serve the local community in these difficult times. Our training center in Butibori, Nagpur has been converted into a COVID quarantine center which we are running with the help of a local hospital. We are also distributing food, oxygen concentrators, ventilators, PPE kits and even ambulances to the underprivileged, police authorities, government, hospitals, and social service organizations.

Now coming on to the financial performance:

We commenced the financial year amidst global upheavals due to COVID-19 and witnessed one of the biggest slowdowns during the year. The environment continued to be challenging throughout the year due to COVID headwinds, leading to sporadic lockdowns at project sites, delay in awards/ L1s and steep rise in commodity prices in the later half. Even with these challenges, we recovered strongly with revenues of Rs. 13,114 crores for the full year, with a robust growth of 10% vis-à-vis last year. This was a result of our concerted efforts towards accelerated ramp up in execution, increasing labor strength and deployment of mechanization, automation, and digitalization initiatives to improve productivity and quality of execution. The growth has been largely delivered by our Non-T&D businesses namely Railways and Civil.

Despite the significant issues, we have achieved an EBITDA margin of 8.7% for the year. The margins are slightly lower due to the extra costs incurred on account of COVID-19, costs and time escalations in SAE, Brazil amidst the pandemic and a continuous increase in commodity prices globally. We continue to maintain a double-digit EBITDA margin at standalone level of 10.4%. We have delivered a PBT margin of 5.8% and a PAT margin of 4.2% for the year, aided by a significant reduction in interest cost and optimization in tax costs. We achieved a PAT of

553 crores, which is largely in line with the last year. On the order intake front, we have secured orders of Rs. 11,876 crores in FY21 with a growth of 5% over last year. The order intake could have been higher, but for the delay in ordering activities and conversion of L1 amidst the global slowdown. We have also been very cautious on our order intake on account of the large volatility on the commodity prices to maintain our margin levels. Additionally, we have also been very selective to protect our cash flows considering the stress, which is being faced by some of the clients, especially state utilities.

We have a strong order book of over Rs. 19,000 crores as on 31st, March 2021, along with an L1 position of over 6,500 crores. With concerted efforts, we have been successful in bringing down both our interest costs and debt levels for the year. Our net debt as on 31st, March 2021 stands at Rs. 1679 crores which is a significant reduction of close to 1000 crores vis-à-vis the last quarter and a reduction of over Rs. 500 crores vis-à-vis last year. Our interest cost at 2% of sales has seen a vast improvement with a reduction of 60 basis points vis-à-vis last year. Additionally, there has been a reduction of 15% in absolute terms, notwithstanding a revenue increase of 10%.

Coming to the Q4 financial performance:

We have achieved revenues of 4,361 crores with a robust growth of 19% vis-à-vis Q4 last year and a growth of 33% sequentially. The Railways, Civil and Cable businesses have been the primary growth drivers. EBITDA margins for Q4 stand at 8.1%. We have maintained double digit EBITDA margins at standalone level of 10%. Our interest cost for the quarter, as a percentage of sales has come down to 1.4% vis-à-vis 1.8% last year. We achieved a PBT margin of 6.1%. Despite the challenging scenario we have delivered a PAT of Rs. 194 crores with a marginal growth vis-à-vis Q4 last year and a growth of 34% sequentially, the PAT margins stand at 4.5%.

Coming to specific businesses:

Our core T&D business witnessed a progressive ramp up across all project sites in domestic, as well as international locations. Despite the intermittent challenges due to COVID, especially in international locations, the business has been successful in largely maintaining the revenues in line with last year. The business witnessed significant traction in terms of order intake, both in domestic as well as international locations. The business reinforced its leadership position across several regions and secured orders of over Rs.7,500 crores with a growth of over 75% over last year. The overall tender pipeline in T&D continues to be strong, especially in international T&D. In case of domestic T&D the revised bidding of the Green Energy Corridor Projects Phase II has been concluded for most of the schemes and we have been successful with significant orders of around Rs. 1500 crores.

As announced earlier, I am happy to share that we have signed project innovation agreements for the Essel project with Adani group for Rs. 477 crores to complete the balance work of the

transmission lines. We have already received a significant portion of our dues and work on the project has already restarted.

In Brazil, the pandemic has impacted by economy significantly, availability of steel, which was already a problem due to the Vale dam burst got impacted hugely by the downturn in the economy due to the COVID scenario. The localized lockdowns have played havoc in the availability of manpower for EPC projects. The shortage and steep price rise of raw materials has impacted execution of the EPC as well as tower supply projects in Brazil. These challenges have also resulted in significant time cost escalations which have impacted the margins. Further, the steep depreciation of the Brazilian Rial over last year has also impacted our revenues post translation. Despite these hurdles, we have commissioned one project during the year and expect to complete the balance two projects by Q2 this year. We had started work on another project in Q3 last year, which we also expect to complete in Q2/ Q3 this year. We have also secured three new EPC projects this year. One of which is SAE foray into the substation EPC segment.

Our Railway business continued to be one of our key growth drivers and delivered a stellar performance as it surpassed a revenue of over Rs.3,400 crores for the year with a robust growth of 34% over last year. The business demonstrated robust execution due to a rapid and consistent ramp up across project sites, despite COVID-19 hurdles. I am also happy to share that the business has been successful in achieving double digit EBITDA margins for the year.

In line with our diversification strategy, we have expanded our presence in technologically enabled areas and are now executing OHE, third rail, ballast less track works for metros and next generation signaling and telecommunication systems for dedicated freight corridor. Additionally, we have also diversified into the new and emerging areas such as speed upgradation for high-speed rail, construction of depots and workshops for urban infra projects and also tunnel ventilation. Over 50% of our order intake this year in Railways, comprises of orders from these new segments. We have also secured a technically challenging composite project for the private sector player, including ground stabilization, track laying, signaling and telecommunication and associated works. The Railways tender pipeline continues to remain robust with a blend of conventional, technologically enabled/ emerging areas as well as international opportunities. With our continued thrust on execution and an order book plus L1 of over 7,000 crores, we remain confident that Railways will continue its growth trajectory.

In line with our growth plan, the Civil business has achieved a revenue of Rs. 1,080 crores this year, with an impressive growth of approximately three times compared to last year. In line with our strategy, the business widened its portfolio to enter new high growth areas this year and secure breakthrough orders/L1 in the warehouse, water pipeline, airport sectors and reinforced its presence in the industrial sector by foraying into chemical, hydrocarbon and FGD segments. With a robust order book plus L1 of Rs. 4,500 crores, we are confident that this business will continue to be one of the key growth drivers for us this year as well as going forward.

In cables after a muted H1, the business has rebounded strongly with a revenue growth of 9% for the year vis-à-vis last year. The business is progressing well on the development of additional new products for Railways and Exports and is on track to commercialize few new products in FY22. The profitability of this business has been under pressure due to a steep rise in raw material prices such as XLPE, PVC, etc.

In solar, we are on track with the execution of the 20-megawatt carport project for a reputed automobile manufacturer. The second phase of the carport is now ready for commissioning. The execution of the recently secured 13.6-megawatt rooftop solar budget for a corporate client has also commenced.

In smart infra, the execution of the existing smart city and defence projects are on track with Aurangabad and Bidkin smart city projects now nearing completion. We have commenced the execution in the recently secured project for constructing an integrated command and control center for a Greenfield City and installing other smart city components.

There is a growing consensus that sustainability and ESG aspects of doing business are critical for long-term resilience and success of an organization in today's challenging and disruptive world. We are working towards developing a strategic sustainability roadmap in collaboration with a reputed consultant to lay down our aspirations and action plan towards conducting our business in a more sustainable and responsible manner. This will not only help in showcasing financial value creation, but also provide our internal and external stakeholders an all-inclusive depiction of our non-financial performance as well. The detailed roadmap will be a part of our integrated report this year.

On a concluding note, I would like to reiterate that the business environment continues to remain uncertain in the current pandemic scenario and the prevailing headwinds on account of commodity prices. Having said that, with our robust order book plus L1 of over Rs. 25,000 crores, we are confident of delivering a good growth in FY22.

Thank you. I am happy to take your questions now.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Renu Baid from IIFL Securities.

Renu Baid: My first question would be wanting to understand, given in the last six months I have seen unprecedented inflationary impact on commodity specially steel, so, how are we looking at the business profitability, especially for the core T&D business, given the fact that this is a fair share of TBCB orders in the last quarter and also the stuck execution on Essel on now the Adani project has started, so including the impact of these projects, what do we expect for FY22 in terms of margin performance?

Vimal Kejriwal:

We are clearly seeing a headwind in terms of raw material prices and especially steel as you rightly put it. As far as the TBCB projects are concerned, we are facing some challenges on the steel costs especially. However, I would like to say that these are in a way lump sum projects where the towers and the foundations and everything get designed by us. We are seeing a reasonable amount of saving in the quantum of steel and in the foundation, etc., which our design teams have been able to optimize. We are also looking at some different methods of execution, given the fact that these projects are in Rajasthan and most of them are within a 100 kms radius of my Jaipur factory which will help us in some ways of optimizing and working on these projects differently. Clearly one thing which I would like to say that even with the current prices, etc., these projects are still profitable. They are nowhere close to double digit margins and I am saying that based on the current steel prices. The other thing you have to keep in mind is that the steel has to be supplied over the year. These are 15-month project just starting. So, we do feel that there are opportunities and we do expect that, of late if you see generally the steel prices have sort of stabilized and with the lockdowns and all that, the availability has improved significantly. The rebar prices are coming down. The problem which we see is with the oxygen shortage, the secondary and the re-rollers are facing some issues. Once those capacities are commissioned again, we do expect that at least on the construction side we will see a decent correction aided by the monsoon obviously. So, I think that's where we are on the TBCB. As far as the Essel project is concerned, I think we already have some towers in stock and those are again projects which are ranging from 14 to 18 months. We are in no terrible hurry or need to supply towers today at elevated steel prices, that is number one. Number two is that we had already made some provisions for the receivable from Essel Obviously that provisions will now help us, let's say, in minimizing or reducing the impact of steel prices if we have to supply at a higher price.

Renu Baid:

But on the TBCB project you don't see any requirement of creating provisions the way some of your other competition has done who had won similar projects, so no requirement of creating any buffer?

Vimal Kejriwal:

So, the way the accounting CTC and other concepts work is that, if you have already booked revenue and margins at a higher price and then the prices, let's say, your costs have gone up and your margins are coming down, you will have to reverse the earlier margins and take it down to the lower levels. Since these projects have just started execution, what will happen is that you will be booking the revenues and the margins on the current costs. If in any event that you become negative on the projects, then the concept will come in where you will have to start providing for any foreseeable losses which you see in the project. So as of now we did not see the need for providing any losses today. As and when the projects are getting executed, you will be booking the revenue and margins at the current cost. And if at any point of time, the projects turn negative, then obviously whatever is the losses which you anticipate or negative plus whatever profits you have booked earlier, those will have to be provided.

Renu Baid: Secondly on your non-T&D businesses, Rail and Civil, given that now you are expanding into newer segments which requires more capabilities and investment, so are we planning any significant investments, more than capabilities as well as the equipment for these types of projects in Civil and Rail? And how do you look at this portfolio stacking up in the next two years, both in terms of revenue scalability as well as margins?

Vimal Kejriwal: We generally have a capital expenditure plan of around Rs. 200 crores generally, leave out Rs. 25-30 crores here or there. This year again we have planned for a similar amount, slightly higher than Rs. 200 crores and a large part of that CAPEX would go into Railways and Civil business. That's one part on the physical capability. We have also hired a large number of people who have the capability to deliver on these new projects. The third piece is that many of these projects have been won in conjunction with one of the large multi-national OEMs, where they are doing a part of it and we are doing a part of it and we do expect that, that would also help us in building capabilities in these areas.

Renu Baid: One last question if I can ask, we have seen a reasonable improvement in working capital, so what is the outlook going ahead both in terms of debt and numbers, can we expect the debt numbers to continue or reducing as the growth comes back in the next 12-15 months or it should stabilize at these levels?

Rajeev Agarwal: So Renu, basically as we are expecting a growth in the coming year as well on the back of the strong order book that we have, so our guidance would remain, let's say, close to about Rs. 2,500 crores debt level. This is what we are targeting. Even last year if you look at my average debt level was around that level only. It is only towards the end that we got a significant collection from the various customers that helped me to reduce my debt to a significant amount. But by and large, with the growth numbers that we have in mind and we expect the overall average debt level to continue at about Rs. 2,500 crores plus or minus let's say Rs. 200 crores here and there.

Moderator: The next question is from the line of Lavina Quadros from Jefferies.

Lavina Quadros: I just wanted to understand from you with this, how has the pricing landscape changed? Especially post the budget, there's lot of sentiment improvement. I know right now with COVID, there is a bit of a halt, but in general post the budget there was a lot of expectation that spending will move up. So, I just wanted a sense, has that reflected in pricing trends on the ground or is competitive intensity higher or lower, if you could share your thoughts there, please?

Vimal Kejriwal: Lavina, there are two developments which have taken place. One is the competitive intensity has increased significantly in India because as part of COVID plus Atma Nirbhar Bharat, what the government did was that in most of the PSU tenders, they have taken out the requirement for providing a tender bid bond. Today we are seeing very-very small players coming and starting to bid for Rs. 1,000 crore projects because they don't need to give a bid bond. So that's one piece. If you look at, let's say, Railways and some of them, especially transmission I have seen in some of the projects 25 bidders coming in. Most of them would get into grief later on, but that's the

reality of the situation today on the number of bidders, etc. Obviously, the serious bidders continue to be the top three or four. As far as the tender pipelines are concerned, I think we are pretty happy with what we are seeing on the tender pipeline, but I don't see an immediate impact of the budget happening immediately, because normally what we have seen is whatever announcements are made in the budget, they do take three to six months to get translated into hard projects all that. Overall, the tender pipelines are pretty decent, especially in the Railways and also on the Metro side. T&D right now we are seeing some traction on the state side. Power Grid has already done all that they have to do. There are some more TBCB projects, which are now coming up for bidding I think next week or so. So, there may be some minor traction on the PGCL front.

Lavina Quadros: Lastly, has working capital become an issue for smaller companies? So that is incorrect is it, because that is a sense that we had got.

Vimal Kejriwal: So, again, there'll be two parts. One is the bank guarantee for bid bonds and performance bonds. The requirement for bid bonds has been taken off, but performance bond continues, which is reduced from 10% to 3%. On the non-financial, non-cash limit bank guarantees, etc., the smaller players are better off, but on the cash side when you require a hard cash, we still see a very strong stress on the smaller players. That's the true situation as far as the smaller players are concerned.

Moderator: The next question is from the line of Swarnim Maheshwari from Edelweiss.

Swarnim Maheshwari: Sir, couple of questions. First one on the SAE side, now, if I look at FY21, will it be fair to say that SAE has basically made EBITDA or PBT loss of closer to about Rs. 100 odd crores?

Vimal Kejriwal: Maybe more than that.

Swarnim Maheshwari: If you can just help us. We do understand that this is all happening because of the restrictions imposed by the local government over there, but I just wanted to understand if you can just break up that loss of 100-125 crores whatever that number is, into the currency depreciation and also with respect to, if there is anytime overruns on the project, if you can just help us with that?

Vimal Kejriwal: Swarnim, on the currency side, I will not say there is much of currency depreciation loss in that part. In fact, to me the loss would have gone up had the currency remained stronger. There is a loss of almost, I'll say close to \$30-35 million. I don't have the exact number, but close to 200 crores plus on the revenue side because of translation. The Brazilian Rial went down from 4.1 or 4.2 to 5.3. So, roughly around 200 crores of revenue which would have been accounted here if the currency had not depreciated would have been there. Loss, I don't see any major impact, except there is some impact locally because they also have to buy some items in dollars, etc., where they had to pay a slightly higher amount. But I don't think currency has played a major role in the last part of it. Most of the losses have happened on two accounts. One is because the steel prices went up, we did have some losses on the steel supply. Generally, we manufacture around 50,000 tonnes of steel there. I don't have the break-up of how much went into my EPC

projects and how much was supplied to third parties. But generally, there was a clear-cut loss happening on the tower side. And on the construction side, because you had to keep on shutting down offices and shutting down project sites, etc., de-mobilizing, re-mobilizing, people were leaving, you had to hire them back. Equipment were being taken away because of a stoppage of work and all that so all that led to delay. So, there is both an increase in costs because of the COVID piece where the labor became scarce, equipment became scarce. And second was because of time overruns. All these factors, and obviously we did supply some towers to our own projects also, so that the steel price there, all three of them have combined for this.

Swarnim Maheshwari: You had taken three new projects in SAE in FY21. So, first of all are all these all fixed in nature or they are cost pass-through?

Vimal Kejriwal: First of all, these projects have been taken recently. So, they are all at current prices, so that takes off one piece of it. The second piece in Brazil generally is there is an annual reset of prices contractually as per the government numbers. And till now that had worked very well because normally the price increase was actually slightly lower than that increase. It's only in the last year and the current year now that there's governmental, it's called IPCA or something, IPCA regulation that the actual increase in steel was much more than the IPCA permitted. But as far as I remember, all these three contracts, one is they are at current prices and second is I think all of them have an IPCA adjustment, which will come in if you supply anything beyond April because the IPCA adjustment gets triggered every April.

Swarnim Maheshwari: Just one more question related to SAE. So, when do you expect the normalization of margins really for the losses in SAE side, can we expect it H1 end?

Vimal Kejriwal: Swarnim, our target for SAE for the year has been a zero loss for the year target. I am honestly not very sure whether we will be able to achieve that or there would be a marginal loss because we still see problems which we thought would get over by March, have been there in April also. So, I don't expect a major loss or something like what we had last year, because the new projects are also now starting execution. So, whatever losses and all which we may have now, which were not planned or figured definitely should get set off from the margins from the new projects and the new tower supply orders which are coming at the current prices. So hopefully, we should see zero or maybe a marginal loss. I'll probably still stick to the zero numbers.

Swarnim Maheshwari: Finally, any growth guidance for the FY22?

Vimal Kejriwal: I think it's very difficult right now to give growth guidance, but I can say, and I'll stick my neck out with my order book and L1 of Rs. 25,000 crores, we should definitely be able to do a double-digit number growth.

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

Priyankar Biswas:

My question is regarding, that in this particular year, that FY21 we have seen some bit of lower ordering for Railways, I mean order inflows. Traditionally we have been seeing something close to Rs. 3,000 crores or something in order inflows. What is your view on the Railway tender pipeline as it is and maybe some expectations of what type of ordering inflows we may be looking at, particularly from this division, let's say in FY22 or beyond?

Vimal Kejriwal:

So Priyankar, you are absolutely right. We are quite disappointed with our Railway order intake for this year. We were expecting to get more than Rs. 3,000 crores. However, two things have happened. One is because of COVID and lot of changes in government regulations, most of the orders for the H1 or tenders were recalled and retendered etc. So, there was generally bunching of tenders which started happening in H2. What that did was that people who have got much lower order books in Railways actually went pretty aggressive on the Railway bidding. And somewhere we were not in that queue. We did not want to pick up orders at lower than our target margins plus we were seeing a lot of volatility in the commodity prices, although in Railway generally that the commodity prices are a pass through, but still many times what happens is that if there is too much volatility, you may still maybe, the price relation formula may not work exactly the manner in which you want to do it. So, we were a little bit, I'll say, conservative as we are traditionally, so we did not go very aggressive in bagging the fewer orders which came. Unfortunately, what we are announcing in March-April is that there have been a large number of COVID cases in the Railways, because of which opening of tenders and award of tenders and even new tenders have got a little bit postponed. There's a large tender pipeline. Let me be very clear with you. But there have been some delays and we do expect that probably from next month onwards most of these tenders would have been bid. The advantage with Railways is generally in a month or so they open the tenders and then once the tenders are opened, they do award it. Unfortunately, because of COVID there has been some delay. We do expect that we will be able to get some good share of tenders. We have also started doing a little bit on international. We are right now L1 on few tenders in international, but again, they have also been hit by COVID. There have been some delays happening there in converting them into orders. Our Metro non-civil portion, which is what the Railway business does, has been seeing some good growth. We have got into some new avenues and I think that's the area where we will see more order inflow and clearly that's the area where the competition is pretty less. You normally have a better chance and hopefully better margins in that area.

Rajeev Agarwal:

Vimal, if I may add, that in Railway business we were slightly unlucky this year that couple of large orders we missed by a very small amount. So, that also was sort of an unlucky situation of the Railway business.

Priyankar Biswas:

So essentially, like it's not something that the tender pipeline has gone away. It's not like that. Maybe in the future, we may still get back to that (+) 3000 crores that we were doing possibly?

Vimal Kejriwal:

Priyankar, I had a revenue of Rs. 3,400 crores this year and I have a growth plan for next year FY22. So, I need to get more than Rs. 3,000. Although right now we have L1 plus order book

of Rs. 7,000 so my FY22 revenues are all secured, but we need to get more than Rs. 3000 in Railways in the order intake.

Priyankar Biswas: My second question is regarding you have put some slides on ESG. Any specific commentary like, when is the company planning, like to be carbon neutral or let's say the initiatives they are taking maybe for greener transportation. So, what are the things that you are considering at the moment?

Vimal Kejriwal: So, I think it's a little bit early for me to comment on all those things. What I can say is that we have drawn up a five-year road plan. Roadmap of five years on what we want to achieve. And we are in the midst of finalizing our KRAs and what we want to do on carbon neutrality or zero water consumption and so many other things, etc. And I think probably some part of it you will see when we release our annual report because last year also, we had an integrated report, but it was not that detailed, this year we do expect to have a fairly detailed IR and I think by that time when we finish it, we will have much more clarity on what exactly we are doing. Because we started this initiative, I think around 3-4 months back. So, we are closer to finalizing but not yet finalized the exact targets etc. So, you will have to wait for some time for us to give you more specific details. If you have some specific questions, talk to Abhishek, because Abhishek is part of the task force which is involved in the ESG.

Moderator: The next question is from the line of Nisarg Vakharia from Lucky Investments.

Nisarg Vakharia: Sir 2016-2017, when we used to discuss, we have done exactly what we had guided for in the last 4-5 years despite several challenges. 80% of your business from T&D has now come down to 50%. But in those days, we used to say that when our company crosses 10,000 crores top-line, we will see a serious expansion in EBITDA margins. Now I understand the current state of affairs. I had two very simple questions. The first question is that have we seen the worst of EBITDA margins in this quarter due to commodity and commodity pressures or do we expect any more negative surprises, one-offs that may emerge in the near future? Second question is that structurally because our business has now de-risked from T&D, which is a higher margin business, is it possible to imagine that the company can do 11%-12% EBITDA margin at some point of time which we had envisioned in 2016-2017 or so? Or you think this EBITDA margin of 9.5%-10% in a normal state scenario is a reasonable assumption to have.

Vimal Kejriwal: I think I don't see that we have seen the worst of the quarter. Because last quarter, Q4 we did have a lot of material which was there with us from the earlier quarters also let's say stocks and all that. Now, whatever we are manufacturing has been procured, I will not say at very current prices, but near or little bit earlier we did see some anticipation in March that this may continue, and we did if you look at inventory figure, inventory figure is higher than last year because we did procure some steel, etc., in the month of March. We definitely see the headwinds to continue in Q1 on the steel side. As far as far as others are concerned, like aluminum, etc., I think we have enough time to play the waiting game. Hardly, I am going to supply any conductor, etc., for the

next nine months. All my projects are doing reasonably well and whatever we had required for the physical execution and to ensure that the projects are delivered in time we have enough of that. So aluminum, whatever we have not hedged, I do hope that in the next 8 to 9 months or next 2 to 3 quarters, the aluminum prices would come down to a more reasonable level and we will not have to face any headwind on that account. Steel we will continue to face some headwinds. I'll not be able to tell you because I don't know the exact numbers, what will happen in Q1. The other thing what I would like to say is, our non-T&D EBITDAs are now close to I think 8% or so on an overall basis, that is Railways, Civil, Cables and all the smaller businesses put together. Railways, as I said has already touched 10%. The other good part of it is in Q4, the non-T&D was 49% and whereas for the year it is 44%. But the good part is that most of our orders in these sectors, Railways and Civil, either have a clear pass-through clause on commodities or at least in Civil most of the clients like to supply cement and steel. So, while we may see some headwinds in that T&D on account of steel, whereas in the other businesses, we do expect that there will not be in any significant headwind on account of raw material prices. I think that's the broad outlook which I can give you. The third question was on overall long-term margins and all that. I think we were very clear, and we had said that every year we would have loved to increase our margins by 50 basis points. That is what I have been saying consistently for quite many years. And we had been able to achieve it except for the last year when we really got hit by COVID badly. So, I think our target is that, as I said, Railways is already touching 10%. Civil at Rs. 1,000 crores is reasonably close, it's not double, it is reasonably close, and you know how other people are struggling to even reach those sorts of margins. We have been very choosy on what orders we take in Civil. For us right now Civil is not a top-line driven business. Otherwise, I could have got lot more orders than whatever I got last year in Civil. Because Civil fortunately had orders coming in. But we were very choosy because at the end of the year or two, like we did Railways, we want Civil also to go to 10%, at least double digit. And that's how my Civil team has been very unhappy with me on this saying that you are not letting us grow this business. Our competition is doing this and that and we said, no. Right now, Civil is not a top line. We will grow it decently. But we will grow it with profits. So, our target definitely is that how do we take it to 11%-12% margins and all that. It's unfortunate that this COVID and this volatility in raw material which I don't think anyone could have anticipated that material prices will go like this. This whole thing will probably get postponed by six months, one year, when our upward trajectory for EBITDA starts again. I think the other good part is that at least on the PBT side, you are seeing a lot of improvement by Rajeev and his team, cash flows and other things. So, there we are getting some bump up on interest and tax also. And now that our Dubai factory is also running at full capacity, we will see some improvements happening overall. I hope I have answered all your questions.

Nisarg Vakharia:

You answered it really well. Just to add, nobody knows how and when the commodity cycle will reverse, but whatever happens, happens very fast. Just like it has gone up. Now, when that happens, does that also mean that we will enjoy a phase of 1-1 ½ to 2 years of slightly extraordinary margins because we have suffered when the commodity prices have been higher?

Does it also mean that we enjoy a lottery for a year, year-and-a-half, or that does not happen generally in our business?

Vimal Kejriwal:

It will happen 100%. If you have bid the projects at current prices. The problem which I am seeing Nisarg is that there are a lot of people who have been bidding currently and taking orders at anticipating that the commodity prices are going down. So, there you will not be able to get extraordinary margins. If today I am bidding a project with steel at Rs. 55,000 let's say, and then steel goes down to Rs. 45,000, I will make that Rs. 10,000. I will give a simple example. I have been in this business now for 19 years. I have seen orders where, let's say, aluminum was at, we have bid at USD 2,200/ MT, it has gone up to USD 3,100/ MT and we have finally bought at USD 1,400/ MT. It's a question of, at what stage your project is, can you play a waiting game in the project, how smartly you can execute your project to, in a way, time some part of your purchases. See, steel I can't time too much because if I time steel then my factories will shut down. So, steel we have to have our continuous run to keep the factories at least with an optimum capacity. But others, I think it's a waiting game which you have to play.

Nisarg Vakharia:

Just a small question if I could squeeze in if I have your permission. The size and scale that you have reached now in the EPC business, honestly other than L&T in our country, we have seen several companies that have reached the size and scale and then have made mistakes and faltered. And ones which were the next L&T have sort of collapsed due to several reasons. If you have looked at these case studies, what are the key risks that you see in your business now, since you are almost reaching Rs. 14,000 to 15,000 crore topline next year? And what other risk management systems? I know it's a very broad question, sir, but I hope you get the drift of my question and where I am coming from.

Vimal Kejriwal:

So, I think one major issue which we saw from most of the companies, whether it is IVRCL whichever company you want to take, everybody went into BOT projects. That's one thing where people stretch their balance sheet a lot and that I think created havoc with many of them. Second is that I think many of them took a top-line driven approach where they said that I want to definitely do a topline drive, whatever may happen. So, I have seen many companies which took orders in anticipation that we will be able to manage. And the third piece was that most of these companies had significantly delayed order execution. And any delay beyond your estimate from the original will cost you a lot of money. And I have seen many of these companies which have come in NCLT and all that and we have filed just to understand what is going wrong and what has happened and most of them we have seen has gone wrong because of the extreme delay in project execution, which is why I think our focus has been, you complete the projects in time or ahead of time. I think that's the mantra which we have. In any project which comes to me for bidding, my first question to the tender team is that, how early will you complete this project from the client stipulation? And if the team says, no boss, it is difficult, we may have delays, we don't even bid. So, to me apart from a margin and all that, the doability of the project in that client's given timeframe is one of the most critical factors in our risk management apart from all others, on margins and all that.

- Moderator:** The next question is from the line of Chetan Vora from Abakkus Investments.
- Chetan Vora:** I would like to understand, of the total order book of 19,000 crores how much of the order book pertains to SAE which is reeling under the pressure.
- Vimal Kejriwal:** I think the orders which are the old ones, are hardly I think, value would be less than 100 crores.
- Chetan Vora:** So, is it fair to assume that from next quarter onwards the margin pressure what we saw in the SAE should start subsiding?
- Vimal Kejriwal:** The pressure will be there in Q1. Because we are still seeing pressures continuing on the COVID and other fronts. I think we should start seeing the pressure subsiding from Q2, because what is also happening, we just started one new project, the execution also has started in Q1. By the end of Q1, all the three new projects would be under execution. So, even if there are some losses from the existing project, you will start seeing margins from the newer projects. So, my view is that Q1 we will still see some pressure. Q2 is a quarter where we should see a significant improvement or less pressure.
- Chetan Vora:** And you guided, if I am not wrong that at the EBITDA level it should breakeven, right?
- Vimal Kejriwal:** Yes, for the year.
- Chetan Vora:** Coming to the domestic side, the margin pressure what we saw on the standalone side, in the preceding quarter it wasn't nearly about 11% and this quarter it stood at 10%. So, should we see a further pressure on the margins?
- Vimal Kejriwal:** Difficult to say right now, but there will definitely be some pressure continuing because especially the steel prices, we are taking a lot of steps to minimize the impact by other means, I can't control the steel prices so whatever the market we will have to pay for it. As I said, we are trying to optimize designs, work on other options, see if we can reduce the logistics cost and other items. But to me at least in Q1, this pressure will continue because largely for Q1 most of the steel has already been procured. So, whatever we can do by means of non-steel cost and all that we are trying to see. But the other thing is that our non-T&D revenues are going up as I have been mentioning. So, it will depend upon finally what is the mix of revenue which we are able to achieve in this quarter that will decide the margin part of it. But I think honestly Q1 will continue to have some pressures.
- Moderator:** The next question is from the line of Ravi Swaminathan from Spark Capital.
- Ravi Swaminathan:** You had mentioned that certain countries outside India, the traction for T&D has been pretty good. So, if you can talk about the geographies regions where traction is good?

Vimal Kejriwal:

Ravi, one thing is on the order book, I think our order book, order intake grew four times from last year. I think the year before we had some Rs. 800-900 crores of orders, this year we have got around Rs. 3,700 crores orders from the international. That's one part on the numbers. And we do expect that international business will start growing well this year. A large part of the order intake basically come from Middle East. We are seeing a lot of traction in Middle East now suddenly. Oman and Saudi has just announced large tenders last week. Then UAE we are seeing some tenders, not that large as Saudi or Oman, but we are seeing some tenders. A few tenders coming out of the North Africa which is part of our MENA as we call it in Morocco and other countries and all that. So, that's one piece where we are seeing huge amount. Secondly, is also on Africa. We are seeing a lot of orders, tenders, etc., from Africa. So, to me those are the two large regions this way. And the third one obviously has been the SAARC region which was not a great performer in terms of order intake last year because of COVID one or two large orders of ours got stuck where we are L1. So, I think this year we should see some better ordering from SAARC, from Middle East, Africa. Far East, I think we generally have been getting Rs. 500-600 crores of orders and which we have got this year also and we do expect that we will continue to get that. Brazil has done better last year as compared to the year before. I think we got roughly Rs. 900 crores of orders against Rs. 600 or something a year before. So, those are the broad geographical contours of our orders.

Ravi Swaminathan:

And the profitability of these orders would better than overall T&D levels, so basically your company level in general?

Vimal Kejriwal:

Difficult to say that, because what happens is it will depend upon when you have quoted and what was the commodity that time? See, one thing, most of the international orders are fixed price and what is the assumption you have taken on commodity, what is the assumption you have taken on Dollar Rupee. Some of them are in Euro and all that. So, generally the profitability used to be higher, but of late the variability has increased and the other part what has happened is that the cost of capital earlier used to be much lower internationally than in India. So, the international cost of capital continues to be low, but India has come down significantly in cost of capital. So, the large delta which we used to have in international orders has now come down.

Ravi Swaminathan:

What is the proportion of fixed price and variable price contracts in our overall portfolios?

Vimal Kejriwal:

See, that the numbers can be very misleading. The reason I tell you is that I think broadly fixed price would be around 35%-40%, but when you take the 35%-40%, and if you look at the metal piece of that, which is what we are looking at, could vary from 10%, 12% to 40%, depending upon whether there is a conductor, how much of steel is going and all that. So broadly, if you ask me if you are trying to put a number to the metal piece and all that, I think the overall metal exposure which is exposed to pricing could probably be, a very broad number, 10% of our total order book, very-very broadly.

Moderator:

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

Bhavin Vithlani: The question is on the working capital. We saw a considerable increase in payables for Rs. 1,200 gross. Could you guide us how should one think about the working capital cycle and what is driven this significant increase in trade payables?

Rajeev Agarwal: Bhavin, basically what we have done is if you recall earlier, we used to have a payable in Railway division where we were paying them very-very fast because most of the vendors were MSME, so the credit period was very low. Ranging from 30 days to 60 days was generally the credit period from most of the vendors. Over a period of time, and since Railway turnover is also increasing at a very healthy rate, last year we grew by almost 34%. So, we really worked on looking at the large vendors who can fulfill, one, our supply requirement because our supply requirement was going up, so we went to some of the large vendors, we asked some of the vendors to develop the Railway product and get it approved from the Railways. So, with the result that our credit terms in the Railway business has improved from what it was earlier, let's say, 45 days to 60 days so now we are getting almost similar credit terms ranging from 90 to 120 days in the Railways business. So, that helped us to have the better payable on the liability side. That is one of the major reasons for, let's say the working capital management this year. Of course, apart from that we have continued to work on \ reducing the DSO days, but to that extent we have not really got the success this year, but definitely with the Essel project now starting, so one of our large debtors, which was stuck, so that also we have started realizing. In fact, in the month of April we have already secured substantial amount, we have already realized from the customer. So, in the next couple of months, I think we will be current on that project also. Last year, the working capital was largely managed through better credit terms with the vendors. And moving to the larger suppliers, now this year we expect we should be able to manage our working capital by reducing our DSO days.

Bhavin Vithlani: Vimal, you have seen 19 years as you said, and we have seen four commodities cycles over the last 19 years, and you have been able to manage in the band of 8% to 10%. What is your thought process now? And besides one measure that you highlighted about design optimization, what are the other measures that you and your team are working on? And do you see that worst case band of 8% you can manage this time around as well?

Vimal Kejriwal: So, to me the way it works out is, as I said, that how can you time your execution, Bhavin. Simple example is that let's say you have to supply conductors and the aluminum is today at USD 2,500/ MT versus let's say you have taken USD 1,800/ MT in your budget or in your tender. Our normal practice is that whatever we quote in the tender, we will go and hedge it once we are L1. Now unfortunately, because of COVID and all that in many cases the L1 was declared pretty late. So, that's what has caused the basic issue, otherwise as per of our risk management, we have hardly had exposures to base metal before. So, what we have been doing is timing the project execution in such a manner that we can probably buy at a time when we want to buy rather than buying at whatever is available at whatever price. That's as far as the base metal is concerned. And we have generally been able to manage the commodity cycles that way on this. As far as steel is concerned, I don't think we can honestly do very much about it because steel is

something the towers and all are required, and they are the first part of the project. And also, that if you don't do it, then your factories run empty, then your other fixed costs come and hit you. So, we normally try to do a balancing between what would be my increase in my factory costs if I reduce my load and wait for the steel to come down, but we don't know whether steel will come down. So, on the steel side, I don't think we have too much control on the timing piece of it, except that we do time it for the project completion and all that as per the requirements. But otherwise, it's difficult, we have seen difficult times. And also, as one of the earlier participants asked, what we have also seen is that yes, you should have the capacity to absorb it for a few months, because we have always seen that the fall has been very sharp in all the cycles if you look at it, if you look at steel and all that, the falls have been very sharp. So, at some point of time the fall will compensate for the rise which you have had. So, you may have some volatility, let's say the Q1 you may have volatility, but when you probably come to Q3, you will see a sharp escalation elevation in the margins and all that. Hopefully if the cycle pans out in the same year, it should even out the numbers, if it doesn't pan out in the same year, then you may have some volatility in the numbers.

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

Parikshit Kandpal: Just to reconcile, you said during this quarter then has not been any major impact of the raw material prices you have provided in the P&L for the standalone. So, my question was now on that you said that 10% will be the metals exposure in the other book. So, what would be the steel open exposure right now which has gone over and above your budgeted cost, so can you quantify what will be that exposure which may come in say first quarter maybe six months?

Vimal Kejriwal: I don't know what will come in Q1 or Q2, but I think overall our steel for this year's budget I think which is on fixed price could be probably close to 100,000 tonnes.

Parikshit Kandpal: So, the prices on this would have escalated by, from this average pricing, which these were quoted at...

Vimal Kejriwal: Average pricing would be different for different tenders which is why it's difficult to say how much we will lose on each one of them, and if the prices come down what happens. So, that's the difference because they are quoted at different timing. So, there are different cost levels in it.

Parikshit Kandpal: But whatever is the damage which may come in, so what will be lastly recorded in the first quarter, so is it right to assume?

Vimal Kejriwal: No, it would not be recorded in the first quarter. Because on raw material, etc., you don't record it that way. Because raw material nobody knows whether steel will continue at 55,000 or steel will go at 30,000. Normally when you talk about loss recognition, etc., where you are very clear that let's say you have taken a lump sum contract and the quantities have increased or something else has gone up, or you have already bought at a higher price for that piece. So, there is a lot of

things which go into that to decide on when the impact comes. Whatever is the actual cost that impact will come in that particular quarter. Beyond that if you have to decide whether it's a permanent cost which we cannot recoup, or it may not happen depending upon that then the provisioning are done.

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

Saket Kapoor: If I could sum it up, Vimal sir, the inflationary impact of the higher steel prices are going to percolate for the next financial year and depending upon the execution of the orders, we are going to see the dent in the margins in the way forward.

Vimal Kejriwal: Saket ji, I think what you should look at is Q1 will definitely have a dent. Now, how to make up for it, is a question which we are all working on. For Q2, Q3 we have not bought steel as yet. So, to make a statement whether the full year there will be a dent or not, would be a little bit premature because I honestly don't know. Today it is 50,000-55,000, then you saw what happened, lockdown happened, much of the construction got closed. See, what has changed today. The prices are high but steel is available. If you would have gone two months back in March before the lockdown, the prices were high, and material was not available. Today it's a stellar market in terms of price, but not in terms of quantity. They want to sell. That is the difference now.

Saket Kapoor: How has Forex played its part for this quarter, because I think Forex also is a good contribution to the...

Vimal Kejriwal: Forex this year has not been very favorable in terms of our EBITDA numbers and all that, because at the start of the year we had borrowed a lot in foreign currency. So, we had created a natural hedge by not selling forward. Normally we have a Forex gain of Rs. 100 to crores, it has been less this year. So, a part of the, I'll say, interest gain and all that is also attributable to low-cost Forex borrowing which were not hedged because we had a natural inflow against it. But now that the Indian costs have come down so definitely from FY22 you will definitely see an improvement on the Forex gain side which would come in your EBITDA and in your topline somewhere.

Saket Kapoor: Last part is, if you take the standalone and the console part, I think it is the Brazilian impact only that has given a dent to the PBT numbers. And as per our understanding and your summary in the call, SAE is going to perform better than what it has done for this year. Therefore, this gap between the standalone and the console number should even out just on the turnaround in the SAE not contributing negatively to the bottom line. This should be a fair assumption, sir?

Vimal Kejriwal: This is a fair assumption. The only caveat I will say is one is on the standalone number; you will have some raw material headwind. That's what we should keep in mind. We should see the impact of the raw material, otherwise I think you are fairly okay. SAE, as I had told, we are

expecting it to be neutral. It could be a little bit here and there, but I don't think we are expecting that in future we would get the same as in this year.

Moderator: The next question is from the line of Abhijit Anand from Emkay Global.

Abhijit Anand: My question is more from an inflow perspective. So, last two years we have been doing somewhere around Rs. 12,000 crores and maybe two years back in 2018-2019 we were clocking at Rs. 14,000-15,000. So, how do we go to those levels, or do you expect that to happen in 2022-2023?

Vimal Kejriwal: I think there are a couple of things which are there. One is, I think because of the volatility in the entire market scenario we were very careful, and we are happy we are very careful because a lot of people are losing a lot of money now in the orders which they have. Second is that we are very clear, we are still having 25,000 crore order book plus L1. So, I think we are pretty comfortable for whatever growth which should happen this year and maybe even for two quarters in FY23. The third is that I think Railways and Civil are going to be large drivers. And as I mentioned that this year our international transmission grew by four times. In fact, if you look at our entire order book, order intake, I think if I am not mistaken, almost 75% has come from the transmission business. I don't think we are worried about order intake. To me as an EPC company, order intake is not a major issue. I can always drop my margin by 1% and pick up as much order as I want to do. So, what we do is that we keep track of my executable order book, my planned turnover, and ensure that we have a reasonable amount of traction or 1.2 times, 1.1 times, whatever number we have in mind and ensure that we keep on having that let's say on a floating basis or on a rotating basis. And I think we have never had a major issue saying that because of orders we are not able to deliver revenue. I think that's what we are keeping in mind.

Abhijit Anand: But Rail which has not performed this year, as you rightly said, where we are targeting around Rs. 3,000 crores that itself should be a bump off of 10% over the last year, right?

Vimal Kejriwal: Yes. I completely agree.

Moderator: The next question is from the line of Jonas Bhutta from Phillip Capital.

Jonas Bhutta: Two questions. In the standalone notice that investments have gone up by Rs. 190 crores between September and March, what of that is for Dubai and how much of that is to support SAE? One question is that. And the second one, I'll just come back once you answer this one.

Rajeev Agarwal: So, Jonas basically, majority of this amount has gone to Dubai for acquisition of the factory and then we had to spend some amount on restarting the plant. So, we had to do some renovation, etc. So, I would say 60%-70% of that amount has gone to Dubai. Roughly about \$5 million support we have sent it to basically Brazil because they were falling short of capital because of some losses so we had infused \$5 million additional capital there.

Jonas Bhutta:

My second question was, if you see the closing order book of SAE, and I am sorry to harp on this, is that about a shade below Rs. 600 crores which is sort of half of where you closed FY20. Now, given that you plan to have a near zero loss, wouldn't scale lead to a negative leverage or are you controlling cost in such a way where even with a sharp drop in revenue in FY22, you will still be able to manage at a PBT level of zero loss.

Vimal Kejriwal:

So, to me there are two issues. One is what you rightly said that your scaling or looking at controlling cost so instead of operating the factory at 50,000, can you operate it 30,000 with the same returns? So that is one thing which is clearly happening. The second thing is that there was so much of volatility in the prices there, there was so much of volatility that we actually stayed away from the market for some time, we did not take orders. It was a very conscious decision. Obviously, we were putting in bids, but the bids were at such a high price that we knew we will not get it. We didn't want to be out of the market but were doing that. Of late, we are seeing some stability returning on the prices front, some stability returning, which is why we have taken a few orders. I think, the number which you have we have not yet announced a few orders where we are L1, or we are about to sign. So, this number of Rs. 600 will go up and will be sufficient for us to take care of our, we do expect that the revenue numbers would be probably similar to what we have done this year. So, FY21 to FY22 we may not see growth, but the numbers would be similar. So, we have some orders which we are L1, some orders which we are negotiating. So, I think those orders will come in time. And second thing, we really wanted to time the orders to ensure that we take orders which come in when we finish the existing orders. Because there is a clear pressure on manpower and equipment availability there and we didn't want to run three more projects simultaneously. So, they have been timed pretty well, which is why I said in the earlier part of the call that we expect 2 or 3 new orders to start work at the end of Q1. So, I think that's the way it has been planned. Unless something really untoward happens in Brazil, otherwise I think the game plan is reasonably well laid out.

Moderator:

The next question is from the line of Varun Ginodia from Ambit Capital.

Varun Ginodia:

I have two questions. Firstly, on the interest cost part, as you said that we had hedged our debt into foreign currency, as we had a natural hedge in terms of inflows coming in from international T&D revenue. Now, given that we are gaining traction on the international power T&D side, do you plan to increase the share of foreign currency debt in total debt? And hence the interest costs as a percentage of revenue there we still have room to lower that number further down to 1.3%-1.4%-1.5%. So, just want to get a sense there, how much more room do we have to take interest cost lower from current levels, if you can give some color on that?

Vimal Kejriwal:

Rajeev can talk about it. But my view is that we are right now not looking at increasing the foreign currency debt because for us the Indian currency debt also is coming at a very reasonably, the marginal borrowing is at a reasonably good rate. So, I don't think we intend to increase, but maybe Rajeev you want to add something.

Rajeev Agarwal: Sure Vimal, you are right. Actually, we are not increasing the foreign currency debt right now. In fact, we are reversing some of the foreign currency debt. We are prepaying that and taking the Rupee debt because Rupee debt as it is the cost has come down significantly this year and by freeing up or by repaying the foreign currency debt, it is giving us the opportunity to sell our surplus foreign currency in the forward market and which is giving us almost (+5%) kind of a premium. So, right now the economics is not working out in favor of the foreign currency loan. And that is a reason we are reducing our foreign currency loan book and converting that into Rupee loan.

Varun Ginodia: Any number on the interest cost as a percentage of revenue, where do you see that number settling down going forward? Or are we already at the bottom right now? Any color on that?

Rajeev Agarwal: Definitely there will be further efforts to improve this cost, but I don't see a significant improvement from the current number, but definitely there will be at least 10-15 basis points further improvement from the 2% cost to debt we have achieved this year.

Varun Ginodia: And second question was on the working capital side. As you mentioned that payables cycle improved in your favor as longer cycle was there in the Railways segment. With second wave of COVID coming back in and as we have seen that last couple of years, you were acting as bankers to your vendors in the supply chain because of which payable cycle was shrinking and providing you stress on the working capital side. Do you see that stress emerging again in FY22 and maybe the working capital would not improve overall in FY22? Any sense there on the creditors cycle side in FY22 based on the current situation?

Rajeev Agarwal: I don't think that. Because see, the difference between a couple of years back and now is, as I mentioned on the call that, earlier we were dealing with a lot of small vendors, so they didn't have the capacity to really ramp up the production and they were asking for advance payment and there was so much of demand in the market. Now, over a period of two years, what we have done is we have really developed vendors who are into the large category. They are people like Aditya Birla and others we have developed those kinds of vendors who are much better equipped to handle their own working capital. So, that has, let's say, where we have been able to improve our credit terms with these vendors. Second, already last couple of years the MSME Act came into force. So, we are already paying all the MSME vendors within 45 days. So, I don't think that it can cause any further disruption in the current COVID period because the supply chain has very well established and some of the things we have already moved within our own factory. So, we are doing lot of manufacturing of structures which is required for our own project. We are doing catenary wire conductor. So, large part of the supply chain which we were actually procuring from the external vendors earlier, we have already started manufacturing in our own factories. So, I don't think that this COVID can disrupt my supply chain any further now. It's pretty stabilized.

Moderator: The next question is from the line of Ashish Shah from Centrum Broking.

Ashish Shah: Just a question on the India business. We did say that most of the India businesses have the price variation clause, but are the underlying indices you think there will be change in the commodity prices or you think there is going to be some lag of maybe 3 to 6 months by the time the indices catch up?

Varun Ginodia: Difficult, because I'll tell you what let's look at it this way, by indices which the transmission industry follows are fairly-fairly current. So, they keep in. As far as Railways are concerned, again, the indices are generally okay. In fact, some of them are more favorable to the contractor. Civil is one place where in some clients and unfortunately in Civil what happens is all the clients are different. So, they have different indices. On Civil I will not be able to make a straight statement that in every case we are getting a positive thing. There may be some cases of indices that are slow to catch up. I talked earlier about our timing, when we want to procure, what we want to do and all that. The flip side or the other side of the coin there is that wherever the indices are slower to catch up, they are also slower to fall down when the prices go down and our experience has always been that way that over a period, the indices get neutralized because they go up slowly, they come down slowly. So, when the prices come down, you make a lot more money on the price variation. So, to me, wherever there is a price variation clause, unless it's a very extreme clause, some clients do have very-very different clauses where they may say that if PV is not more than 10%, we will not pay you. So, those are almost like fixed price contracts. That's the way we look at it. Otherwise, generally whatever maybe the indices, over a period the impact will definitely get neutralized.

Moderator: The next question is from the line of Swarnim Maheshwari from Edelweiss.

Swarnim Maheshwari: Just one question. So, on this Warora-Kurnool/ Essel, what was the provision that we had made earlier then we can actually use it as a cushion. And what is the quantum that we have received in April? Rajeev mentioned about that.

Vimal Kejriwal: I would not like to give the amount, because they are private clients, and they are discussing with us. There was a provision made which will get reversed, not a large provision, but there will be some provision which will help us in this. And I think roughly we have got out of our exposure; I'll say probably almost 35%-40%. And that was an agreement which we had on how the old outstanding will be paid and as part of that agreement, the payments are being done.

Moderator: That was the last question. I would now like to hand the conference over to Mr. Vimal Kejriwal for closing comments.

Vimal Kejriwal: Thank you everyone for your participation and your continued interest. Please stay safe. Thank you so much.

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