KALPATARU PROJECTS INTERNATIONAL LIMITED

Kalpataru Projects International Limited

Q2 FY27 Earnings Call

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Moderator: Ladies and gentlemen, good day, and welcome to Kalpataru Projects International Limited Q2 FY27 Earnings Conference Call, hosted by DAM Capital Advisories Limited. 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwani Sharma from DAM Capital Advisories Limited. Thank you, and over to you, sir.

Ashwani Sharma: Yes. Thanks, Anu. Good morning, everyone, and a very warm welcome to the Q2 FY27 Earnings Call of Kalpataru Projects International Limited. To discuss these results, we have the management today, represented by Mr. Manish Mohnot, Managing Director and CEO; Mr. Amit Uplenchwar, Joint MD and CEO (Designate); Mr. Shailendra Kumar Tripathi, Deputy Managing Director; Mr. Sanjay Dalmia, Executive Director; and Mr. Ram Patodia, Chief Financial Officer.

With that, I hand over the floor to Mr. Mohnot for his initial remarks, post which we will open the floor for Q&A. Over to you, sir.

Manish Mohnot: Thank you. Thank you very much. Good morning, everyone, and a very warm welcome to you all. Thank you for joining us today for Kalpataru Projects International Limited's earnings conference call for the second quarter and first half of FY27. I would also like to wish you and your families a very happy and joyous festive season.

Our Q2 performance goes beyond just another quarter of growth. It reflects the substantial progress we have made in building a stronger, more resilient, and higher-quality business. We are successfully translating our operational capabilities and execution momentum into stronger earnings, improving return ratios, an all-time high order backlog, and significant greater balance sheet flexibility.

The first half of the year has been highly satisfying across almost all parameters. We delivered healthy revenue growth, record order inflows, improved profitability, while generating stronger operational cash flows, and most importantly, achieved a near net debt-free balance sheet.

Another major milestone in our value creation journey is the successful listing of our Swedish subsidiary, Linjemontage, on Nasdaq Stockholm. This represents a vital step towards unlocking value of our shareholders while providing Linjemontage with an independent platform to pursue its growth ambitions.

Starting with the financial performance, KPIL's consolidated revenue reached INR7,004 crores for Q2 FY27 and INR13,412 crores for H1 FY27. This reflects the inherent strength of our diversified business portfolio, disciplined project execution, and sustained demand across our end markets. On a comparable basis, after adjusting for the base effect of our Brazilian business

and road SPVs, consolidated revenue grew by 13% year-on-year in Q2 FY27 and 11% Y-o-Y in H1 FY27.

Our operating performance remained resilient despite headwinds from rising freight and fuel costs, as well as supply chain constraints stemming from the ongoing Middle East conflict. Driven by disciplined execution, operational efficiencies, and a favorable business mix, our consolidated PBT showed robust improvement.

Our consolidated PBT grew by 24% Y-o-Y in Q2 FY27 to INR398 crores, while our H1 FY27 PBT increased by 34% Y-o-Y to INR818 crores. Consequently, our consolidated PBT margin expanded by 130 basis points Y-o-Y to 6.1% for the first half of '27, up from 4.8% in the previous year. This margin expansion is significantly ahead of our earlier guidance, where we projected an improvement of 75 basis points over FY26.

Similarly, consolidated PAT grew by 23% Y-o-Y to INR292 crores in Q2 FY27, while H1 FY27 PAT rose by 34% Y-o-Y to INR603 crores. Our consolidated EPS stood at INR35 per share for the first half of FY27. Overall, this enhanced profitability reflects the combined benefits of robust revenue growth, operational efficiencies, a favorable business mix, and lower interest costs, all underpinned by the substantial strengthening of our balance sheet.

The transformation of our balance sheet stands out as one of KPIL's most significant achievements. We delivered one of our strongest balance sheet performances in decades, a milestone further validated by the recent credit rating upgrade to AA+ Stable by both CRISIL and India Ratings. This upgrade places KPIL among an elite group of large-scale EPC companies in India and reinforces our solid financial position, strong credit fundamentals, and strict financial discipline.

Simultaneously, our working capital cycle continued to improve, with net working capital days declining to 81 days on a standalone basis and 68 days on a consolidated basis. Most notably, we achieved a near debt-free position, with consolidated standing at just INR72 crores as of September 30th, 2026.

The significant net debt reduction was driven by tighter working capital management, disciplined capital deployment, and the receipt of approximately INR650 crores from the Linjemontage IPO. It is important to note that since Kalpataru Sweden continues to retain control over Linjemontage, the gain on the sale of equity shares offered in the IPO has been recognized directly under other equity rather than in the statement of profit and loss, in line with the applicable accounting standards. Hence, there are no one-offs in the consolidated standalone or P&L for Q2 FY27.

This deleveraging is particularly encouraging given our sustained investments in future growth. During H1 FY27, we have incurred a capex of nearly INR600 crores to enhance execution capabilities, support strategic business, and build up capacity for the future.

Going forward, we remain sharply focused on sustaining this momentum through rigorous working capital management, disciplined bidding, efficient project execution, and prudent capital allocation.

Turning to our order book, we closed the quarter with a highest ever backlog of INR71,846 crores. We continue to see healthy business development opportunities and a robust pipeline across the majority of our verticals. Our YTD FY27 order inflows surged by more than 60% year-on-year to nearly INR24,000 crores, with an additional L1 position of approximately INR5,000 crores. We are already very close to our full year FY27 order inflow guidance of INR30,000 crores.

During Q2 FY27, we secured significant projects across power transmission and substation works in both domestic and international markets, a major gas infrastructure development project in the Middle East, and large residential and industrial plant projects in India.

A particularly noteworthy development was the award of a landmark project in oil and gas business in the Middle East, alongside an industrial plant project in the Indian metal sector. These order wins marks important milestones for KPIL, demonstrating our capability to undertake increasingly complex and technically demanding EPC projects. They also reflect the deep confidence our clients place in our execution track record, technical expertise, and ability to deliver large-scale key projects across various markets.

Our growth engines, particularly T&D, B&F, and oil and gas, are becoming increasingly vital contributors to our overall growth trajectory. However, I want to categorically emphasize that our focus is not simply on growing the business, but on improving the quality of that growth. We are ensuring that majority of our new orders align with strict profitability targets, efficient working capital terms, and robust risk management objectives. Consequently, we will continue to remain highly selective on the order book bidding front.

Let me now provide some updates on the performance and outlook of our individual business verticals.

Our T&D business, excluding Brazil, recorded revenue growth of 8% Y-o-Y during H1 FY27, reaching nearly INR6,000 crores. Year-to-date FY27, we secured orders worth INR10,122 crores and are additionally favorably placed in projects worth approximately INR5,000 crores. This demonstrates the underlying demand and KPIL's dominant position in the T&D sector. Notably, near 65% of the T&D orders secured came from major domestic clients, highlighting the strong business traction we are witnessing in the Indian T&D market.

Our Swedish subsidiary, Linjemontage, also delivered a healthy performance, reporting revenue of INR1,472 crores and an order backlog of INR4,154 crores during H1 FY27.

Looking ahead, the opportunity landscape for T&D remains highly attractive. We are entering a multi-year transmission infrastructure investment cycle driven by renewable energy integration, rising power demand, grid modernization, and upcoming HVDC projects.

The scale of capital expenditure planned across India and international markets provides a robust growth runway for companies like KPIL. We are also seeing encouraging opportunities across international markets, particularly in Africa, Middle East, South America, and Europe, where investments in electrification, transmission infrastructure, and grid expansion continue to gain momentum. Moving forward, our focus is to further strengthen our market position, scale up our

T&D business, and enhance our manufacturing and backend capabilities to remain competitive and capture the opportunities ahead. Buildings and Factories.

Our B&F business sustained its strong growth momentum, recording revenue growth of 20% in Q2 FY27 and 17% YoY during H1 FY27. Its contribution to consol revenue has expanded to 27% in H1 FY27. We secured record orders worth approximately INR8,000 crores YTD in FY27, bringing our total B&F order book to INR21,659 crores as of September 30th, 2026.

We continue to maintain strong business visibility, supported by deep-rooted customer relationships and a robust presence across multiple segments, including residential buildings, industrial plants, data centers, and commercial developments.

An important industry trend that we are witnessing is that customers are increasingly looking for EPC partners capable of taking larger responsibility for larger, more strategic, and end-to-end design-build projects. This presents a significant opportunity for KPIL. With a proven delivery track record, expanding design and build expertise, and a large fleet of owned equipment, we believe we are uniquely positioned as a differentiated EPC partner capable of executing complex projects at scale.

Our oil and gas business continues to benefit from favorable structural tailwinds, particularly ongoing initiatives to strengthen gas infrastructure and supply chains across the Middle East. We remain highly optimistic about the long-term opportunities in this vertical.

During Q2 FY27, as highlighted earlier, we secured a landmark order for gas pipeline infrastructure in the Middle East, alongside additional wins in the domestic market. This has pushed our oil and gas order book to INR8,196 crores as of September 30th, 2026.

The business recorded exceptional revenue growth of 58% in Q2 FY27 and 38% during H1 FY27, reflecting the increasing scale of our operations and project execution. Crucially, our ongoing projects in Saudi Arabia remain operationally stable despite the prevailing geopolitical situation.

We believe our growing capabilities, execution track record, and stronger customer relationships position us well to capitalize on the significant opportunities emerging in the global gas market.

Turning to our water business, collections have remained encouraging, with close to INR1,100 crores collected up to October 2026 in the current financial year. The business recorded revenue of INR1,124 crores during H1 FY27, while collection intensity improved compared with the previous year. Our focus remains firmly on completing the balance work, improving project execution, and accelerating the conversion of outstanding receivables into cash.

Backed by this improved collection momentum, we remain hopeful of recovering the majority of our pending receivables within the current financial year.

Our infrastructure business recorded revenue of INR929 crores in H1 FY27, and order book stands at INR5,900 crores as of September 2026.

In our infrastructure business, execution across metro rail projects remains robust, with all our TBMs fully deployed and utilized.

Stepping back from the quarterly numbers, the most vital takeaway from our Q2 and H1 FY27 performance is that KPIL is entering a stronger, more sustainable phase of growth. This momentum is backed by improved earnings, quality, robust cash generation, and a substantially strengthened balance sheet.

We remain highly confident in the growth opportunities ahead, supported by resilient infrastructure spending and expanding investments in power T&D, renewable energy, urban infrastructure, water, and building segments, both domestically and internationally.

Moving forward, our focus will center on profitable growth, disciplined bidding, execution excellence, operational efficiencies, and the continued optimization of our working capital. Based on our strong broad-based performance and the excellent contributions from our growth engines, namely, T&D, B&F, and oil and gas, we are increasing our full year FY27 order inflow guidance from INR30,000 crores to between INR35,000 crores and INR36,000 crores.

Additionally, we reiterate our target of delivering 15% revenue growth for the full year FY27, while continuing to drive sustainable expansion in PBT margins and long-term value creation for all our stakeholders.

In order to strengthen our leadership capacity and evolving organizational requirements to support growth and future scale-up, we have elevated Amit Uplenchwar to Joint Managing Director and CEO. Amit has been with the firm for nearly six years and has been progressively familiarizing himself with the KPIL business, our operating model, and strategic priorities. He brings in extensive experience of nearly 25 years in heavy civil, infra, oil and gas, and energy markets.

To conclude, I want to emphasize that KPIL of today is fundamentally transformed from what it was a decade ago. We have evolved into a highly diversified, globally positioned EPC leader with a superior business mix, a more resilient earning base, and an accelerating cash generation profile. The majority of our business verticals are now entering a multi-year growth phase and contributing meaningfully to our overall performance. Simultaneously, our disciplined approach to project execution, risk management, and capital allocation continues to enhance the underlying quality of our business.

With that, I conclude my opening remarks. Thank you all, and we will now open the floor for your questions.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Bharat Sheth from Quest Investment Managers Private Limited. Please go ahead.

Bharat Sheth: Thank you, Manish-ji and team, for excellent performance as well as in order book on all fronts, except some softness in the revenue growth. Manish-ji, from two to three years perspective, how do we really see to convert, I mean, order book into revenue, then kind of a capacity that we may

require, so capex, and we are also investing heavily in capital expenditure? Are we looking some kind of a manufacturing diversification? And how do we see current year PBT margins in the light of 1.6% already improvement in first half, if you would like to revise? Thank you very much.

Manish Mohnot: Good morning, and thank you for your kind remarks. I think, for us, we have already positioned ourselves for the next three years on various aspects of growth, and we see that growth coming from all pockets of our business.

If you look at our current order book, we are nearly at two and half years visibility from where we stand today, excluding the L1 business. If you look at our capex spending of the last four years, we have invested more than INR3,000 crores on capex.

If you look at our team building, we have added closer to 20% of team in the last three years across all levels. Also, beyond all of this, getting into newer markets, taking some of our businesses international, focusing on newer clients, focusing on large-scale projects.

If you look at our average projects now, it exceeds more than INR500 crores, which has doubled in the last two years. So, firstly, where we are today, I think the next at least two to three years, looking at double-digit, good high double-digit growth should not be a challenge.

Bharat Sheth: Okay. Technically, I mean, we are investing, so this capex is largely for EPC or kind of a backward integration, or if you can use, which can help us in improving better delivery and improving the margin side.

Manish Mohnot: Sure. I think our capex primarily is focused on the front-end activities, aluminum shuttering, plant and machinery, as well as capacity expansion of a plant. We had recently announced also a big rolling mill, which we are setting up in Raipur. That was announced in Q1. For that also, capex incurrence has started.

Our capex is across the entire value chain, back end, front end, as well as making sure that operational efficiencies improve. On the margin front, I think, I continue to remain bullish in terms of margin improvement. We are not revising our annual guidance as of now, but I personally believe that we should be delivering much more than what we have budgeted for the current year, at a PBT level.

Bharat Sheth: Good. Sir, and last question is, I mean, we have, from EBITDA margin, we are giving a target of PBT margin. What structurally, are we doing for that? Can, really PBT margin stay right? Are we from EBITDA margin to PBT margin kind of. Structurally, what exactly we are doing so that we are always now have to look for a PBT margin?

Manish Mohnot: Sure. Bharat bhai, two aspects. Our EBITDA margin, while it looks slightly low in Q2, it is primarily driven by a one-off expense which happened in one of our international subsidiary on the fund proceeds. We did our IPO in one of our subsidiary, and that IPO related cost has directly hit P&L.

We have not taken any cognizance of profit on the sale of shares, which I had highlighted earlier. So it is like a normal expense, but that is an incurrence which happened in Q2. As far as EBITDA to PBT margins are concerned, our biggest difference is that our interest rates are coming, interest cost is coming down significantly.

As you look at it over the last five years, from 2.5% to revenue, now we are at 1%-1.25% of revenue on interest cost. Slowly, we believe this could further improve. From that perspective, we are trying to see that a lot of EBITDA would get converted to PBT, with depreciation being the biggest cost and interest cost coming down.

Our focus is primarily on PBT because, from a leveraging perspective, we have very different philosophy as compared to the larger industry, and that is why we believe that, it is PBT which makes us look a lot more realistic than EBITDA.

Bharat Sheth: Okay. Thank you and all the best, sir.

Manish Mohnot: Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet Singh from Systematix. Please go ahead.

Abhijeet Singh: Yes. Thank you for the opportunity. And congrats on a very, very strong order inflows in YTD. Sir, my first question is on the margin. In an environment which is quite inflationary, we have seen the price rise across commodities. Some of our peers also experiencing margin pressure.

Under that backdrop, sir, what we are doing good that we are able to maintain the margins in this inflationary environment? I understand that, certain part of our projects are fixed price in nature. Is there something, some factors which helped us in this quarter which has prevented a drop in margin sequentially, or something that you can tell me that is helping us in the margin guidance?

Manish Mohnot: Sure. Good morning, Abhijeet. Abhijeet, to answer your, the simpler question, are there any specific one-offs in this quarter? The answer is no. There aren't any specific one-offs in this quarter in terms of any expense incurred or provisions made or any of that, except for that one large cost which I indicated in the earlier, which happened at, for the fundraising at Sweden. As far as this inflationary trend, Yes, it's a very visible inflationary trend. What helps us is, today, closer to 50% of our order book is variable priced, right? That's one thing which helps us.

Second, a lot of this inflationary trend which are not related directly to which are related to the geopolitical situation are also being reimbursed by clients. We have seen a lot of our clients ready to revisit the cost related to, let's say, petrol, diesel, freight, aggregates, the issue which happened in South India, all of that. Even on some of our fixed projects, we have seen clients being realistic to the extent of saying that whatever is driven by geopolitical, will be reimbursement to maximum extent.

See, even in the current inflationary trend, we believe that we will be able to sustain our margins. I don't see significant impact happening from where we are today. Unless from here things again

go up by 20%, 30%, then it's a different story. But as where we are placed today, I think we will be able to sustain and deliver what we have committed in margins for the current year.

Abhijeet Singh: Right. As of today, we expect that the next two quarters, Q3 and Q4, we can sustain the margins that we have been doing last two, three quarters.

Manish Mohnot: We will sustain or improve.

Abhijeet Singh: Assuming commodity is at the same level.

Manish Mohnot: Yes.

Abhijeet Singh: Second question, sir, is on the B&F side. We have experienced, again, very strong inflows on a YTD basis, I think about INR8,000 crores. Could you delve deeper on what is the demand, where is the demand coming from, what sector, segment, geography? I know there's a large metal order there, but a bit more clarity on that front.

Manish Mohnot: Sure. Abhijeet, we're seeing demand across all the five verticals which we focus in the B&F space: residential, commercials, industrial, data centers, and airports. We're seeing good traction on residential in the southern, western, and north markets. We're seeing good traction coming on industrial plants.

We won a large one, and we're seeing a lot many tenders coming on industrial EPC, where there isn't very high competition for large complex EPC projects. We're seeing good traction on the data centers, where we're working on a couple of projects right now, and there are two, three large bids which are being bidded under the Q3.

We saw some good traction in airports, previously Q4 last year and Q1 this year. We have not seen many tenders in Q2, but we believe that's also an opportunity, since we have now finished the Maldives airport. We're working on the Bagdogra airport, and we believe that we are well-positioned to take some more large projects in the airport business.

So across all verticals, residential, commercial, data center, industrial, and airports, we're seeing good traction, and visibly a lot more traction on residential and industrial. Also, an interesting thing is, if you see majority of our orders in the B&F segment, they're all in that league of INR1,000-odd crores.

You see a very few orders which are very small in nature. So on the size of projects also, now we are bidding for large projects, 8 million, 10 million, 12 million square feet and above. And with EPC, including design and build, which is the capabilities we built over the last five years once we merged JMC and KPTL. Our focus is, one, looking at large-scale projects, EPC end-to-end, including design-build projects, newer segments, which is industrial, data centers, and airports, and focused on that fixed set of clients with whom we have worked over the last few decades, where the relationship gives us a big edge. With this, I think within B&F space, you can see first half when we have grown by 20% of revenue. I see that growth only going up getting into the next year also.

Abhijeet Singh: Right, sir. And sir, lastly on the water business, you have reported an order from Middle East, the first maiden order that we got from there. How do we look at the sustainability of such orders coming from export geographies or international geographies in the water segment? Is there a pipeline that we are looking at, or this is just a one-off maybe?

Manish Mohnot: No, Abhijeet, I had mentioned this earlier also, and I'm repeating this. As far as the water business is concerned, and now we qualified with majority of the large developers in Middle East, across Abu Dhabi, across Saudi, across Qatar, and Kuwait. This was the beginning of the growth of the international business in water.

We remain highly confident of growing this business significantly over the next few years, with primary focus on the Middle East market. We built a team already there. We've got our first project, and you'll see a lot more interesting news in the Middle East on the water business as far as KPIL is concerned.

Abhijeet Singh: Sure, sir. Thank you for answering. I'll get back in queue.

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

Parikshit Kandpal: Hi, Manish-ji. Good morning, and congratulations on a great quarter, sir. My first question is if you can help us understand segment-wise prospect pipeline over the next six months. That would be helpful.

Manish Mohnot: Sure. Parikshit, as I mentioned on the call earlier, as far as T&D is concerned, I think across all markets, right. And driven by the Indian market, where we are seeing a biggest traction, we see more than INR15,000-20,000 crores of orders or bids to be submitted in the next two months itself.

And beyond that, I think if you look at the government plans, next three years at least, growing that business at a high double digit with improved profitability should not be a challenge. Also, on the international front on TL, we are seeing good traction coming out of Middle East, Africa, as well as Latam, excluding Brazil, where we have a big focus.

We are right now L1 in a few large tenders in that geography. From both these businesses, I think a revenue growth of 15%-20% minimum with improved profitability and with reduced working capital is easily doable. We remain very, very bullish on this business from a three-year perspective, or maybe even you can say from a five-year perspective.

On the Buildings and Factories business, while today among the large developers we work, I think there's a good visible tenders to be submitted in the next six months. And we work with a handful of six, seven large developers. And there's good visibility in case in more than INR10,000-15,000 crores of tenders to be submitted this quarter itself on some large residential projects across all these bidders. Even on the industrial plants, we are seeing a lot of traction coming from the government PSUs, the NMDCs, NALCOs of the world, and also from some of the private sector large steel players. We remain very confident that that's one business which

we will ramp up much faster, given that we built a lot of capability and capacity over the last five years.

Our growth engine, as I've said earlier, would be T&D, B&F, and oil and gas in terms of order book growth for the next 12-18 months. Oil and gas, we did a successful Saudi project. Now we've got a large project in one of the Middle Eastern countries, and now we qualified across all the four or five large Middle East countries. We see good opportunities coming there also.

If you only ask me the next three to six months, I see tenders worth more than INR50,000 crores-INR70,000 crores in these three segments, including the tenders already submitted, and tenders which have already been announced. I'm sure every month you'll see something more being added to this.

On our other businesses, when I look at urban infra and water, urban infra is a business where we have already built a good order book over the last two years. They have visibility of around INR6,000 crores. All our six TBMs are fully deployed on projects. We will continue to be selective on it, but that's also something which will be a growth engine looking at a three-year perspective. Maybe not immediately, but from a three-year perspective, this will also be a business which will continue to grow much bigger and much faster.

On water, as I said earlier, while there is an opportunity, we have been selective in India, while Middle East is a big focus for us, and I see a lot of tenders coming up there from Q4 onwards, not necessarily in Q3, but from Q4 onwards.

From a visibility perspective, currently we have bid for more than INR2.5 lakh crores in the first six months. With a win rate of around 10%. I see that similar numbers in terms of bidding at least happening over the next six to twelve months.

Parikshit Kandpal: Okay. My other question is, if I see your balance sheet and I see your standalone and gross debt, it's kind of consolidated gross debt. It has largely remained stable quarter on quarter, while your net debt is now almost net cash level, at the consol level. How does one look at stable gross debt levels in next few quarters, from all the cash which is there on the books? How do you expect to utilize it for growth?

Manish Mohnot: Parikshit, our biggest focus would be on net working capital days, and that's how we're going to manage discipline on capital allocation as well as balance sheet. You can see that's been reducing every time. I believe that we've reached levels at which we can slightly further improve in Q3 or Q4. Our focus would be, yes, we will need working capital for growth, that is given. But as long as we can keep our net working capital days at a consol level in that range of 65 to 68 days or those levels, I think even with that growth plan, we will not need much capital.

As far as capex is concerned, we have already committed closer to INR600 crores in the first half, and we believe that we will need around INR500 more crores in the second half. On a year-end basis, we might be doing capex in excess of INR1,000 crores, which has been a trend in the past also, and we believe that that's required for future growth. To answer your question, do you see debt going up significantly? The answer is maybe not. But yes, it could go up to the extent of working capital requirement and capex payments from a six-month perspective.

Parikshit Kandpal: I was bridging the gap between the gross debt and the net debt. There's a huge gap of almost INR2,000 crores plus. Whether you will use the cash to reduce your gross debt levels going ahead, or how do we see the gross debt guidance? I mean, will it stay at these levels?

Manish Mohnot: Parikshit, as a rule, typically, the last week of every quarter and the first week of every quarter, we typically utilize our entire banking limits. I think we'll continue to be like that only.

Parikshit Kandpal: Okay. Just the last question on water receivables and JJM. So what are the pending order book? What are the pending receivables, and how much collections you have done in Q1, Q2 of this financial year?

Manish Mohnot: As I mentioned earlier, Parikshit, we have collected closer to INR1,100 crores till Oct 2026 this financial year. We still have an outstanding receivable of closer to INR1,500 crores, which is billed plus unbilled. Our order book right now is around INR6,700 crores, out of which around INR2,000 crores plus is on maintenance.

So the executable order book, including the new Middle East project, is over INR4,500 odd crores. A significant portion of it is JJM, which would all get completed in the next 12 odd months, if not earlier. And then our focus would be a lot more international than domestic.

Parikshit Kandpal: Okay. You are saying still you have about INR1,500 to be collected, and largely this is from JJM, right?

Manish Mohnot: Yes, Yes. Majority collection is from JJM only, which includes billed and some unbilled also.

Parikshit Kandpal: Okay. But is there anything overdue past the time, or, I mean, now payments are more timely in nature as per the payment period?

Manish Mohnot: A significant portion of this is overdue, but the good part is that we are seeing good traction. So significant 2/3 of this has all been overdue, but we are seeing good traction. Every month, we are seeing some collection coming from all the states. So that is why we believe that in the next six months, this should further reduce significantly.

Parikshit Kandpal: Okay. Well, sir, thank you and wish you the best.

Manish Mohnot: Thank you, Parikshit.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Good morning, sir. My compliments on a very strong performance, especially on working capital side. My first question is, you mentioned that you managed to get a few qualifications on B&F side in the Middle East. Could you please elaborate on this? And in your journey, I mean, why did it take so long for these qualifications to come, and what is the nature and size of the opportunities there? And Yes, that's my first question.

Manish Mohnot: Sumit, I think maybe you got it wrong. What we said on Middle East was on the water side. On the B&F side, we do not have any immediate plans of going international as of now. Maybe...

Sumit Kishore: Okay, so...

Manish Mohnot: Maybe you heard that side. It was on the water front, not on the B&F front.

Sumit Kishore: Okay.

Manish Mohnot: It was water and oil and gas, where we said that, oil and gas, we already qualified in five geographies. Water also we qualified in a few of them. It was water and oil and gas. As far as B&F business is concerned, our primary focus is in India, and I think from our next couple of years, I see that focus continuing in India itself.

Sumit Kishore: Right. The 14% order book that you have in Middle East, almost 12% is in oil and gas, and balance whatever is there is in water. Is that the right...

Manish Mohnot: And some in T&D. It is a mix of oil and gas being the largest, second being T&D, and a small order in water.

Sumit Kishore: And execution, I mean, obviously oil and gas is going very good. I mean, the other parts are very small, but any issues that you are facing there in Middle East right now in terms of execution?

Manish Mohnot: So, I would not say that we are not facing any issues. There are issues. There are issues on supply chain, there are issues on increased freight costs, which a lot of clients are ready to reimburse. There are issues on delays because work gets stalled at sometimes at primarily in Saudi, and I am sure we all of us have read that.

But while we say so, we are still being able to deliver to the expectation of the client. We are still being able to deliver in a manner where we believe that we will still achieve our targeted 15% growth for the company in the current year. So, there are some delays, but manageable. Nothing which is significant or nothing which is impacting our overall growth prospects.

Sumit Kishore: Got it. Could you just quantify the size of this LMG-related expense that is sitting in the P&L in this quarter?

Manish Mohnot: I think it is closer to $2 million, slightly higher than $2 million, is what I remember. $2 million or close, could be slightly more than that, but that is something we just hit us in Q2.

Sumit Kishore: Got it. Thank you, sir.

Moderator: Thank you. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Hi, sir. Thanks for the opportunity. First question on the core margins. So, definitely we are improving progressively on the PBT margin. Wanted to understand a color on the core EBITDA margin for the three high-growth segments, T&D, B&F, and the oil and gas. What is the outlook in terms of core EBITDA margin? Is there any scope of expansion in the core EBITDA margin faster in any of these segments? That is my first question.

Manish Mohnot: Amit, on the core EBITDA margin, when I look at all our three businesses which you mentioned, transmission, B&Fs, and oil and gas, I think we are at a double-digit level or very high single-

digit, touching double-digit levels. Some of them already at that 10%-12%, some of them in the 9.5%-11% range.

I believe at EBITDA level at least, these three businesses would continue to be in that high single-digit, double-digit margins. Our focus is to make sure that a lot of EBITDA gets converted to PBT, and that is what we have been continuously driving.

We are at double digit. I think that is a good level to be with the size and scale, and with this growth opportunity and the inflationary trend which is visible today. I don't see that improving significantly from the current order book perspective.

I can only say that, yes, there will be improvement in profitability coming through operational efficiencies, coming through size, coming through the client mix, coming through our committed focus on getting good orders, all of that. But on a sustainable basis, I believe a high single-digit or a low double-digit margin at EBITDA level is good for all the three businesses.

Amit Anwani: Understood. Second, sir, if you could help us with outlook now, Linjemontage is separately listed. I just wanted to understand the outlook on the revenue, EBITDA, and other inflows there also, and what is the strategic intent now post the listing on Linjemontage?

Manish Mohnot: I'll be able to answer questions on Linjemontage about what has happened in the first six months and more at a generic level without giving specific details. We believe that that business has a very good visible opportunity from a three to five-year perspective. We've already given that business plan targets to our shareholders at Linjemontage.

Current year, we've not seen so much growth given that the team was focused on a lot of other initiatives, which means strengthening the risk management framework, the processes, the systems, all linked to the IPO listing, and which happened successfully in September.

Going forward, we continue to remain bullish on this business. We own around 65% plus in Linjemontage, and we believe that we will hold that for a longer period of time. In totality, we continue to stay bullish. It's a cash-rich organization with very high ROCEs.

We are among a few leaders in that industry on substation and transmission business, and we believe that we can expand into neighboring geographies also using the stronger balance sheet which Linjemontage has built now.

Amit Anwani: Understood. Lastly, sir, update on the Shree Shubham Logistics. What is happening there and the outlook?

Manish Mohnot: If you look at it from a Shree Shubham Logistics perspective, we have reached a stage where our external debt is closer to zero, if not zero, while we speak. The business is doing reasonably well. They have not improved significantly on top-line growth, but there has been improvement in margins coming through operational efficiencies as well as sale of some of our fixed assets. We would further be deleveraging that business over the next six to 12 months to reduce the capital employed in that business, which is going to help our overall debt structure.

Today, our focus is more on looking at the hired model more than building our own warehouses or building our own storage location in that business. The business is moving in direction where debt is coming down, revenue growth is stable, and operational efficiencies are visible. We are not investing further in this business, but we do not see any surprise in any form, but only see reduction in capital employed over the next six to 12 months.

Amit Anwani: Thank you, sir. Thanks and all the best.

Moderator: Thank you. A reminder to all the participants, you can press star and one to ask questions. The next question is from the line of Vaibhav Shah. Please go ahead.

Vaibhav Shah: Yes. Sir, you mentioned that the capex for the year will be around INR1,100 crores. For next two years, it will be a similar trend, or we can see some reduction?

Manish Mohnot: I believe that in totality, you will see some reduction, because historically, KPIL's philosophy has been capex equal to depreciation. We have changed that trend in the last three years. My personal view is getting from a next year perspective, you should see some reduction in capex.

While we say so, our international opportunities are looking very, very good. If we are able to grow that significantly, we might revisit the number. Where we stand today, definitely capex getting into the next year is coming down.

Vaibhav Shah: Okay. Secondly, what would be our target for working capital days on standalone basis for next couple of years?

Manish Mohnot: I think at the beginning of the year, we targeted being at closer to 90 days. Now we have come down to closer to 80 days, and I think on a standalone basis, we will continue to stay in this levels, maybe a few days here and there. At year-end, Q3 could be different, slightly higher, but at the year-end, we believe we should be at the similar levels of 80-82 days, or slightly lower than that.

Vaibhav Shah: Okay. Sir, on growth, so we have seen a significant amount of order uptick in year-to-date. While we guide for 15% for FY27, could FY2028 be something kind of 20% growth, given the very strong order backlog?

Manish Mohnot: I am not able to comment on exact numbers, but I definitely believe that a minimum of 15% revenue growth with improved margin will happen. Beyond that is something which we will, once we have more visibility on order book and this Middle East disruption, whatever is happening, and the delivery in the next two quarters, we will be able to give you more clarity getting into Q4.

Vaibhav Shah: Okay. Sir, lastly, out of the water order backlog of INR6,700 crores, what would be the JJM portion?

Manish Mohnot: I think the JJM portion, as I said earlier, is around INR6,000 crores, which includes the O&M part also. If you look at it from an EPC perspective, it should be around INR3,900 odd crores to

be delivered. The balance is O&M, which needs to be done over some over five years, some over seven years, and so on.

Vaibhav Shah: Okay. Sir, what margins are we making currently in LMG, and do we see any improvement going forward at EBITDA level?

Manish Mohnot: I think what we have seen, margins at EBITDA level at LMG is more sustainable, more than a growth visible. I think they've been at an 8-odd% levels even in the current year, if you remove the exceptional items. I believe that they should be at similar levels. I don't see significant improvements happening, at least on the current order book.

Vaibhav Shah: But growth can come back from 2028 onwards after a flat year in 2027?

Manish Mohnot: Yes, for sure. That was as planned. You will see now growth coming back, at least in order book from next year and revenue, maybe later part of next year or the year after next.

Vaibhav Shah: Okay. Thank you, sir, for your time.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from Quest Investment Management. Please go ahead.

Saurabh Patwa: Thanks a lot, sir, for this opportunity, and congratulations for a great set of numbers, sir. Sir, just on a structural basis, just wanted to understand your thoughts on how do you see growth coming in next few years, especially in the context that you have a much elaborate, much wider management bandwidth now? How do you see, sir, you spending time on identifying and implementing new growth avenues for the future?

Manish Mohnot: Saurabh, we have been continuously focused on looking at growth opportunities, but with this clarity in mindset that we want to do things associated with our core businesses. Historically, when I look at myself over the last 20 years, which I have been at Kalpataru, the first five years, the biggest mistakes when I look at it now is getting into sectors and segments which we do not understand. Our first focus is within the EPC space or within the six sectors where we exist. We look at growth on manufacturing so that we do backend integration.

We look at growth on international markets where we can take other businesses international. We look at growth on EPC projects so that we can build our own design-related capabilities. We look at growth doing larger projects. We look at growth in terms of making sure that we are more into that complex projects and not the simple projects where you see a lot of competition. While we speak, our biggest focus is to drive manufacturing growth from a next three years perspective, and we have internally allocated some of our free cash flows for that growth.

We also stand committed on taking some of our businesses international. You saw oil and gas, what has happened in three years. You have seen water traction has already started. I am sure you will see similar things in urban infra in the next one to three years. You are seeing transmission international getting into more bigger, larger geographies. We are now in 75 countries. We have added around 15 countries in the last five years.

On every perspective, size of projects, complex projects, manufacturing, backend value integration, design-build projects is what our focus is. We believe that in the segments where we exist at a global level, next 5-10 years, there is so much work, that growing at a high double digit will not be a challenge for us in any form.

Saurabh Patwa: The way you see yourself spending most of your time incrementally, given the balance sheet is now very, very strong, our order books are very strong, you have a very deep, elaborate management bandwidth with multiple businesses. You now also have your Joint MD with you. How do you see yourself spending, where do you see most of your time spending, getting spent?

Manish Mohnot: I believe that maximum time would go in three areas. One is building a more cohesive, building a more disciplined team structure within the organization, because retaining resources and making sure that they deliver in the KPIL style or KPIL culture will be a challenge. That would be the one big area. Second would be to keep exploring international opportunities for some of our businesses.

And third, I have a very important role to make sure this transition to Amit happens over the next defined period of time. Amit has age on his side. Amit has the ability to take us to the next level. I need to make sure that the transition happens in a manner that we still follow our basic core values with a very strong risk management framework without compromising on the balance sheet, which we have built over the last three decades.

Saurabh Patwa: Great, sir. All the best and best wishes for the Diwali to you and the whole team, sir. Thanks a lot.

Manish Mohnot: Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Managers. Please go ahead.

Bharat Sheth: Sir, thanks for the once again opportunity. I have again a question. See, in last three years, we spent a lot of time in building a capability, capacity, and to take kind of a growth line ahead for next couple of years. Existing structure can support what kind of a growth and for how many years? The pace increasing.

Second, when we are talking of quality of order book reduction in working capital cycles as well as sustaining a core EBITDA margin but improving PBT margin. If you can give some more color exactly what are we doing there so that kind of, I mean, without much capital requirement, we can continue to generate a good cash flow.

Manish Mohnot: Bharat bhai, I think you are a background television or something. I can finally hear something more also, but anyway. Bharat bhai, let me answer your second question first. Consciously over the last five to seven years, if you see the way we have built our order book, it is more private sector, it is more international, it is more in segments where the urge to delivery is to do projects at the earliest. It is more where the working capital requirement is minimal, and we have large advances which come into the beginning of the project.

So when you look at our order book today, of around INR70,000 crores plus, you will see a significant portion where we have good advances, private sector clients, funded projects where they pay as soon as we bill. So we do not have much which gets stuck in any form, compared to our historical where we had a lot of government order books, where we had a lot of state exposure and all of that.

So one is a conscious focus on that order book which we have built, by which we are confident that our interest cost should only come down going forward, and which will help us convert our maximum EBITDA to PBT. So that is the first aspect. That is the second question which you asked.

The first question where we are focused on saying that, last five years we have built it, and where can we reach? I believe that we should be at a revenue of closer to, at a consol level, a revenue of closer to INR28,000 crores-INR30,000 crores in the current year. I believe in the next three to four years, targeting a revenue of around INR50,000 crores would not be a challenge with what we have built today.

Bharat Sheth: Okay, thank you very much and all the best, sir, and wish you and your team a Happy Diwali and prosperous New Year.

Manish Mohnot: Thank you, Bharat bhai. Wishing you and your family also a very Happy Diwali.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing remarks.

Manish Mohnot: Thank you everyone for attending the conference. Wishing all of you and your family a very Happy Diwali and a prosperous New Year. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.