



**“Kalpataru Projects International Limited
Q1 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Kalpataru Projects International's Q1 FY '26 Earnings Conference Call, hosted by DAM Capital. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you, and over to you, ma'am.

Bhoomika Nair: Thanks, and good morning, everyone, and a warm welcome to the Q1 FY '26 Earnings Call of Kalpataru Projects International Limited. We have the management today being represented by Mr. Manish Mohnot, Managing Director and CEO; Mr. S.K. Tripathi, Deputy Managing Director; Mr. Sanjay Dalmia, Executive Director; Mr. Amit Uplenchwar, Director, Group Strategy; and Mr. Ram Patodia, President, Finance and CFO.

At this point, I'll hand over the floor to Mr. Mohnot for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Manish Mohnot: Thank you, Bhoomika. Good morning, everyone, and thank you for joining us on today's earnings call. I'm happy to share that we have had a strong start to FY '26. The performance for quarter 1 of '26 marks our highest ever Q1 revenue and profitability in the company's history. This performance reflects the underlying strength and resilience of our diversified business model, robust balance sheet, and working capital management and relentless focus on project execution on back of strong capabilities to execute EPC projects across diverse geographies.

Let us now move to the business performance. At the consol and stand-alone level, both revenue for Q1 grew by a strong 35% Y-o-Y, led by strong project execution and healthy order backlog. In Q1 FY '26, improvement in profitability has significantly outpaced revenue growth as our consol EBITDA grew by 39% Y-o-Y, PBT grew by 112% Y-o-Y and PAT was up by 154% Y-o-Y. Similarly, at stand-alone level, EBITDA was up by 37% Y-o-Y, PBT grew by 67% Y-o-Y and PAT was up by 72% in Q1 '26.

This was on back of 20 basis point improvement in consol EBITDA margin, which stood at 8.5% and 170 basis point improvement in consol PBT margin. Our stand-alone EBITDA margin was up by 10 basis points to reach 8.5% and PBT margin improved by strong 100 basis points to 5.4% for Q1 '26. As guided earlier, margin expansion remains a major focus area for us on back of strategic bidding, diversified business mix, prudent working capital and operational efficiencies.

Our finance cost as a percentage of sales has come down to 1.7% at stand-alone level and 2% at consol level backed by efficient working capital management. We continue to maintain a strong balance sheet as we close the quarter with 33% Y-o-Y reduction in stand-alone net debt to INR1,940 crores and 26% Y-o-Y reduction in consol net debt to INR2,765 crores.

Our net working capital has improved significantly compared to similar quarter last year with net working capital days at 106 days at stand-alone level and 91 days at consol level, which is an improvement of 19 days at stand-alone level and 12 days at consol level compared to the similar quarter last year.

Our order inflows remained healthy at INR9,899 crores till date in FY '26 with significant wins in the B&F and T&D business. Our order book stands at INR65,475 crores as of June 30, 2025, up 14% Y-o-Y with fairly diversified and provides strong visibility for future growth.

Now coming to the performance of individual businesses. Our Transmission & Distribution business delivered a strong revenue growth of 56% Y-o-Y, supported by robust order backlog and project execution in India and overseas market. We received new orders of INR3,188 crores in the T&D business, supported by India and international markets. Our T&D order book stands INR26,725 crores, a growth of 30% Y-o-Y, reflecting good growth visibility in coming quarters.

We continue to strengthen our capabilities and market reach in the T&D business as we have secured new HVDC project and strengthened presence in the Middle East and Nordic region. LMG Sweden has reported revenue growth of 72% Y-o-Y to INR774 crores. LMG received orders worth approx. INR850 crores till date in FY '26 and have an order backlog of around INR3,500 as of 30th June '25.

We have initiated a strategic overview on LMG where various options are being evaluated, including options related to IPO, subject to market conditions. In this regard, merchant bankers and other advisers and intermediaries have been appointed to assist with such evaluation and LMG has initiated certain preparatory steps.

Overall, the outlook for our T&D business remains very optimistic in domestic and overseas market with tender pipeline in excess of INR1,20,000 crores in the next 12 to 18 months driven by investments in energy transition, grid modernisation and the growing demand for power. We are confident that our T&D business is well positioned to continue its growth trajectory with improved profitability going forward.

In Q1 '26, as Buildings & Factory business maintained its growth momentum, recording a 13% Y-o-Y increase in revenue. We have secured record orders worth INR6,711 crores, taking an order book to an all-time high level of over INR16,600 crores in the B&F business. This performance is driven on back of a strong capability to win and execute large size design and build contracts from both long-standing and new clients. Notably, we have secured our largest B&F order on design-build business till date in our history for development of over 12 million square feet of residential buildings in one single project.

Additionally, we expanded our presence in the data center business with additional works on an existing project. In the buildings and factories business, we continue to focus on establishing strong footprint in key markets expanding our portfolio with large-scale design-build projects while sharpening our competitive edge to robust execution and timely delivery.

Our Oil and Gas business delivered strong growth with revenue more than doubling to INR588 crores progressed with good progress on the Saudi project. Looking ahead, we are actively

working to improve our presence in international markets to drive the next phase of growth in this business.

Our Water business saw a decline in revenue by 5% Y-o-Y to INR670 crores. Collections in the Water business has started to improve in a few states, while progress in certain states still remains very slow on the collection front. We expect collection intensity to improve going forward. With an order backlog of INR8,900 crores, we remain comfortable on the execution front in the coming quarters and also in the next few years.

Our Urban Infra business delivered strong performance this quarter with a 42% Y-o-Y growth driven by progress on metro rail projects, both elevated and underground. We are continuously building our capabilities in execution and delivering to capitalise on the growing pipeline of opportunities in metro systems, elevated corridors and tunneling infrastructure.

In our Railway business, we recorded revenue of INR254 crores during this quarter. This aligns with the current strategy of prioritizing project closures while being selective with new orders given the competitive intensity in this business.

Lastly, daily revenue from our Road BOOT assets rose to INR72.6 lakhs in Q1 '26 from INR63.6 lakhs in Q1 '25. Importantly, we have not infused any funds in the 3 road SPVs during the first quarter.

Our subsidiary, Wainganga has issued termination - Wainganga Expressway, WEPL, has issued termination notice to NHAI on 15 July due to various contractual defaults on the part of the NHAI. The company does not expect any material impact on the termination of on our financials. We are progressing well on approval for sale of Vindhyachal Expressway and expect to complete the transaction in Q3 of '25/'26.

Moving now to our outlook. We remain confident to deliver on our targeted growth and profitability for FY '26. We are on track to achieve revenue growth in the range of 20% to 25% at both stand-alone and consol level with healthy improvement in PBT margin.

Our order visibility remains very positive in most of our businesses as we continue to target order inflows of INR26,000 to INR28,000 crores for full year '26. We also remain committed to efficient working capital and prudent debt management to support execution and competitiveness. With strong momentum across most of our businesses, we are confident in delivering sustainable and profitable growth in the quarters ahead.

Thank you for your continued support. We now look forward to your questions. Thank you.

Moderator:

We have our first question from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar:

Congratulations on a very strong quarter. But sir, my first question on the despite very, very strong order inflow, it seems like the India T&D was slow in the Q1. Can you please comment on that? And how do you see that unfolding forward?

Manish Mohnot: Mohit, if you look at our T&D order inflow in the India side, you would have seen Q3, Q4 we won orders more than INR7,000 crores. Typically, you see a lot of orders coming in Q3, Q4, driven by all the tenders of power grid and REC and PFC bidding. We have not seen much bidding in Q1, which is a typical strategy. But while we go ahead, there's a huge backlog. We've seen tenders of more than INR50,000 to INR60,000 crores to be bid over the next 6 months primarily for grid expansion, which are tenders are all being quoted by REC and PFC.

So we remain very confident that you'll see that growth coming in very, very soon. From the last 9 months perspective, we have got orders in domestic T&D of more than INR7,000 crores to INR8,000 crores. So it's just a timing issue. And getting into Q2, Q3, you see growth coming back in terms of order book also in domestic T&D.

Mohit Kumar: But is it fair to say that India saw roughly INR1.3 trillion of order of bid finalisation in FY '25? Is it fair to assume that a lot of these projects are yet to close the EPC contract? And...

Manish Mohnot: So Mohit, it's a mix. It's a mix of a lot of orders have been closed. A lot of orders are in the stage of a pipeline in terms of bidding. But the plans going forward to achieve the 2032 target, which is the NEP target, I think we'll have to grow at least 20%, 25%, if not 1 more in the next 3 years in the T&D space.

Mohit Kumar: Understood. The second question is on the Building and Factory wins. This quarter was surprisingly very good. Can you comment on the spread, geographical spread? And is it driven by few clients or is driven by a large number of clients?

Manish Mohnot: On the B&F side, on the geographical space, our biggest strength continues to be Southern India, where whether it is in all the markets, whether it is Bangalore, Hyderabad, Chennai, Vizag, all of them. That would be closer to 60% of our order book 60%, 65%. The balance 35% would be driven between West and North primarily. As far as the client concentration is concerned, we work with selective clients. The biggest clients of the country, whether it is Prestige, whether it is DLF, whether it is Godrej, whether it's Puravankara or whether it's Brigade. We work with selective clients, but these are the biggest clients of the country.

We do not see any client concentration risk in any form because majority of the projects which we're executing have already been launched and significant sales are visible in those projects. And given the RERA, given the current RERA environment, we see minimal stress on any of those projects from a client concentration risk perspective.

Moderator: We have our next question from the line of Gaurav Uttrani from Axis Capital.

Gaurav Uttrani: Congratulations on the good set of numbers. Sir, I just wanted to comment on the Water segment, like how we are seeing recovery in the segment? And are we seeing new inflows to sort of come in the segment? Similarly, for the Railways, if you can highlight like what would be the progress going forward? And what would be our strategy to grow this segment as a whole?

Manish Mohnot: Sure. Thank you, Gaurav. Gaurav, on the Water segment, as I mentioned earlier, we're seeing some improvements coming in some states in terms of cash flow. So when I look at states like MP, Orissa, we're seeing good improvements coming on cash flows. We're getting paid whatever

we are billing today. But in some states, primarily UP and Jharkhand, we are still not seeing too much traction on release of our whole outstanding. We believe that it's only a matter of time because these are all projects funded by the Center and all budget allocation has been done.

We are cautious in terms of delivering, we're primarily focusing delivering on states, which are paying us on time. So to that extent, we are slightly cautious, but I wouldn't say we have reduced it significantly. So going forward, we believe next couple of quarters, the balance states should also start paying, and that would help us, again, to actively look at projects from a long-term perspective. Our current order book on Water is good enough for the next 2-2.5 years. So we are not worried in terms of an order book building immediately, given the current constraint on cash flows.

As far as Railways is concerned, we've been slightly bearish in this business for the last couple of years because we've seen huge competition, plus 95% plus of the country is already electrified. We do see some projects coming up on electrification, on metro electrification as well as civil projects, but we are very, very cautious. So both Water and Railways, we continue to explore international opportunities, and I personally believe that during the current year, we should at least see one large win in both the segments on the international front.

Gaurav Uttrani:

Got it, sir. And sir, our margins have been really good this quarter, like at 8.5%. So it's taking into consideration that Water segment would have performed well. So what would be the impact, negative impact that on the margins due to underperformance of the quarter segment, if you can highlight that?

Manish Mohnot:

So we have already built in this when we gave our projections at the beginning of the year, where Water segment was not supposed to grow so much during the current year because we knew that these challenges might continue for some more time. So whenever we have given our profitability target of 5%, 5.5% PBT level, we had already included that impact.

So Water is right now at more at a, if you look at it on a quarterly basis, more at a breakeven level. They've not done highly positive, they've not highly negative. But that is what was already budgeted in the numbers when we gave projections to the entire market.

Moderator:

We have our next question from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah:

Sir, firstly, on the B&F business. So we have seen a strong uptick in order inflows and order book also strengthened in the past few quarters. So how would you see the revenue growth in this segment? So it should be in line with the company's overall growth guidance? Or it can even surpass the growth given the strong order book position?

Manish Mohnot:

Vaibhav, we believe that the order book, the revenue growth would be in line with whatever we expected for the company as a whole, the 20% to 25%. A lot of these new orders which have come are more design-build orders. So, converting them to revenue would take some more time. It would not happen in Q2, Q3. It would even only start in Q4. So, on an annualised basis, we believe that B&F business should be very similar to the growth target, which is given for the entire company?

- Vaibhav Shah:** Okay. Sir, secondly, on the JJM side, will we see a decline in Water execution for the entire year like it was in the first quarter? And what are the outstanding receivables results as of June?
- Manish Mohnot:** So on an annualised basis, we believe that the Water business will do slightly better than what they did in the previous year. It might not be a huge growth, but it would still be a single-digit growth in terms of revenue. As far as our JJM outstandings are concerned, they are in excess of INR1,000 crores as of 30th June, which includes billed, unbilled all of them. And we are monitoring that closely. And I said earlier, some of the states like UP and Jharkhand the outstanding is much higher. But the other states, the outstanding have improved significantly.
- Vaibhav Shah:** Okay. And sir, lastly, on the margin bit. So you mentioned that in Water, we are at breakeven levels and Railway also should be at similar levels or a negative level. So how do you see the margins, especially in the T&D and the B&F segment, which are the major contributors for us?
- Manish Mohnot:** So I think as we've guided earlier, T&D, B&F, Oil and Gas, all of them are in terms of margins are much stronger more in the range of 9% to 10% EBITDA for all of these businesses. And some of the other businesses are much lower on EBITDA, and that's why this consol - this mixed bag of 8.5%. We believe that this would continue for the balance part of the year also wherein some of our Transmission domestic and international, B&F and Oil and Gas will deliver much higher margins and the other businesses would be slightly subdued on margins.
- Vaibhav Shah:** And lastly, on LMG and Fasttel, how has been the margin performance in the first quarter? And what is the guidance for FY '26?
- Manish Mohnot:** I think the margin performance for LMG in the first quarter, I mean, I think at an EBITDA level, they have done 8% plus. As far as Fasttel is concerned, they continue to be negative on EBITDA even in the current quarter. We're not able to provide guidance for the current year given that the process of looking at options of fundraise have started for LMG.
- Vaibhav Shah:** So sir, execution was very much very strong in the first quarter for LMG. So this momentum should continue?
- Manish Mohnot:** Yes, because the order book looks very good.
- Moderator:** We have our next question from the line of Mihir Manohar from Carnelian Capital.
- Mihir Manohar:** Congratulations on a great set of numbers. Sir, I wanted to understand on the JJM side. You mentioned excess of INR1,000 crores billed plus unbilled put together. What is the bifurcation between build and unbilled? And what was this number individually on March quarter?
- Manish Mohnot:** Mihir, I might not have the exact details of that with me right now. I think compared to March quarter, I know that the incremental cash, which we have given in the current quarter is only around INR150 crores to INR200 crores. As far as details specifically in terms of what is - how much is billed and unbilled, if you can connect with any of our team members post the call, they'll be able to give you those details.

- Mihir Manohar:** Sure, sir. I mean on the UP side, we were expecting the numbers - I mean, this recovery to happen roughly April or May around. But however, there are still August, but the number has not come in. Broadly, I mean, what is the reason for UP and Jharkhand that the money is not flowing in?
- Manish Mohnot:** No, we wouldn't know the exact reasons except that they have not got the funding from the center as of now. We are in continuous touch with them. We still continue to work on majority of the projects in UP. While Jharkhand, we have slightly slowed down our work execution. We have had discussions both at the state and the central level at across all levels.
- We've been given to understand that we should see some cash flow coming in as early as August, September, this next few months itself. We'll just keep our fingers crossed, continue working and continue pushing to see that the cash flow comes sooner than later.
- Mihir Manohar:** Understood, sir. Second question is on the LMG side. I mean we are exploring options for either raising capital over there or a separate listing. I just wanted to understand the thought process because I mean, it is also T&D business similarly sitting in KPIL. So what is the strategy and thought process of getting it a separate subsidiary listing in subsidiary?
- Manish Mohnot:** As I said earlier, we cannot comment much as we're looking at various options, and we're exploring that, and we've appointed bankers and advisers for that.
- Mihir Manohar:** Understood, sir. And my last question was on the international side. On the international, just do we execute HVDC projects also?
- Manish Mohnot:** Yes, we do, but not across the globe. In some parts of the world, Latin America, Chile, we're doing an HVDC. So some parts of the globe, yes, we're doing HVDC projects but not across the globe. Brazil and Chile, yes. Sweden, not so much. But it's a mix. So it depends on whatever opportunities exist in any of those countries. But if your question is, are we qualified to do HVDC projects at a global level? The answer is yes, we're qualified to do HVDC projects at a global level.
- Mihir Manohar:** Okay. Understood. Just on the HVDC globally, I mean, are the margins and ROE, ROCE better than the non-HVDC or lower kV projects just from a fundamental perspective?
- Manish Mohnot:** No, I don't think there's any difference in terms of HVDC or non-HVDC projects when it comes to margins or ROCE or ROE because we built all that in the tender costing and effectively, we build at similar margins. So it's not that if it is HVDC versus non-HVDC the margins would be different in any form.
- Mihir Manohar:** Understood sir. And my last question was just on the guidance. I mean, given a good trajectory, which I said in 1Q and also robust capex across the power T&D space, do we expect our guidance to be revised upwards?
- Manish Mohnot:** I'm sure you would have heard my opening remarks. At the beginning of the year, I said 20% plus. Compared to that, right now, we have said 20% to 25%, and I personally believe we should

be more closer to that 25% level in terms of revenue growth guidance. With margin guidance being similar of 5% and 5.5% at a stand-alone level.

Moderator: We have our next question from Amit Anwani from PL Capital.

Amit Anwani: Congrats for the good set of numbers. First question, sir, on the debt levels, what kind of target debt levels we are looking at this year? Also, the VEPL transaction, if it happens, what is the value we are expecting? How much we invested and will that help making up balance sheet better. Some color on the debt position and how VEPL is also going to benefit us in terms of the balance sheet?

Manish Mohnot: Amit, we continue to stay cautious on our debt levels, and that's been our model all throughout the last 10-15 years. We believe that our net working capital days will be below 100 days at the year-end, which is one of our targets. And driven by growth, you'll have appropriate debt. Q1, typically, you see debt going up. That's been a trend of the industry as a whole, and you've seen that now also.

So my own view is Q1, Q2 debt should go up, and it should start stabilizing in Q3/Q4. On absolute numbers, it will be driven by how much growth we achieved with working capital days below 100 - net working capital days below 100 at a standalone level. That's how we're driving it as far as debt and net working capital is concerned.

Amit Anwani: Right, sir. Sir, we are expecting in Indore real estate. So any update? Has that been closed? And is the money received? And the second, same for the Shree Shubham Logistics, what exactly you'll be looking for in the subsequent quarters as a strategy?

Manish Mohnot: So Shree Shubham Logistics, we continue to explore opportunities of selling some of our warehouses and land parcels, which were there and reducing external debt. We should be selling at least 2 to 3 large warehouses in the current year. One of them may be in as early as Q2. Our target is to reduce external debt significantly by the end of the year, and then we could look at strategic options getting into the next year for Shree Shubham.

As far as the real estate is concerned, I think we have already given on the Indore side, majority of our projects are majority, if not majority, I would say 99% of residential and shops are sold. We have to collect close to INR100 crores, which we believe collection should all happen in Q2 or early Q3, not beyond that. That's on the Indore project.

Amit Anwani: The amount which we are expecting?

Manish Mohnot: It's closer to INR100 odd crores.

Moderator: We have our next question from the line of Abhijeet Singh from Systematix Group.

Abhijeet Singh: Great to see an amazing set of results from this quarter. My first question is, given the current mix of the order book, what is the sensitivity to an increase in commodity prices like steel, copper, etcetera, whatever the commodities that are the input costs. So what is the, I mean,

proportion of, let's say fixed price contracts to the contracts for the PVC clause and other variables which could go into the sensitivity?

Manish Mohnot: So Abhijeet, just so that we are very clear, we are exposed to 3 or 4 kinds of commodity risk, steel being the largest, aluminum, second, copper and zinc. As far as aluminum and copper and zinc are concerned, we are significantly hedged if not fully hedged. So there will be no impact of any price movements going forward.

On an overall book, if you look at our order book, there's around 65% of our order book, which is fixed in nature. So that 65%, we do not believe that there will be any impact from any increase in any of the commodity prices. There's 35%, which is variable. And out of that 35%, significant is already hedged.

So personally, if you ask me, there could be very, very minimal impact in case prices go up significantly unless prices double from here, which we saw post-COVID when suddenly steel had doubled itself. So unless that happens, we do not believe there will be any impact on margins given by volatility at least in the current year.

Abhijeet Singh: So only a sudden and sharp increase in steel could impact substantially?

Manish Mohnot: Yes. When I say sharp is if it doubles itself from here, which we've seen only once in the last 15 years, that was post-COVID. If it doubles - if steel doubles itself from here, you still have a 3- to 4-month inventory. So you will not see that impact coming significantly in the current year. It would only come in the next year for that order book, which is more fixed in nature.

Abhijeet Singh: Right. Sir, then you mentioned in your comments about the B&F and Water business that you are expecting on one order in the international geography. So could you comment on, I mean, the geography and the kind of addressable market that we are looking at there and the margin profile. So I mean, a general idea of how we're looking at those markets?

Manish Mohnot: So on my commentary, I spoke more about Water and Railway on the international front, it wasn't B&F. The segments for Water continue to be more focused on the Middle East side, where we're looking at options with a few large developers in the Middle East. This would be high-value projects and margins similar to what we quote in India in terms of EBITDA and PBT.

As far as Railways are concerned, we are looking at options more in the Africa side, and we are looking for tenders more in the African region. It might still take some more time before we really get into which exact geography of Africa, but as I said earlier, it should be high value with margins similar to the Indian margins which we quote.

Abhijeet Singh: Right. So lastly, is there any impact of the increased tariffs by the US and Indian imports on our whole business?

Manish Mohnot: I think on our business, we have looked at - we have a nil impact because we have 0 exposure to US in every form and all the businesses. We do not do any imports. We do not do any exports nothing from US directly as well as indirectly.

- Moderator:** We have a next question from the line of Bharat Sheth from Quest Investment Advisors.
- Bharat Sheth:** Yes. Congratulations Manish-ji and team for excellent performance. Sir, my question is, one is, how do we see opportunity in European region? What was a year back and now? And how do we see it changing?
- Manish Mohnot:** Bharat-bhai, we, as KPIL, I have always been very bullish on the European segments on a few specific sectors. One of the sectors where we're very bullish is T&D. And I think we continue to stay bullish whether it is in the Nordic market or whether it is Germany or whether it's the neighboring markets. As of today, if you look at it at Sweden, we are among the leading player through Linjemontage.
- So from a 2- to 3-year perspective, we continue to stay very bullish. And personally, if you ask me, even from a 5-year perspective because majority of the European states now have becoming clean in terms of energy by 2035, which requires them to build a very strong grid. Given that, I think we continue to stay bullish in this market, at least from a 3-year, 3- to 5-year perspective.
- Bharat Sheth:** And how much capability investment that we are planning and what stage, I mean, to gearing up future opportunity?
- Manish Mohnot:** So Bharat-bhai, I might not be able to speak a lot on the future opportunities, given that we've started a process. I can only say that whatever business plan we had given at the beginning of the current year, we're confident of achieving that. And we've geared up in terms of competencies to make sure that we achieve that and further growth also if required.
- Bharat Sheth:** And how about the Fasttel? How do we see, I mean - and when do you expect to PBT breakeven?
- Manish Mohnot:** So we've had - we still continue to see some challenges on Fasttel. Q1 was good on revenue growth, but on profitability, it was not necessarily a good quarter. I personally believe getting into Q3 onwards, we should be at a breakeven level. Q2 is also slightly difficult quarter. But from Q3 onwards, at Fasttel, we should be at a breakeven level. We've also been very selective in terms of taking orders there and we will be revisiting our strategy in terms of future growth of Fasttel maybe Q3, Q4, and then we'll revert back to all of you.
- Bharat Sheth:** And sir, last question, see, after winning a large project in Oil and Gas in international market, so how we are seeing now? And how -what is your view from 2-3 years perspective?
- Manish Mohnot:** So Bharat-bhai, on the international front, when it comes to Oil and Gas, today, we qualified with majority of the international Middle East players, whether it is ADNOC, whether it is Saudi Aramco or whether it is the neighboring countries there with the Oil and Gas utility. We're seeing a lot of opportunities coming up there. Our first aim was to make sure that we have taken a large project that we create a team and focus on delivery, and that's why we did not take any projects in the previous year.
- Over the last 12 months, we are now seeing that our team has delivered better than what we had expected. With this, we now continue to refocus on building an order book and this on the

international front. And we believe that before the end of the year, we should have some large wins coming up the international front on the Oil and Gas business.

Bharat Sheth: Okay. And sir, last question with your permission. When we are talking about 3 years opportunities, say, on India side, I mean, growing on T&D side, 20%, 25%. So again, I mean, what are the major opportunity - I mean challenges that you are taking and how really, we are building a company to gear up to encash those opportunities.

Manish Mohnot: So Bharat-bhai today on challenges, our biggest challenge continues to be labor availability and also the movement of labor. To me, if you ask me, the biggest challenge 1, challenge 2 and challenge 3 continues to be only that. As far as our plant capacity is concerned, we are in the range of 2.25 lakh plus tons and we can easily expand that in a few months to whatever we need. As far as our management team as well as our design engineering team, our equipment base, our capex base, I think we can even do double of what we are doing today.

So today, we do not have a challenge on any front except labor availability and that's also improving in terms of where we were the same time previous year to where we are right now, I can see some improvements, but it needs to improve significantly for us to continuously growing this at 25%, 30% for the next 3 to 5 years.

Bharat Sheth: Okay. Okay. And same thing on B&F side?

Manish Mohnot: Yes, I think it's exactly the same on B&F. The opportunity looks good. We work with the large guys. We're doing large-sized projects design-build. Thanks to RERA, we do not have any challenges in terms of liquidity, cash flow, any of that. We've also invested hugely in capex over the last 3 years in the B&F side. So that also helps us having a good capex base. So our only challenge continues to be labor on the B&F side also.

Moderator: We have our next question from the line of Teena Virmani from Motilal Oswal Financial Services.

Teena Virmani: Congratulations for extremely good set of numbers. Sir, my question is related to the previous question on growth across segments. Given the way this pipeline is strong and order inflows for KPIL also have been strong in the last 3 years. Beyond this labor issue, which probably can be a temporary issue, what can be a constraint to grow even at a 30%, 35% growth rate going forward?

In the sense, like I just want to assess whether you can grow on a full year basis by more than 25% or 25%, is it possible or not? Because barring Q2 which has a seasonal impact. Q3 and Q4, generally, the execution ramps up and all those labor-related issues also get sorted out. So can you be at even 30%, 35% growth rate if things fall in line?

Manish Mohnot: So Teena, a good part of our business is that it is driven by external factors as much as driven by our own capabilities and competencies, right? On an order book front, yes, we have good visibility across all the business. You have seen in Q1, we've grown at 35%, and that's why annualized, we're confident of 25% plus.

We do not believe that at least for the current year, we have any challenges on achieving a targeted growth. But our businesses always have internal and external factors, both. We would rather be cautious and continue growing at 25% and not target 35% for the year and then come back to 10% or 15% in the next year.

So our own belief is that we would like to continue this 20%, 25% growth for the next 2-3 years, focus on improving margins and focus on selecting projects which we want to deliver in the shortest time frame. So to answer your question, we believe 25% is a good number. We can do better than that, but we'll be happy with doing this sustainable instead of doing it in a year and then coming down next year.

Teena Virmani: Got it. Because to some extent, FY '25 base also was lower and particularly for Q1, the base was lower. That's why I was trying to understand that on a low base also, can the growth be a little better than what you're guiding for. But I take your point that you want to maintain it as of now at 20%, 25%

Manish Mohnot: Sure.

Teena Virmani: And my second question is related to any kind of CTC provisioning. Have you done anything for this year in the current quarter? Is it part of the numbers? Or is there any provisioning done in the balance sheet?

Manish Mohnot: So we continuously do CTC provisioning on a monthly basis. It's not on an annualized basis, right? So projects wherever CTC provisioning is required happen on a monthly basis, quarterly basis. Now if your question is, have we created additional provisions in the current year on warranty guarantee, even in the current quarter, we have provided for additional INR28 crores.

So that number compared to March has gone up by INR28 crores. On ECL, we had similar numbers as of March. On CTC, there would be some small movements, but not significant. There could be plus/minus INR5 crores, INR10 crores, but not significant.

Moderator: We have our next question from the line of Parikshit Kandpal from HDFC.

Parikshit Kandpal: Congratulations on a great quarter. So my first question is on the loss funding. So you said that this quarter, there's no loss funding. So is it right to assume now after the Wainganga termination that there won't be any loss funding from here on?

Manish Mohnot: Good morning, Parikshit, I just want to recorrect your understanding. We have stopped loss funding maybe a few years ago. We've been primarily funding to repay debt. Loss funding. There's a big difference but anyway, I'm sure we understand both of us. So our belief is that we might have to do some funding on WEPL to repay the small debt, which is with bankers now. Our debt with bankers is around INR40 crores. So while WEPL is being terminated, we do not want to get into this discussion with bankers of an NPA or any of that. This would eventually come back in the form of a claim, but our finance team is right now discussing with the bankers to see that how do we fund that.

So that would be the only funding which might be required. So to answer your question, a max of INR50 crores, out of which INR40 crores would be more to repay debt of WEPL, closer to INR40 crores, I do not remember the exact numbers. And there could be INR5 crores to INR10 crores further, but we would target that to be kept at a minimal level.

Parikshit Kandpal: Okay. The second thing on the margin trajectory now. So the mix is not changing. We are seeing high growth and high margin, I mean, double-digit segments like T&D, B&F and all. So as a trend from here on, on a quarterly basis, our Railways and other segments slow down in terms of growth contribution. Do you think that directionally, what kind of margin expansion are you looking at PBT level in FY '27?

Manish Mohnot: FY '27. Parikshit, it would be too early for me to give you a target on '27 in terms of margins. I can only say that the current order book in terms of margin visibility is much better than what we had in the last 2 years. So definitely, you would see margin improvements coming in next year also. I'm pretty confident about it.

But exactly, would it be 25 basis points, would it be 50, would it be 75, you will have to give us some more time to come back to you. Current year, we stay confident that we would be at a PBT standalone in the range of 5% to 5.5%, more towards the higher side. And going into the next year, we'll definitely see an improvement but give us some time to come back with exact numbers.

Parikshit Kandpal: Okay. Sir any views on the TBCB revival on the state side, sir? So what is the opportunity you're seeing? And how big can that opportunity be over the next few years?

Manish Mohnot: Parikshit, today, our state exposure on an overall basis is less than 2% or 3% of the total order book. We continue to stay cautious on state-funded projects across all segments and we would like to stay cautious going forward also, given the kind of opportunities we have with center funded with PSU funded and private sector funded. So as KPIL, we will be cautious on building an order book on state-funded projects across all segments.

Parikshit Kandpal: Okay. Just on the pledging now that Kalpataru real estate is listed, sir, any thoughts on how the pledge will move now? I mean, is it the peak? I know you've been talking about it last quarter, but now since the listing happens, how do we, how do we see the pledging over to mid- to long term?

Manish Mohnot: No, I think we've seen a huge reduction in pledge over the last 2 years, with pledge being below 25%. We've been given to understand by the real estate team that you should see pledge only coming down. We do not have a definite time frame with them, but we have a commitment that pledge should only start coming down going forward.

Parikshit Kandpal: Okay. And just on the renewable opportunity in the Middle East, any thoughts there? How do you think that you can capture a market share in the Middle East on the Oil and Gas side, we're doing something and looking at other opportunities? But on the renewable side, what are you looking at? What could be the addressable opportunity for us?

- Manish Mohnot:** So we have built a very strong team on the renewable side to look at the international business. While we speak, we have bid for 2 or 3 large projects and we remain very confident that we should have at least one large win on the solar project in Middle East before the end of this year. I might not be able to share details more than that at this stage. But once we have order win, I'll be happy to share more details on that.
- Parikshit Kandpal:** And when we say large, so generally, what is the quantum of this large win typically?
- Manish Mohnot:** A INR1,000 crores plus is large for us.
- Parikshit Kandpal:** Okay. And just last question, sir, on the interest-bearing mobilisation advance. So what is the quantum? And if any yes, if you can give me that number?
- Manish Mohnot:** So our average interest on customer advance on a totality basis is more in the range of 9%-9.5% in totality. Our total advances, customer advances are at this stage, I wouldn't have an exact number, but if anyone has a number in terms of what advances we have today. But you can take that one, but I know the interest cost on advances is more in the range of 9.5% in totality. Average advances -sorry, Ram is just giving us a number. So average advances in the range of - it should be, interest-bearing advances should be in the range of INR600 crores to INR700 crores.
- Parikshit Kandpal:** And any interest-bearing acceptances?
- Manish Mohnot:** That would be very minimal closer to 0 because we do not have interest-bearing acceptances at KPIL.
- Moderator:** We have our next question from the line of Ashwani Sharma from Emkay Global Financial Services.
- Ashwani Sharma:** Congratulations for a stellar set of performance. My first question is on the guidance. When you say 25% revenue guidance in the current year. Can you just give us some indicative indication on the mix in terms of segments and the domestic and international contribution?
- Manish Mohnot:** Ashwani, all our businesses, except Water and Railway, we expect them to grow at 20%-25% plus, which includes T&D, Transmission Domestic, Transmission International, B&F, Urban Infra as well as Oil and Gas. They will all grow in excess of 20% to 25%. Our Water and Railway business would not see any growth.
- Some of the businesses will grow more than 25%, and that's how it will get compensated on an overall basis. As far as geographic growth is concerned, I think our order book is primarily 60% domestic and 40% international today. And I see in terms of growth, international growing at a similar level at what the domestic business is growing.
- Ashwani Sharma:** Internationally, so you did allude to the labor challenges. How are you managing challenges as far as labor is concerned mainly in the interaction geographies, especially in the Middle East or in the South Africa, if you can just what is your strategy? And what has been your strategy to overcome this challenge?

- Manish Mohnot:** Our international labor channel is not as much higher domestic labor challenge, primarily for only one reason, that on the international front, we can take labor from various countries, including our neighboring countries, including some European countries, including some African countries. And that's why on the labor front, internationally, we have not seen such high challenges as what we have seen in the Indian projects.
- Ashwani Sharma:** Okay. My third question is on the capex. If you could just spell out your capex plans in the current and next year?
- Manish Mohnot:** I think for the current year, our capex plan is more in the range of INR600 crores to INR700 crores, what we had guided at the beginning of the year also. As far as next year is concerned, we are still not decided our capex plans, but we would be slowly moving to a capex target, which is more equivalent to depreciation kind of things. So we should be looking at a minimum of INR500 crores even getting into the next year. Current year is more in the range of INR600 crores to INR700 crores.
- Moderator:** We have our next question from line of Balasubramanian from Arihant Capital Markets.
- Balasubramanian:** Congratulations for a good set of numbers. Sir, on the data center side, what kind of ticket size we are bidding right now? And how does this margin ROCE profile compared to traditional P&L projects? And what is the pipeline visibility?
- Manish Mohnot:** On the data center side, we are right now bidding for 2 or 3 large projects both in South India as well as West India. The new project which we've got is not very big in size because it's an additional building on the earlier project, which we did for our international client in Mumbai itself.
- But we build competencies to do the end-to-end data center, which includes civil, electrical as well as MEP. We believe that there should be some very good opportunities coming on that, and we are bidding for 2 or 3 projects while we speak.
- Balasubramanian:** Okay, sir. Sir, that Vindhyachal Expressway monetisation, what is the expected time line for closure? And how will proceeds will be utilised and any other noncore assets under review for monetisation?
- Manish Mohnot:** So as guided earlier, we believe that Vindhyachal Expressway we should get approvals in Q3. The total expected cash flow on that budget, as we guided earlier, should be in the range of INR700 crore INR800 crores with half of it going for debt and half of it should come back to us as equity. Primarily the cash flow would be utilised either for working capital or to reduce debt, but we'll take a call on that closer to the date when the money is expected to be received.
- Balasubramanian:** Okay, sir. Sir, on the Oil and Gas side, almost one third of the project is delivered for Saudi Aramco. I just want to understand how we are managing our subcontracting like steady cost structures. And if you could throw some light on like how is the domestic Oil and Gas, and how we are prioritizing Middle East market compared to domestic markets? And what kind of order inflows we can expect both Middle East and domestic side?

Manish Mohnot: So, we're seeing a good traction on the Middle East front, as I mentioned earlier, and we're bidding for large-scale projects because there are only limited players from India who qualify with the large Oil and Gas utilities in Middle East. So we are bidding for some large projects. I wouldn't be able to give you a target as of now.

But the international front opportunities look much bigger on Oil and Gas as compared to the Indian front. On the Indian front also, we're seeing some good opportunities coming up on both the pipeline as well as the plant side. But in terms of quantum, our focus is a lot more international as of now as compared to India.

Balasubramanian: Okay, sir. So on the subcontracting side, how you are managing how these cost structures?

Manish Mohnot: I think we're managing subcontracting the way we do it across all projects in the country. There's nothing different for Oil and Gas. It's exactly the same for Transmission and Oil and Gas. It's a team which manages this - exactly the same way for all our businesses. I do not understand what is the exact question on this.

Balasubramanian: Actually, I hear this Oil and Gas cost structure is a little heavy compared to other projects?

Manish Mohnot: No, I don't think that's factually correct statement.

Moderator: We have our next question from line of Mahir Moondra from Nuvama Institutional Equities.

Mahir Moondra Yes. So my question is on the tax rate. So you've seen in the past two quarters, the tax rates have normalized to around 25% - 26% levels and it was much higher before that. So how do you expect it to be throughout this year? And how does it work out?

Manish Mohnot: So our tax rate is primarily driven by the profits on specific projects in the quarter. So there are some international geographies, which have a higher tax rate. And also, there are some geographies where we are making losses, which you will not get a tax benefit.

So I think we believe for the current year, we should be more in the range of this 26%, 28%, 30% not beyond that. But on a quarterly basis, it depends on the profits, which projects we earn that profits. On an annualised basis, we should be more in the range of 28% to 30%.

Moderator: We have a follow-up question from the line of Bharat Sheth from Quest Investment Advisors.

Bharat Sheth: To understand that on labor front, there is a more challenge on domestic side rather than the international. And since we are winning a lot of large projects now, even real estate, what is the opportunity for automation, which can, I mean, offset this? And what are the stage we are in and how we are investing in automation?

Manish Mohnot: So Bharat-bhai, we've been very focused on automation and mechanisation of a lot of our processes. A lot of our projects, whether it is B&F, whether it's Transmission, whether it's Oil and Gas, we have moved to a higher level of automation on every aspect right from the basics of, let's say, civil in terms of concreting to the basics of staging shuttering where we've moved up to aluminum formwork and even going beyond that to using cranes for tower erection for

T&D to using automatic welding machines for Oil and Gas to using steel prefabricated structures for building.

So a lot of it is happening today. And today, a big focus of KPIL is on mechanisation, automation and related capex to it. Even at a plant level, we have automated to a great extent, whether it is on raw material handling, finished good storage, all of that. So it's a continuous process. I can assure you that we are completely on top of it, but it's also something which changes so fast that it is something which happens yesterday is obsolete tomorrow.

So we continuously want to be making sure, and we have a lot of consultants helping us on this process also. A lot of our capex in the last 3 years. Last 3 years, we have done capex on more than INR1,700 crores has also gone in that. So whether it's the entire staging shuttering, whether it's a plant automation, whether it is automatic welding machines, all of that. So it's a continuous focus, but we need to also remember that this industry still is primitive in nature, right?

We're still in that brick-and-mortar, right? We can't move to automation like, let's say, OEM or an iPhone manufacturing or any of that. But within what we are able to do, we're doing one of the best things is what we believe.

Moderator: As there are no further questions, I now hand the conference over to Ms. Bhoomika Nair from DAM Capital for closing remarks. Over to you, ma'am.

Bhoomika Nair: Thanks for being on the call and particularly the management for giving us an opportunity to host the call. Thank you very much, sir, and wish you all the very best. Any closing remarks from your end?

Manish Mohnot: Thank you, Bhoomika. Thank you, everyone, for being on this call. And we assure you that we'll continue to deliver similar results going forward. Thank you, everyone.

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