"KEC International Limited
Q4 FY'24 Results Conference Call"
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C H O R U S C A L L

MANAGEMENT: MR. VIMAL KEJRIWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – KEC INTERNATIONAL LIMITED
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Moderator: Ladies and gentlemen, good day and welcome to the KEC International Limited's Q4 FY '24 Results Conference Call. We have with us today from the management Mr. Vimal Kejriwal, Managing Director and CEO and Mr. Rajeev Aggarwal, CFO.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vimal Kejriwal, Managing Director and CEO, for his opening remarks. Thank you and over to you, Mr. Kejriwal.

Vimal Kejriwal: Thanks, Michelle. Thank you. Good morning, everyone, and welcome to the Q4 Earnings Call of KEC. Let me begin with an overview of our overall performance and then go into the specifics of each business segment and our key strategic initiatives. We have delivered a good performance for the year by achieving all-time-high revenues, substantial improvement in profitability, key order wins and significant improvement in working capital and debt levels.

Additionally, we have successfully executed various strategic initiatives and developed niche capabilities across our businesses, positioning us for sustained growth. In Q4, we delivered the highest-ever quarterly revenues of INR6,165 crores, a strong growth of 23% sequentially and 12% year-on-year.

Our T&D business, especially India and Civil business have delivered commendable performances during the quarter. Our margins continue to show an upward trajectory with an improvement quarter-on-quarter over the last six quarters. We have achieved an impressive growth of 37% year-on-year in EBITDA, with EBITDA margins for the quarter improving by 120 basis points, vis-à-vis Q4 FY '23, to 6.3%.

The bottom line has seen a remarkable growth with both PBT and PAT more than doubling over the previous year. Our PBT margin witnessed a significant increase of 150 basis points compared to Q4 FY '23, reaching 3.1%, while the PAT margin expanded by 120 basis points, standing at 2.5%.

In terms of order intake, we have secured orders of INR6,500 crores, approximately, in Q4 across businesses largely contributed by India T&D and Civil. Through concerted efforts, we have made significant improvements in our working capital and balance sheet. Our net debt, including acceptances, has decreased to around INR5,090 crores as of March 31, 2024, largely in line with March '23 levels, despite a revenue increase of more than INR2,500 crores that's 15% Y-on-Y.

If we compare it to the peak level of September '23, the borrowings have been reduced by INR1250 crores. The debt levels could have been much below INR5,000 crores, but the spillover of collections of over INR250 crores to the first week of April, including a substantial collection of INR110 crores from Afghanistan.

We have also achieved a reduction in net working capital by 21 days, now standing at 112 days as of March 31, 2024, compared to a peak level of 133 days as on 30th September 2023. We expect continued improvements in working capital driven by better collections; commercial closure of projects; and a shift in the order book composition and quality with a growing share of India T&D, Civil and product businesses.

The positive trajectory of improvement in borrowings is also reflected in the reduction of interest cost for the quarter to 2.5% of the revenue, a reduction of 150 basis points vis-à-vis peak level of Q2 FY '24 and a reduction of 40 basis points vis-à-vis last year, Q4 FY '23.

Coming to the annual performance, we have clocked a robust revenue growth of 15% with the highest-ever revenues of INR19,914 for the full year. The growth is backed by healthy execution in T&D, both in India and international and Civil businesses. In terms of EBITDA, we have delivered a substantial growth of 46% Y-on-Y, with EBITDA margins expanding by 130 basis points to 6.1% vis-à-vis 4.8% last year.

Our PBT has increased by 2.6 times and PAT has doubled to INR347 crores against INR176 crores of FY '23. The revenues and margins could have been higher, but for the continued supply chain bottlenecks, especially in DI pipes for our water projects and high-voltage transformer/GIS and aluminum conductors for T&D projects. Additionally, the margins were impacted due to continued challenges faced in the execution of some of our railway EPC projects.

On the order intake front, we have generally been very selective, considering the working capital and margin profile of our various businesses. Notwithstanding the same, we have secured orders of INR18,102 crores. The largest contributor has been the India T&D business, followed by international T&D and Civil businesses.

Notably, 21% of these orders are for supply of products such as towers, cables, hardware and poles. We have a well-diversified and strong order book of INR30,000 crores as on-date. Additionally, we have a large L1 position of over INR7,000 crores primarily in T&D business. With this, our order book-plus-L1 position stands at INR37,000 crores which gives us a visibility for the next 6 to 8 quarters. We are happy that the order intake trend is continuing in FY '25 with new orders of INR1,036 crores announced last week.

Considering the substantial improvement in performance, strong order book and ongoing confidence in strategy, the Board of Directors have decided to recommend a dividend of 200%, that is INR 4 per equity share on the face value of INR 2 each.

Now let me talk about specific businesses. Our T&D business has delivered a stellar performance by achieving a milestone revenue of INR10,456 crores for the year, a remarkable growth of 21% vis-à-vis last year. The growth has been delivered on the back of robust execution across both domestic and international markets.

The business has significantly expanded its order book with strong order inflows of 11,000 crores across India, Middle East, Americas, SAARC, Africa and CIS. In India T&D, the business witnessed good traction; and secured orders of approximate INR6,000 crores, a robust growth of 14% vis-à-vis last year. Additionally, we are presently L1 in a large number of tenders in India. The business has significantly bolstered its order book with multiple orders for transmission lines and substations from PGCIL, state utilities, private developers and tower producers.

In India, the power sector is poised for promising growth with transmission infrastructure planned for major renewable energy potential zones such as; Rajasthan, Gujarat, Andhra Pradesh and Tamil Nadu to support the target of achieving 500 GW of non-fossil fuel power by 2030.

We have already secured some of these orders during the year and have a substantial order book and L1 of over INR9,000 crores as on-date in India. The consistent flow of orders and focus of the government on renewables and the related T&D infra build reaffirm our confidence in the sustained strong growth of our India T&D business.

In International T&D, we continue to expand our presence with multiple order wins across markets. The business has secured significant orders in Middle East, especially in Saudi Arabia and UAE, through its new subsidiary KEC, EPC, LLC. We are progressing well on our debottlenecking program to increase the tower manufacturing capacity at our Dubai facility by 20%. This strategic enhancement will enable us to meet the growing demand in the region and further solidify our leadership position in the Middle East transmission market.

We continue to witness good traction in stand-alone tower supply orders. During the year, we have secured significant orders of over INR2,000 crores across key markets such as Middle East, North America, South America, Europe and Australia. These orders include our largest tower supply order from the United States of America and the maiden tower supply order from Europe. The uptick in tower supply orders, particularly from North America, reflects the rising demand for our products in the region.

In SAE, we have delivered a turnaround performance for the year with revenues of INR1,447 crores, growth of 9%; and a positive PBT. I am pleased to share that SAE has delivered positive PBT across all the four quarters. In Brazil, we witnessed the largest-ever auction, exceeding $3 billion, in March '24. We are in active discussions with developers who have secured these projects in the auction and are well positioned for securing orders both for supply of towers and for hardware.

During the year, the business also achieved a breakthrough in the U.S. market with the successful supply of hardware products, thus opening up new avenues for expansion and growth. The business has a steady inflow of orders and a robust order book and L1 position of approximately INR 3,000 crores comprising of orders for supply of towers, hardware and poles; and engineering and testing of towers from the Americas.

In Afghanistan, the progress on collection continues, as we have realized an amount of INR110 crores in the first week of April '24. This brings the total collections, post regime change to a significant INR 420 crores. We continue to be in active discussion with the multilateral funding agencies for collection of the remaining receivables and are confident of realizing the balance in the coming quarters.

The overall tender pipeline in T&D continues to remain strong in both domestic and international markets given the push for renewables and requirements for large transmission lines, substations and underground cabling. With a record order book and L1 in T&D of over INR 21,000 crores, we are confident of delivering significant growth in this business.

Our Civil business has delivered an impressive performance for the year with a robust growth of 32% year-on-year with revenues of INR4,370 crores. The growth has been delivered on the back of strong execution across all segments. In Q4, our honourable prime minister inaugurated the Kochi Metro Phase 1B, which includes a windup and a station built by KEC. Incidentally, the ballastless track works for Kochi Metro was also executed by our railway SBO.

The business has bolstered its order book with order inflows of over INR 4,200 crores. During the year, the business has secured multiple orders spanning diverse sectors, including FMCG, metals and mining, cement, residential and commercial buildings and data center segments. The business has also expanded its customer base with the addition of multiple prestigious clients. With a pan-India order book of over INR 5,000 crores in industrial and building segment, we have established ourselves as a preferred agency in the construction of essential buildings and factories. The business outlook remains healthy across segments with a robust and diversified order book and L1 of over INR 10,000 crores. We are confident that Civil will continue to be a major growth driver for us.

Our railway business has achieved a revenue of INR 3,115 for the year, de-growing by 17%. The business is progressing well on the completion of existing projects. We have successfully commissioned our maiden tunnel ventilation project in Jammu and Kashmir, our execution on track on the prestigious TCAS (Train Collision Avoidance System) projects under KAVACH. During the quarter, we have enabled KAVACH system on 17 route kilometres and another 100 route kilometres is planned during the month.

The margins of this business continue to be impacted adversely due to the delay in execution on account of various factors such as availability of blocks, design issues etcetera. As conveyed earlier, we are being very selective in order intake of railway business considering the increased competition, customer and margin profile and working capital. Consequently, the order intake and L1 for the business remains subdued at INR1,500 crores. This will result in a further degrowth in revenues in the current year.

In a significant development, we have commenced execution of a first international order secured during the year. We have witnessed significant infrastructure spending of the government towards increasing freight carrying capacity, rolling stocks and Vande Bharat trains. Going forward, we anticipate increased allocation towards conventional infrastructure development within the railways, encompassing the construction and upgrading of tracks, overhead electrification and advancements in signalling and telecommunication to facilitate the seamless integrate operation of high-speed trains like Vande Bharat. Our focus will be on fast-tracking project closures, optimizing working capital and pursuing select opportunities in India as well as in the international market.

In Oil & Gas Pipelines, the business has delivered revenues of INR626 crores, a good growth of 30% vis-à-vis last year. In a noteworthy achievement, the business has forayed into the international market by bagging its maiden order in Africa. We are also exploring opportunities in the growing storage tanks market. The business has also strengthened our composite station works portfolio by securing one more order in this segment. The business continues to focus on enhancing pre-qualifications to expand the size of addressable market.

In the Solar business, we are currently executing our largest 600-megawatt solar project in Karnataka. Additionally, we have also secured an order for setting up solar projects from a leading auto ancillary company in India. We continue to bid selectively for opportunities in line with the sustained commitment of the government to promote renewable energy. We firmly believe that the renewable EPC business will become a significant contributor to our future growth.

Our Cables business continues to deliver good performance with the highest-ever revenues, order intake and profitability during the year. The business achieved revenues of INR 1,645 crores with substantial improvement in profitability. We are progressing well on setting up the fully integrated manufacturing line for aluminum conductors announced last quarter. The business has already secured orders for supply of power transmission conductors ACSR and AL-59 from government utilities and private sector TVCB developers. This strategic move will contribute significantly to the revenues and margins of the cable business. Additionally, it will also enable a timely execution of our own T&D projects. We are confident that this business will continue to grow in terms of revenue and profitability.

Over the past couple of years, we have undertaken a transformational journey to create a world-class engineering organization to enhance our engineering prowess across business segments and gain competitive advantage in the industry. We have reengineered and automated end-to-end design processes to reduce engineering cycle time, leading to significant improvements in both efficiency and design quality. Furthermore, we have deployed leading-edge digital technologies such as AI, advanced analytics, NLP for engineering design optimization and improving the quality of our submittals to the clients. This program has helped us to improve our engineering led wins, enhance profitability across various businesses and position as the preferred partner for infrastructure projects.

In ESG and sustainability, we continue to take significant strides across the organization. Some of our key initiatives and development during the year include installation of solar rooftop at our Brazil plant -- and in the course of expanding capacity of our solar rooftop at Nagpur, in addition to the existing solar rooftop plants at Jaipur and Dubai. With this, 25% of our total power requirement in the plants will be catered through solar energy. We also have long-term agreements with external service providers who provide energy from renewable sources at our Vadodara and Mysore cables manufacturing plants.

Our people-centric agenda focuses on fostering happiness, as reflected in our brand tagline Hello Happiness, an integral part of the RPG Group's philosophy. The structure of this agenda is reflected in the increase in our happiness quotient to 83% this year vis-à-vis 81% last year, owing to our unwavering commitment to employee-centric initiatives encompassing growth, culture, recognition and work-life balance.

In the past two quarters, our Board of Directors has undergone notable changes. Three directors have joined our Board, while two members have moved on, adding to diversity, knowledge and expertise of the Board. We now have a further diversified independent Board of 11 members comprising of bureaucrat, investment banker, finance and sustainability professionals.

I'm glad to share that our progress on this front has been well appreciated, which is reflected in the continuous improvement of our ESG ratings by S&P Global DJSI and Morningstar Sustainalytics in the last two years. In a proud moment, we have been ranked first in our industry by both these agencies and also made ourselves as a part of the top quartile of our industry globally.

In conclusion. I would like to emphasize that the outlook remains healthy across most of our businesses with a formidable and diversified order book, plus L1 of INR37,000 crores. Combined with a substantial tender pipeline exceeding INR1,35,000 crores, we are well positioned to deliver sustained growth in the forthcoming quarters. We will continue to focus on profitable growth, fortifying our balance sheet and investing and building capabilities across our businesses to lay a strong foundation for the future.

Thank you all. We are open for questions now.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Renu Baid from IIFL Securities. Please go ahead. As the participant has left the queue, we will move on to the next question, which is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Hi. Good morning, sir. Congratulations on a decent set of numbers. Sir, first question is, how do you think about the opportunity in India T&D, specifically in FY'25? If I have correctly, I think you mentioned the -- we received the order of 64 billion, with a 40% growth Y-o-Y. In that context, is it right to believe that the FY'25 could have very, very large number? And also, can you just comment on the competitive intensity?

Vimal Kejriwal: Mohit, your question was not very clear too, but I think you're talking about India T&D...

Mohit Kumar: Yes. I'm talking about India T&D opportunities. And last year, I think we did a number of 64 billion. Can you see a material high number in FY'25 given that there is a lot of -- large bidding that happened in FY'24?

Vimal Kejriwal: I think clearly we are seeing a large tender pipeline happening. We have seen new renewable, I'll say, packages being announced by the government. On the Rajasthan part, I think it's slowly coming to an end, but I think it's moving on to others. We recently had one more big opportunity announced in, what was that, Jamnagar side, where all the large renewable projects are coming up.

Also HVDC has gone into tendering. So we are also seeing, I think, next week or maybe a week, two weeks after, the first HVDC tender line will get tendered out. The second one is also -- and so I think, India T&D, we grew by almost 40%, 45% last year. We are again planning another 40%, 45% growth this year.

As of today, if you ask me, we have a INR25,000 crores tendering opportunity right now live. We clearly -- and we are having discussions with all the players, including POWERGRID, on this, and I can see them that they are very bullish. In fact, I think they are probably going to revise their capex plan. So if you ask me, I think we have never seen such good days in India T&D and the way the government continues to focus, and I do hope that they will continue after the elections, on the renewable part.

Other piece is if you look at the huge program which has been announced for setting up of coal-based plant -- thermal plants, I think -- and those plants will obviously come at pitheads etcetera. So again, the lines for this will also be required. So that will be a second part of the growth story of India. So I think very clearly we are right now very positive on the India growth story, which is completely opposite to what we were talking about a year back. It's a huge turnaround.

Mohit Kumar: My second question is, given that -- the large opportunity and I think given that there are limited players available to execute these projects, is it right to think that the margins on the Indian T&D space, especially on the standalone, will move to double digit?

Vimal Kejriwal: We expect that to happen.

Mohit Kumar: And as of -- is it likely in FY'25 or FY'26, in your opinion?

Vimal Kejriwal: FY'25.

Moderator: The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: So my first question is on the core T&D business. If you see, now for the last two to three quarters, our order backlog has been in INR14,000 crores to INR15,000 crores range. And typically given that the order book to bill would be about 15, 18 months, what in your view could be the T&D revenue growth in fiscal '25? So you think we can continue to clock 15%, 20% revenue growth or it may take a bit of knock until new order flows come in the backlog?

Vimal Kejriwal: Renu, good to see you back in the conference call. I think we are very clearly targeting around -- I'll say slightly -- at least 20%, if not slightly more, in the T&D piece, largely driven by India because international has grown very well in the last two years. India had a very low performance in FY'23, picked up in '24, '25 again. So I think we'll grow by around 30%, 40%

in India. So overall, if you add India, international and SAE, I think we should have around a 20%-plus growth in T&D as a whole.

Renu Baid: Sure. And simultaneously, while SAE has now turned around and if we look at the core margins, profitability for this year were definitely impacted because of low projects, old projects. So this year, for fiscal '24, the last year, what was the approximate margin profile of the T&D, say, ex of SAE? And you have indicated in the previous Q&A that you're targeting double-digit margins in T&D. Do you think that is feasible for '25? Or there could be risk -- or what could be risks or challenges to double-digit margins in T&D in fiscal '25?

Vimal Kejriwal: So Renu, as far as risk is concerned, we are largely, I'll say, almost hedged on all our base metal exposures, which would include aluminum, copper as well as zinc. Steel is something where there's no significant hedging mechanism available, so that -- to me that's one exposure which we will continue to have, although we are not seeing any major movement in steel happening in last two quarters and I think our supply chain team is also confident that they don't see a major movement happening in this.

The second risk is going to be slowdown in execution, which I think we have built up enough teams and all that, so I don't think -- so personally, I am not seeing any major risk on the T&D side in delivering our projected revenues and I'll even take on the margins also.

Renu Baid: Okay. And approximately what was the profitability of T&D portfolio in fiscal '24?

Vimal Kejriwal: We don't give out our numbers like that, but I can tell you that it was -- non-T&D was more slightly lower than the T&D.

Renu Baid: Okay, got it. Second question is rail order book also is now just a onetime book-to-bill. And given that order finalization pace is slightly softer in the rail electrification and EPC space, what kind of consolidation are we heading for in fiscal '25, '26 in this business? And in your view, can this be materially offset by build-up on export exposure or it may be still some time away till we build up the export order book here.

Vimal Kejriwal: So I don't think it will get set up by export immediately. Right now we just have one single order which is on execution and we have bid for a few of them. Now by the time those orders come -- and hopefully we'll get at least one or two of them. I don't see revenues coming in earlier than Q4 or something. So clearly FY '25 we will have a further de-growth of 15% to 20% in our railway numbers.

Now coming back to how this business will grow or what will happen on this, I think we'll have to wait and watch once the new government is formed. What is the focus area of them in the railway piece of it because pre-election we did see a huge amount of spend which was on running new trains, station development etc which were if I want to use the word more populist than on the infrastructure, but the view in everyone and whoever we talk to in railways and all that is that ultimately we will need to build infrastructure for all these new trains.

So we are hoping that and I think we are reasonably confident that the infra -- the spending pattern of railways will change and will move towards more infra which is where we are. So I do hope that we will start seeing new tenders and orders coming in maybe in Q3 or something and then revenues FY '26. So if you ask me we should see a turnaround happening in the revenues and hopefully the margins also from FY '26.

Renu Baid: Got it. And lastly, you did elaborate briefly about the foray into conductors portfolio, so what is the kind of capex outlay that you have planned for this business to build capabilities and capacity? And what could be the targeted asset turn from this portfolio, even if it is for internal consumption initially over the next 3 years to 4 years?

Vimal Kejriwal: So Renu, the target -- and the capex right now we have target around INR60 crores or so because it will come up in our existing Vadodara factory. And -- but the turnover I think at the -- if you look at current prices which are slightly elevated in terms of AL-59 and all that should be around 10x. So we should be -- in a full year basis we should be able to achieve a turnaround of around INR600 crores from this capex of INR60 crores.

Renu Baid: Okay. And this INR60 crores is sufficient enough to build all the AL range as well as the ACSR range that we are expecting?

Vimal Kejriwal: This is a complete line by itself.

Renu Baid: Got it, got it. And lastly, if I can just ask one more if you look at the government commentary in the last few months as a part of the 100-day program. It's speculated that there'll be significant thrust on project -- new project approvals in T&D and power sector.

And that, in your view, how incremental can it add to the domestic growth outlook that you have shared with us, so far?

Vimal Kejriwal: That's a difficult question because -- I'll tell you why is that even without incremental output and all that. Right now there are so many other going on in the market. As I said, we are looking at almost 40% increase in our India turnover this year, on top of the 40, 50 we already had.

So I don't think it will impact too much because at the end of the day I think we are also seeing a significant stretch on the supply chain. So I don't see that whether we'll be able to go beyond 40%, 50% of the current revenues for India unless and until we have matching spend happening on other item.

Like we are also looking at should we expand some of our India factories also. We have not yet taken a call. Maybe if this thing happens, maybe we'll take a call on that because right now our factories, all of them, India as well as Dubai are full.

Renu Baid: That's very helpful. Thank you so much and all the best.

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

Bhoomika Nair: Good morning sir. Sir, just wanted to discuss the margin profile the improvement what we were looking at has been -- the recovery in margins has been much slower. And I think that's got to do with the railways segment.

Now if you can just throw upon what has been the railway margins like I mean we're looking at a decline in the revenues for FY '25. How will the margin profile for the railway business kind of pan out which will start reflecting them the healthier margins of T&D?

Vimal Kejriwal: So Bhoomika, the margins are not as per your expectation or our expectations also. We were expecting a slightly higher margin in Q4, but there are basically two reasons why the margins are I'll say, 20 basis points, 30 basis points or maybe 40 basis points below the expectation.

And one reason is that we had a deferment of revenue which is unfortunate on account of some of our supply chain issues which are common to the industry. People admit it or they won't admit it, but there are issues which we are facing on -- especially on the conductor and transformers etc and a little bit on the Red Sea where some of our shipments from Europe got delayed.

So we would have lost around INR400 crores, INR500 crores of good revenue. So if you'll take a 10% margin on that roughly around INR40 crores, INR50 crores of margins which would have added around 20 basis points, 25 basis points to our profits has not happened. So that's one reason. And the second reason is that as you rightly said railways has been an issue. We have been trying to see how do we recover all the variations and prolongation etc which we had hoped that at least some part of it would come in Q4. Unfortunately, there have been some management changes in some of the PSUs etc and somehow I think those decisions got delayed.

So whatever we were expecting has not come into account and because of that we have actually booked some extra provisions in the Q4. That's the basic reason why the numbers are -- I'll say, 30 basis points, 40 basis points below what we would have wanted to have for Q4 also and what we have been talking earlier.

Bhoomika Nair: Okay. So sir, I mean, while we are guiding for a 7.5% margin for the full year of FY '25, when do we start seeing margins at around 8% to 9% kind of a range which will be closer to the T&D margins per se?

Vimal Kejriwal: So Bhoomika we still maintain that we'll have 7.5%-plus. We were talking about 7.5% to 8%, but okay let's stick to 7.5% for the year. We have also said that exit at FY '25 we should be close to double digit anywhere between 9% to 10%. Quarterly, maybe Q1, Q2, we're still ramping up so it may be at a slightly lower level in terms of I don’t have numbers for that. but Q3 and Q4, you will definitely start seeing margins of that size so that we can deliver an average margin of 7.5% for the year.

Bhoomika Nair: Sure. Sir, the second question is on the T&D aspect of ordering and competitive intensity, as you mentioned that the demand and the ordering activity is picking up quite a bit. Simultaneously, if you can comment about the competitive intensity. A lot of new players have kind of come back. Jyoti structures which were not there or there is also busy now, so how is the competitive intensity in T&D for these new orders? How was it, say versus one year back and now, the number of players bidding for orders etcetera? If you can just talk about that aspect.

Vimal Kejriwal: So to me, Bhoomika, what has changed in the T&D sector is the size of the orders. Typically what we are seeing now, from powergrid especially, most of the orders are INR500 crores-plus, okay? And if you look at the competitive intensity in that segment, I'll say it has probably come down a little bit, not gone up, in that segment, okay? The other players whom we're talking about are still not there in powergrid. And they have been more with private players and smaller jobs etcetera, so if you ask me, an honest answer will be, for the larger projects, the competitive intensity has not gone up. In fact, I will say it has come down slightly.

Bhoomika Nair: Okay, okay. And in terms of tendering opportunities, sir, you said INR25,000 crores is what is the tendering opportunity which is ongoing right now. As the year ago whole, what do you think can be possibly the kind of orders that have been talked about? And what is in the pipeline which can possibly come through for the year, in terms of tendering opportunity?

Vimal Kejriwal: Typically we have seen around INR50,000 crores, INR55,000 crores of opportunities coming in, but this year, I think we'll do much more than that, that the way the things are happening, I think we will probably end up at INR60,000 crores, INR70,000 crores of numbers.

Bhoomika Nair: Okay. And that will be then bolstered by the international business as well.

Vimal Kejriwal: No. I'm talking about India. International would be around -- right now we have tendering opportunity of almost INR40,000 crores in international today.

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

Parikshit Kandpal: Sir, congratulations on a decent turnaround this quarter.

Vimal Kejriwal: Thanks, Parikshit.

Parikshit Kandpal: And sir, my first question is on this INR11,000 crores of inflows which you highlighted in the T&D segment. So I just wanted to understand. Within this piece, what could be the total bought-out items, equipment, transformer or substations? So basically the third-party procurement on the equipment side. And are you seeing any inflation here? Because we have seen a 40% growth, which is substantial. And then so if you can help us understand how much could potentially be a breakup on inflation and volume in this.

Vimal Kejriwal: So Parikshit, it will vary from order to order, but typically, as -- the construction varies between 20% to 30%, okay? On the international side, the construction costs go up to probably 40% also. India would be close to 20%. Substations could be between 10% to 15%. So it will vary, but when we take a ballpark, maybe 20% will be construction. 80% will be supplies. Of the supplies in transmission side, 30% would, again, be towers which will come out from own factory, so maybe 35%, 40% will be bought out for transmission projects. For substations, it will be closer to 80% bought out. So that's the broad numbers. They could vary slightly, but that's a broad breakup of the revenue of transmission and substation.

As far as the inflation is concerned and price increase is concerned, clearly we are seeing that, but what happens with us is that, when we bid for a tender, we generally have a back-to-back offer with vendors, whether it's for transformer or GIS or conductor or anything. Conductors, obviously, normally is on a price variable where the metal moves in -- back and forth with what happens with the LME, but as I said earlier in the call, that we have fully hedged on all of them. So as far as the past -- what we have in our order book, I don't think we see any exposure. For the new ones, we quote based on the increased prices.

That's why one of the questions which I answered to Bhoomika was also that we -- the size of the orders is increasing. And so partly it is because of the volumes are increasing, partly because the values are increasing. I remember we recently quoted a tender of -- with the AL-59 conductor where the conductor value was almost 40%, 45% of the entire contract value, but for us, we are very clear that we always hedge the moment we are L1.

Parikshit Kandpal: But our high-voltage supply chain. I mean the large MNC players. So typically what kind of contracts do we have with them? Is it like pass-through, or is it fixed price? So once you close the contract and award them, is it a fixed price? So how do we hedge that exposure?

Vimal Kejriwal: So typically the GIS would always be on a fixed price, okay? Transformers, it depends upon -- contract to contract. There are contracts where we could have a pass-through the client is giving. There could be contracts where there is no pass-through and where we take a call based on our supply chain, but that -- and typically those exposures are pretty small. And also, if you look at the TBCB and all the way it operates is that, before the final offer is submitted, PowerGrid always calls you back for a revised offer, where you can always take corrective actions on the pricing. So if you ask me, honestly, I don't think today we are looking at a large exposure on the base metals in the open market.

Parikshit Kandpal: Okay. And sir, second question is on the improving health of the balance sheets now. I just wanted to understand. I mean typically 4Q is very good in terms of collections, so going -- in the ensuing quarters, coming quarters, how do we see the debt shaping up from INR5,000 crores level? And also if you can touch upon why didn't the credit rating agencies see this improvement coming in. And despite that, they went for a downgrade because now things are looking up. So what were the discussion and deliberation about going around like improvement on these matrices? Despite that, they took a downgrade. So if you can help us?

Vimal Kejriwal: Maybe I'll ask Rajeev to answer. Then I can add something if required.

Rajeev Aggarwal: So basically, on the debt side, we are expecting that -- some more collections to happen, for example, Afghanistan and there are a few other debtors which are still coming up with a project closure. So we expect that, with a 15% growth in the turnover which we are expecting for the next year, we should remain by and large with the same debt level of INR5,000 crores.

So effectively what we are saying is that our NWC base, which is -- currently stands at about 112 days, will go down below 100 days. So with that, 15% effectively debt reduction indirectly will take place, seeing that continuing. And based on that, we expect that our interest cost will go down to 2.5%, which is currently at 3.3% for the year.

As far as your question on the rating agencies' rating downgrade is concerned, I think the -- clearly the rating agency has taken a call based on a number of Q2 and Q3. And obviously a lot of debt reduction has taken place in Q4. At the end of Q3, we had a debt of close to about INR6,200 crores, which has significantly reduced in quarter 4. And that -- we expect the lower quantum should continue for the rest of the year because there are a lot of leeway that is available still with us in terms of more collection happening for the year.

So maybe with -- after a couple of quarters with further improvement, we will go back to the rating agencies and we will request them to look at our revised numbers and consider restoring back our rating. Currently there are other two rating agency which continues to be at AA-. So with the CARE and CRISIL. They continue to be at AA-. Incidentally, our short-term rating continues to be at the highest grade. So that is A1+ even with ICRA.

Parikshit Kandpal: But Rajeev, with the increase in volume, do you think the debt levels will go up like in Q1, Q2? I mean I know, Q4, they may again come back because of strong collections, but in next three quarters, do you think -- what could be the peak debt levels we are factoring in the next three quarters?

Rajeev Aggarwal: So normally this is like -- if you look at the seasonal phenomena where -- generally, in Q1 and Q2, the debt level goes up. And Q3 and Q4, the debt level comes down. So we had a peak debt level in Q2 and wherein the interest cost was also corresponding to that at 4%. And from 4%, we have come down to 2.5% in Q4. So this is a normal phenomenon, so probably -- my sense is that debt level will always vary between INR5,000 crores to INR6,000 crores. And INR6,000 should be the peaking level given there are a lot of collections which is lined up in the next few quarters.

Even INR110 crores, as Vimal said at the beginning of the call, that we collected from Afghanistan, which came on sort of April -- so had it been in -- on 31st March, 4 days before, probably the debt level will be -- debt have further gone down in the March itself.

Parikshit Kandpal: Okay. And Vimal, sir, you would like to add something, you said, on this.

Vimal Kejriwal: No, no. I think we did request the rating agency that we should look at the annual accounts numbers and all that, but I think they had their own time lines etcetera so they went ahead for that. So I think we are very clear that we will be able to -- once our numbers are sent to them, and maybe Q1 etcetera, we should see some improvement, let's keep our fingers crossed.

But I think overall what is also happening, Parikshit, is that -- with our quality of order book etcetera improving, I do feel that we -- the numbers on cash flow will improve. There are quite a few large projects both in Civil and also in Railways we have looked at where we expect commercial closures. And cash flows which have been sort of in the pipeline will start coming in, so I think overall, the balance sheet, the debt profile, we'll definitely see a significant improvement.

Parikshit Kandpal: Okay. And sir, just a last question, on the order inflow. I mean, last year, we had less than the guidance on the order inflow, so I just wanted to understand. What were the reasons behind that? And what is the guidance for FY '25? And I mean, will it be sufficient enough to make up for the loss we had so that we can deliver a 15% growth?

Vimal Kejriwal: So FY '25, we are targeting around INR25,000 crores. That's the easier answer for me. On the miss, I think there are two -- I'll say part of it is a deliberate miss because we really went slow in some of the sectors where we were seeing a cash flow issue and also somewhere some execution issues. So I'll say part of the miss -- I can't put a number, but maybe 2,000 would have been on account of deliberately not picking up orders or not bidding for some of the tenders which we had factored in as we will win.

And second is one or two cases where we were L1. Unfortunately, we could not take the orders because of renegotiations. And the numbers which the clients were asking us were below our threshold et cetera, so we had to leave out a couple of orders. I mean, had we accepted them, we would have met 22,000, 23,000 of our target. So I think that's what it is there.

Moderator: The next question is from the line of Vaibhav Shah from JM Financials.

Vaibhav Shah: Sir, in terms of margins, what margins are we targeting for '25 and -- on a whole? And in terms of segmental margins, can you just provide a brief range of what were they in '24 and what we are expecting the improvement in the next 2 years? A broad range would do.

Vimal Kejriwal: So FY '25, I just answered we are looking at a 7.5% margin for the full year. And we also said exit should be around 9% or 10%, so I presume that, FY '26, we still have not got our numbers because it will depend on orders and all that, but I think we should be close to double digit, at least 9% if not 10%. Very difficult to give a number for '26, but clearly it will be, I think, 9%-plus.

Vaibhav Shah: Okay. Sir, in terms of segments, can you provide some clarity, a broad range?

Vimal Kejriwal: So I think -- the way things are happening today; and with the India market, India T&D market, looking up significantly, the way things are happening, I think the T&D margins will definitely be higher than the non-T&D. I can only tell you that much.

Vaibhav Shah: Okay, sir. Sir, secondly, what will be the outstanding debt at -- in SAE? And interest costs.

Vimal Kejriwal: Interest. I think overall SAE cost around 11% -- $50 million is our debt in SAE.

Vaibhav Shah: So are you planning to reduce the debt or replenish it from other -- from our side? Or it will continue at that level?

Vimal Kejriwal: I think we are waiting for the -- I think, performance, we are improving, so there is some natural reduction. Also we have seen last year a reduction in the Brazilian interest rates, so hopefully, we should be able to reap. And also I think the balance sheet has improved, so we should be able to get a better internal rating of the banks in Brazil.

So I think the rates should start coming down. Right now funding from India would obviously be at a cheaper rate, but I think we would still try to see if we can finance Brazil by itself. Looking at it, if nothing happens in the next 3 or 1 quarter or 2 quarters, we will probably do some capitalization there if required.

Moderator: The next question is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.

Saif Gujar: In your starting comments you mentioned about slower execution due to something like HV transformers, aluminium conductors, all these. So when we are targeting say, 20% growth next year, how do you see availability of these and the supply chain shaping up both in the near term say two, three quarter view as well as slightly medium to longer term supply chain shaping up?

Vimal Kejriwal: So as far as the 20% growth is concerned, there are two parts of it -- actually three parts. One is India. One is international, and one is SAE. So we are not seeing there is a problem, but we are not seeing that much of a stress in international as of now. India, I think, has been more of a stress on conductors and to an extent transformers and GIS, but for our program - plan for this year we have a tie-up with all the vendors on the supplies.

So I don't think we are worried about it. Conductors was still a little bit of an issue which is why we decided to set up our own manufacturing. So I don't think the 20% is at risk because of the supply chain issues.

Saif Gujar: Sure. And second question is on this HVDC. So say for HVDC opportunity coming up if you take an index number say INR10,000 crores HVDC contract which would have multiples of opportunity for both equipment players and for players like us. So broadly, how do you see -- or out of the INR10,000 crores say, HVDC project what will be an addressable opportunity for us, for EPC players like us?

Vimal Kejriwal: It would depend upon the structure of the bids. Like we are right now doing an HVDC where the main equipments are supplied by the manufacturer and we are doing the entire civil. We are also doing mechanical erection and many other items of that. Then obviously our share will be higher. Recently, one of the bid which has come out with Power Grid is where they have segregated civil completely and supplies and erection. So it depend. And so obviously the value goes down. So it will depend upon what shape and what format the bids come up.

As far as transmission lines are concerned, I think we are seeing opportunities of probably INR2,500 crores, INR3,000 crores out of that 10,000 as transmission lines. So that's the opportunity in each of them. Even now we have got a large number of lines to be bid both in India and Saudi where there are huge HVDC lines which have been announced.

Saif Gujar: So just a follow-up on that. Say the Power Grid project you mentioned about. In that, within the total project cost what would have been the EPC package split out of the total project cost?

Vimal Kejriwal: I don't have the exact number, but I think the civil was around INR1,000 crores or-odd for the GIS, for the HVDC converter stations. And transmission lines would be probably around INR2,500 or INR3,000. If you ask Abhishek later on, he will give you the exact number. I think it's roughly -- between the two put together it would have been around INR3,500 or so. Plus what will also happen is once the converter station is, let's say, won by someone, maybe they will come back to us for the balance portion of the converter station also which can probably add another INR200 crores, INR300 crores or maybe INR400 crores for us, so it may end up with around INR3,500 crores, INR4,000 crores, in a way.

Saif Gujar: Okay sure. Thanks sir and all the best.

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

Amit Anwani: My first question is on the railway business. So railway you did highlighted that this year also there would be de-growth. We have seen railway business for you growing from almost INR300 crores, INR400 crores to INR4,000 crores between '17 to FY '22. Directionally, I wanted to understand since there's a de-growth for FY '25 and you did highlight it that there's a working capital which is an issue from almost 2 years and the margins are quite low, so what -- directionally, what is the strategy for us over the next 2 years, 3 years in railway? And second thing. I wanted to understand from you on the conventional railway versus nonconventional railway. Is there -- will there be more focus on the nonconventional railway projects going forwards within railway? So some sense on it would help yes?

Vimal Kejriwal: So Amit, last year, we decided that we will go slow till we get our act together whenever the issues are understood the contractual issues and where we are running into right-off-way blockages etc. So I think we now have a I'll say reasonably good understanding of it. And how do we get back and whether we will get back and all to me will depend upon how the contracts are now structured.

Already we are seeing some changes in the working capital structure, where earlier it was completely -- I'll say completely milestone-driven that you do 10 kilometers and you get paid for 10 kilometer. And now already some of the new tenders they have agreed that for supplies they'll pay separately etc.

So if the contract structure changes where it becomes a little bit, I'll say more friendly for working capital number one. Number two, how the new government and the ministry etc look at some of the clauses of EPC. I think all that would decide on how do we look at the conventional railway business. So this is basically on construction of new lines doubling, tripling etc.

On the technology front, whether it is TCAS or whether it is block signalling or S&T etcetera, I think we will continue to look at it and see what is to be done. Between conventional and non-conventional: I presume, non-conventional, one is the technology part of it. One is the metro part of it. Metro, we are bidding. We have got a few projects on ballastless track. We have L1 right now in a project for tower supply to a metro organization.

So I think we are -- in a way, I'll say we are sort of agnostic to about what projects we get, depending upon the margins which are there on individual tenders. Internationally, we are looking at closely, but I still feel that, '25, we will continue to de-grow. And '26 onwards, we should see a turnaround happening in the railway business.

Amit Anwani: Sure. Sir, next, on the Civil business, again the similar things. So you got to almost INR6,000 crores intake FY '22, FY '23. And this year, we are at INR4,000 crores in Civil despite your commentary on Civil was pretty strong with respect to the prospects on building factories and the civil work on metro side. So just wanted to understand. Is this the area which you just highlighted that -- deliberately going slow because of the pace of execution or payments? Or anything you would like to highlight on going slow and civil as well?

Vimal Kejriwal: So Amit, the commentary was strong basically on the revenue side. We had a large growth of more than 30% on the revenue. Order intake, I think the simple reason was that we more or less stayed away from very large projects, especially on the metro side. We have four large metro projects under execution. And I don't think we are very happy with what's happening on the cash flows.

And we are facing a lot of delays on account of utilities etcetera, so we decided to be a little bit more conservative on that till we complete some of these projects, which I think we, from the next quarter or two, will start completing and handing over. And secondly, we also did not see too many water projects coming up. See we have got an order book of almost, right now, INR3,500 -- INR3,000 crores, INR3,500 crores in water; and where, for some strange reason, we did not see too many projects coming up.

So basically we sort of, I'll say, deliberately stayed away from metro water. The opportunities are not there, so some of the large projects, which is what we had secured in FY '23, were not there. So if you look at our order intake. For this year, it's primarily industrial and residential and, I think, one data center, if I'm not wrong. That's -- and obviously a hospital etcetera.

So all these orders were in the B&F sector, as you ought to call it. So I do hope that -- next year, with the new government coming in, again, I think metros and all that will start coming in, so we will see. We do hope it will work up on that, but otherwise, on residential and industry -- and especially now we are seeing private capex slowly starting to go up, okay?

Residential, there are more than enough opportunities. And so once the elections and all -- or I think, once we start getting labor, etcetera, we'll probably pick up a few more jobs and add to our order intake there.

Amit Anwani: Sure. Sir, lastly, on the order inflow this year. We closed at about INR18,000 crores. And you did highlight it, that it deliberately went slow in a couple of projects. And competition-wise, we did not got couple of projects. I wanted to understand which segments was this missed in

FY '24. And second part is the INR25,000 crores order intake which we are factoring in. What kind of intake segment-wise you are dissecting there, yes.

Vimal Kejriwal: So I think, if you -- I'm -- I was not very clear. Sound was not very clear then, but if you're asking about competition and all that: So obviously, international, we see -- international T&D, we see some degree of competition going up, especially in Africa, and all that. India, we have not seen significant competition either in T&D or even on the larger civil projects. If we take civil projects of INR500 crores and above, hardly 3, 4 players and all that.

If you are going sub INR200 crores, then we are seeing a lot more competition. I think the biggest competition problem which we'll see is in Railways, where in many of the bids we are seeing 15 players, 17 players, 20 players, largely from the, I'll say, road industry or contractors to the road industry, subcontractors to the road -- I think those are the guys who are coming in.

So today, if you look at that way -- even Cables, we have been seeing some competition happening. There are at least 7 or 8 players in most of the cable orders. So that's the way we see. India T&D, lower; then Civil; then probably international; then cable. And then Railways is that all of increasing competition.

Amit Anwani: Yes. Actually I wanted to understand. The INR6,000 crores miss in order intake this year was in which segments?

Vimal Kejriwal: So I had explained that earlier. So we had explained it earlier, saying that we had deliberately not taken some orders, which are more in the T&D sector, where the negotiations were happening and they wanted lower prices and that was going below our threshold. And secondly, in Railways, we went very careful what of orders we will take, so I'll say -- and part of -- so it will -- mix of Civil; Railways; and part of international T&D; and even India also, some of the private developers we said.

Amit Anwani: Sure, sir. Lastly, some color on...

Vimal Kejriwal: Amit, you can come back. Amit, you'll have to come back in the queue. There's a long queue here. Please.

Moderator: Yes, sir. Please rejoin the queue for follow-up questions. The next question is from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: Good morning sir. What is the other capex guidance for FY '25 and FY '26?

Vimal Kejriwal: For FY '26, we have not yet firmed up our capex. FY '25 will be close to probably INR350 crores or so.

Uttam Kumar Srimal: And sir, how much amount is remain to be collected from Afghanistan currently?

Vimal Kejriwal: How much Rajeev?

Rajeev Aggarwal: Remaining exposure is about INR300 crores.

Vimal Kejriwal: Around INR300 crores.

Uttam Kumar Srimal: And sir, with regard to interest costs, so it will remain same in FY '25, what has been in FY '24, total amount?

Vimal Kejriwal: FY '24 was higher 3.3% of revenue. FY '25, we are guiding almost at the same level of Q4 of 2.5%.

Uttam Kumar Srimal: That's all from my side and all the best.

Vimal Kejriwal: Thank you.

Moderator: The next question is from the line of Riya from Aequitas. Please go ahead.

Riya: My first question is in regards to the supply chain challenges that we are seeing. So what kind of inventories do we keep for conductors? And if we are planning to set up our own manufacturing facility, what kind of capex are we seeing there?

Vimal Kejriwal: Riya, I answered it earlier. We are planning a capex of INR60 crores for the conductor. Secondly, we don't have any inventory of conductor. We basically is -- order from project-to-project, and it goes to the project site and then installed quickly. So we don't have any inventory.

Riya: Are we seeing any price hikes from the suppliers?

Vimal Kejriwal: There are marginal price hikes which are happening and which we'll apply to the newer projects, so that is factored into tender costing when we tender for a new project. Old ones, generally we have not seen anything which is significant, but let me tell you that aluminium conductor always on a price variable, so when we talk about price hike, if the metal goes up, the price will obviously go up.

Riya: Right. And in terms of AL-59 conductor which we are speaking about, what percentage of our total orders or an order inflow which we are seeing would comprise of that?

Vimal Kejriwal: So as far as Power Grid is concerned, probably 75%-80% -- or actually it is there in the rest. Yes, almost, I'll say, 75%-80% of the orders would have AL-59.

Riya: And you also mentioned that there is a supply issue in DI pipes as well. However, large water projects are drying up going forward, so what is your outlook over there?

Vimal Kejriwal: I think that is the expectation, that with the water projects drying up, in a fashion, DI pipes should improve availability, number one. Number two, we have seen that most of the players have expanded capacity, so I think, where expanded capacity is slowly coming into production, we are actually -- I know at least 2 or 3 of them who started supplying from the new capacities. So I think it's a matter of time; that maybe in a quarter or so, this will become normalized.

Riya: And what kind of water projects decline or de-growth are we seeing yet? Like if just to give a perspective and context.

Vimal Kejriwal: For example, this year, we did not get a single water project. There were hardly any bids which were announced INR2000 crores last year.

Vimal Kejriwal: In FY '23, we had won INR2,000 crores projects in water. FY '24 was 0.

Riya: Thank you.

Vimal Kejriwal: Thanks Riya. Thank you so much.

Moderator: Thank you. The next question is from the line of Arafat Saiyed from InCred Research. Please go ahead.

Arafat Saiyed: Hi sir. Am I audible?

Vimal Kejriwal: It's all right.

Arafat Saiyed: Yes. So I just want to understand, let's say, more about the international pipeline. You said close to INR40000 crores is still available. So kind of, just briefly, about what exactly, in which region you are looking for these kind of opportunities?

Vimal Kejriwal: Largely it is Middle East. It is between Saudi and Abu Dhabi. Then there a part of it is in Africa. And then balance is spread over East Asia and America etcetera.

Arafat Saiyed: And sir, my last and next question, again on opportunity. I just want to understand, let's say, what happened in last, let's say, 6 to 8 months that certainly the opportunity will be significantly, especially on both India and the international T&D. So I just want to understand, let's say, which segment or, let's say, from where this opportunity coming in India and also from the international market.

Vimal Kejriwal: So, Arafat, international, there has not been any major change in the outlook and all that. That's why we did not say that international will grow significant. It's going well. And the opportunities are basically in two areas, which is the Middle East, which is both UAE and Saudi, and also in the North America, especially US. Part of it, where we are seeing opportunities, but that's a typical growth of 10%-15% which we will have, okay? India, I think what has changed -- probably year, year and a half the quarter of time we had large power cuts, etc.

And that was the time when, I think, suddenly the government realized that they need more power. And the entire thinking on the Ministry of Power changed from not adding capacity both on the supply side and on the T&D side. That's number one. Number two, what happened was that, with -- the way our Prime Minister heading the G20 and the entire focus on green energy. Suddenly, the government went all out to ensure that renewable capacity is added.

Now most of the renewable capacity, you are aware, is coming up in Gujarat and some parts of -- so Gujarat, towards the Pakistan border. And also a large part is coming in Rajasthan. So obviously that needed large lines, so that was the second part. The third part was that, earlier, the transmission guys used to wait for the power plant -- for those renewable plants to be set up, start working and then start transmission lines.

And then that resulted in the solar plant getting ready and the transmission lines not being ready, so somewhere, the CEA has taken a call saying that, once approval has been given for a solar or a wind farm, let the transmission line be set up irrespective whether the power generation is happening or not.

So suddenly, they have pushed the REC and PFC etc. over the nodal agencies for TBCB to go ahead and start implementing all the notified schemes without waiting for the solar plant of this to come. So I think these are the two or three major changes which we see which have resulted in this push for more of transmission.

In fact, let me add something else today, as KEC, we are almost doing three or four lines which is bringing more power to Mumbai. So also that the power demand itself is going up significantly. We are building four data centers. Each of them is consuming huge power. So the inherent demand for power has also gone up, apart from the push for renewables. I hope I'm clear.

Arafat Saiyed: Yes, thank sir. That's all my side.

Vimal Kejriwal: Thanks, Arafat. Thank you.

Moderator: We'll take the next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Namaskar, Vimal ji**.** Sir, when you mentioned about INR60 crores capex, it is only for the conductors. Or do we have any additional line for cables also?

Vimal Kejriwal: No, this is only for the conductor.

Saket Kapoor: And sir, will we get a top line of INR600 crores from this?

Vimal Kejriwal: Yes.

Saket Kapoor: Okay. When will this get commissioned?

Vimal Kejriwal: So we are targeting for Q3.

Saket Kapoor: Q3 of this financial year.

Vimal Kejriwal: Yes.

Saket Kapoor: And sir, then the conductors, the margin profile is definitely higher than the cables.

Vimal Kejriwal: It will depend. See, what is happening is that the conductor price will be decided by the demand supply, which obviously today is in favour of the suppliers. So, margin would depend upon, we have some orders for outsiders, so the margin will increase internal though. So, we'll probably have some margin getting built into our transmission business. But overall, yes, there will be an improvement in the overall numbers.

Saket Kapoor: Sir, when you look at the cable business as the other segment classified. The revenue was flat, but there is an increase in -- improvement in margin. So for the next year, what margin profile do we expect from the cable segment, which I think the back-to-back contracts are locked for our commodities. And for the cables also, sir, what is our split-up between EHV and the high-voltage cables and any other profiles.

Vimal Kejriwal: So difficult to give you exact numbers. I don't have those numbers, but I think the turnover of EHV and HV is around INR400 crores-INR450 crores turnover is out of INR1,600 crores.

Saket Kapoor: And the rest, sir?

Vimal Kejriwal: The rest is LT, instrumentation, telecom cables, there are many things in it. Copper cables for the railway.

Saket Kapoor: Sir, one more small point. In HP PPR and Halogen Free, can we consider this product as consumer-oriented? HPPR.

Vimal Kejriwal: No, we are not doing it for the consumer.

Saket Kapoor: Right. A small point, Rajeev-ji. What was the impact of Forex for this quarter and for the year as a whole?

Rajeev Aggarwal: So, I think the forex impact for this year has been very negligible. I think it must be INR5 crores-INR7 crores here and there. Reason being that most of the ordering which is happening is in the Middle East. Middle East, the currency is flat. And a lot of these orders are coming up in our subsidiary companies in Dubai and joint venture in Al Sharif, KEC. So, there is not significant foreign exposure that we have currently. Whatever we are doing, let's say in other jurisdictions, we are either hedging them, either selling those currencies or we are actually taking borrowing against that. So, effectively, to that extent, our borrowing interest cost gets reduced to the extent of hedging against those contracts. So, foreign exchange, I don't think there is a significant variation this year.

Saket Kapoor: Okay. And sir, Vimal sir, the last point, on the INR400 crores deferred revenue, I missed your point. This segment, it was -- and when will those get accounted for?

Vimal Kejriwal: So, largely transmission and some part of it in civil. So, part of DI pipes were not supplied and partly on account of conductors and a little bit of transformers which did not happen because of the Red Sea. In Middle East, the supplies come from Europe. So, some part of the European supplies got deferred. Those are two major reasons. Water, that's civil and transmission.

Saket Kapoor: And this DI pipe issue is resolved now. We have delivery with -- how -- is this domestic issue? Or foreign line.

Vimal Kejriwal: It is domestic issue. DI pipes is for a water project. So, government has given a lot of water projects. Availability is improving. Plus, what has happened is all the DI pipes manufacture expanded capacity. So, I think it is only a deferment of revenue. It will come in Q1 or Q2 instead of Q4. There is nothing to worry about.

Saket Kapoor: One more point, sir. In terms of time overruns, 109 of the 249 railway projects face time overruns. So, the order booking of the railway and the outlook you are giving for the railway, how does this come into impact, in which we are seeing time overruns in the majority of the railway projects? How do we assess this for KEC?

Vimal Kejriwal: This is a very difficult thing Saket ji, because what is happening is that, in my earlier example, we got a tender, in which it was written that we will give you a block of 18 hours daily to work. Before 18 hours, we got a block of 4 hours, because no one approved that they should stop trains and work first. So, until that issue is resolved and there is no realistic timeline that we will let you work for so many hours it is almost like a ROW issue in transmission and all that here client does not let you work fully so until that issue is resolved that how to do railway projects till then we have stopped working on the live line of the projects. Because the solution is not coming out.

Until the solution is not come out, that we will let you work on the trains for 10-12 hours. Hopefully, if elections are held, maybe somebody may take some unpopular decisions that you should stop trains and do the modification. So, we have to wait. and then you can make the modifications based on your decisions so you have to wait the major reason for losses is that all your projects are prolonged.

Saket Kapoor: Yes, correct we have worked for compound in cable XLPE compound and all which are used in EHV is there any integration for that or we source it from the market.

Vimal Kejriwal: We do it from the market we did our own backward integration project of PVC last year which started this year You asked the question why the margin is improving One of the reasons was the PVC compounding which we are doing ourselves.

Saket Kapoor: Right. And are you thinking of any capacity addition in EHV?

Vimal Kejriwal: No, we are not doing it.

Saket Kapoor: We have sufficient capacity to mix it correctly.

Vimal Kejriwal: There is no definition of sufficient but we are not expanding it. Thank you, Mr. Saket ji.

Saket Kapoor: Thank you, sir.

Moderator: Thank you, sir. The next question is from the line of Dhruv, an individual investor. Please go ahead.

Dhruv: Hi, sir. Good morning. Congratulations on a good set of numbers. Sir, I wanted to understand that -- if in an EPC project the project side is supposed INR2,000 crores in the transmission segment, sir, how much cost is incurred on towers in that INR2,000 crores? And if you can give the rough idea on how much percentage is spend on substation, cables, poles and other parts for this cost bifurcation, sir.

Vimal Kejriwal: So it would depend upon what where the project is coming but you know if so what sort of combination you are using you know six conductors multi-circuits there are a lot of combinations but if you ask me in a typical environment, we always call one third is construction, one third is tower supply, one third is conductor and other insulators hardware etcetra.

That's a very standard ballpark which you can take to be, If the lines are very long it may be very different some somewhere today when we are seeing AL-59 etcetra. Where the conductors are very heavy and more I will say expensive technology wise conductors itself are becoming 40%, So 50% supply also 20%, 25% tower rest can be construction. Substations is very difficult to give answer because, in substation what happens is our configuration is, what is there, what is not. But if you ask me I'm 80% would be supplies which would be transformers and whatever else is there in that CRP SAS etcetra and 20% would be a construction.

Dhruv: Okay, fair enough, Sir, on the Solar side, what is the order book as of now stands at? And going forward, how do you see the segment going forward for you, sir?

Vimal Kejriwal: So solar, I think our order book is up around INR300 crores odd close or something, I don't have the exact number, but it will be somewhere in that ballpark. We are waiting and looking, we have been bidding for some projects because there are many projects coming in solar but the risk profiles are different.

So whatever risk profile suits us, whether liability sector we are willing to take, those are the projects which we are bidding for. I don't think we are bidding very aggressively. So maybe we will take one or two more projects or maybe three projects, I do not know this year. and depending upon how the performance happens then we will probably go more aggressively in this business i think FY'26 is a year when we will probably have a much larger revenue arising out of this.

Dhruv: Okay, so there is no plans right now in the FY'25 to expand this segment very aggressively, sir.

Vimal Kejriwal: Dhruv, I said that we may take 2 or 3 projects and individually each project is around INR500 crores INR600 crores. So we may get an order book of maybe 1500 or maybe two depending on how lucky or unlucky we are maybe we should get an order intake of maybe INR2000 crores

Dhruv: Okay sir. Thank you so much sir and all the best for the future.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now hand the conference over to Mr. Vimal Kejriwal for closing comments. Over to you, sir.

Vimal Kejriwal: Well, thank you very much for your continued interest in KEC. Thank you. And we are very -- pretty confident of delivering on the numbers what we have talked about. Thank you. And thanks, Michelle. Thank you so much.

Moderator: Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of KEC International, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.