Management Discussion

Ashwani Sharma - Analyst, DAM Capital Advisors Ltd
Yeah, thanks, Anu. Good morning everyone, and a very well, warm welcome to the Q2 FY '27 earning calls of Kalpataru Projects International Limited. To discuss its results, we have the management today represented by Mr. Manish Mohnot, Managing Director and CEO, Mr. Amit Uplenchwar, Joint MD and CEO. Mr. Shailendra Kumar Tripathi, Deputy Managing Director. Mr. Sanjay Dalmia, the Executive Director. And Mr. Ram Patodia, Chief Financial Officer. With that, I hand over the floor to the, uh, Mr., uh, to Mr.

Mohnot for his initial remarks, post which we will open the floor for Q&A. Over to you, sir.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you, thank you very much. Good morning everyone and a very warm welcome to you all. Thank you for joining us today for Kalpataru Projects International Limited's earnings conference call for the second quarter and first half of FY '27. I would also like to wish you and your families a very happy and joyous festival- festive season. Our Q2 performance goes beyond just another quarter of growth. It reflects the substantial progress we have made in building a stronger more resilient, and higher quality business.

We are successfully translating our operational capabilities and execution momentum into stronger earnings, improving return ratios, an all-time high order backlog, and significant greater balance sheet flexibility. The first half of the year has been highly satisfying across almost all parameters. We delivered healthy revenue growth, record order inflows, improved profitability while generating stronger operational cash flows, and most importantly, achieved a near, near net debt-free balance sheet.

Another major milestone in a value creation journey is a successful listing of our Swedish subsidiary Linjemontage on Nasdaq Stockholm. This represents a vital step towards unlocking value of our shareholders while providing Linjemontage with an independent platform to pursue its growth ambitions. Starting with the financial performance, KPIL's consol revenue reached INR. 7,004 crores for Q2 and INR. 13,412 crores for H1 '27. This reflects the inherent strength of our diversified business portfolio, disciplined project execution, and sustained demand across our end markets.

On a comparable basis, after adjusting for the base effect of our Brazilian business and road SPVs, consol revenue grew by 13% year-on-year in Q2 and 11% Y-o-Y in H1. Our operating performance remained resilient despite headwinds from rising freight and fuel costs as well as supply chain constraints stemming from the ongoing Middle East conflict. Driven by disciplined execution, operational efficiencies, and a favorable business mix, our consol PBT showed robust improvement. Our Q2 PBT grew by 24% Y-o-Y to INR.

398 crores While our H1 PBT increased by 34% Y-o-Y to INR818 crores. Consequently, our consol PBT margin expanded by 130 basis points Y-o-Y to 6.1% for the first half of '27, up from 4.8% in the previous year. This margin expansion is significantly ahead of our earlier guidance where we projected an improvement of 75 basis points over FY '26. Similarly, consol PAT grew by 23% Y-o-Y to INR. 292 crores in Q2, while H1 PAT rose by 34% Y-o-Y to INR. 603 crores. Our consol EPS stood at INR. 35 per share for the first half of FY '27.

Overall, this enhanced profitability reflects the combined benefits of robust revenue growth, operational efficiencies, a favorable business mix, and lower interest costs, all underpinned by the

substantial strengthening of our balance sheet. The transformation of our balance sheet stands out as one of KPIL's most significant achievements. We delivered one of our strongest balance sheet performances, indicates a milestone further validated by the recent credit rating upgrade to AA+ Stable by both CRISIL and India Ratings.

This upgrade places KPIL among an elite group of large-scale EPC companies in India and reinforces our solid financial position, strong credit fundamentals, and strict financial discipline. Simultaneously, our working capital cycle continued to improve with net working capital days declining to 81 days on a standalone basis and 68 days on a consol basis. Most notably, we achieved a near-debt-free position with consol net debt standing at just INR72 crores as of 30 September '26. The significant net debt reduction was driven by tighter working capital management, disciplined capital deployment, and the receipt of approximately INR650 crores from the Linjemontage's IPO.

It is important to note that since Kalpataru Sweden continues to retain control over Linjemontage, the gain on the sale of equity shares offered in the IPO has been recognized directly under other equity rather than in the statement of profit and loss, in line with the applicable accounting standards. Hence, there are no one-offs in the consol, standalone, or P&L for Q2. This deleveraging is particularly encouraging given our sustained investments in future growth. During H1 '27, we have incurred a capex of nearly INR600 crores to enhance execution capabilities, support strategic business, and build up capacity for the future.

Going forward, we remain sharply focused on sustaining this momentum through rigorous working capital management, disciplined bidding, efficient project execution, and prudent capital allocation. Turning to our order book, we closed the quarter with the highest ever backlog of INR71,846 crores. We continue to see healthy business development opportunities and a robust pipeline across the majority of our verticals. Our YTD order inflows surged by more than 60% year-on-year to nearly INR. 24,000 crores, with an additional element position of approximately INR.

5,000 crores. We are already very close to our full year FY '27 order inflow guidance of INR. 30,000 crores. During Q2, we secured significant projects across power transmission and substation works in both domestic and international markets. A major gas infrastructure development project in the Middle East, and large residential and industrial plant projects in India. A particularly noteworthy development was the award of a landmark project in oil and gas business in the Middle East alongside an industrial plant project in the Indian metal sector.

This marks important milestones for KPIL, demonstrating our capability to undertake increasingly complex and technically demanding EPC projects. They also reflect the deep confidence our clients place in execution track record, technical expertise, and ability to deliver large-scale key across various markets. Our growth engines, particularly T&D, B&F, and oil and gas, are becoming increasingly vital contributors to our overall growth trajectory. However, I want to categorically emphasize that our focus is not simply on growing the business but on improving the quality of that growth.

We are ensuring that majority of our new orders align with strict profitability targets, efficient working capital terms, and robust risk management objectives. Consequently, we'll continue to remain highly selective on the order book bidding front. Let me now, some, uh, provide some updates on the performance and outlook of our individual business verticals. T&D- our T&D business excluding Brazil recorded revenue growth of 8% Y-o-Y during H1 '27, reaching nearly INR6,000 crores. year-to-date, we secured orders worth INR10,122 crores and are additionally favorably

placed in projects worth approximately INR5,000 crores.

This demonstrates the underlying demand and KPIL's dominant position in the T&D sector. Notably, near 65% of the T&D orders secured came from major domestic clients, highlighting the strong business traction we are witnessing in the Indian T&D market. Our Swedish subsidiary Linjemontage also delivered a healthy performance, reporting revenue of INR. 1,472 crores and an order backlog of INR. 4,154 crores during H1 '27. Looking ahead, the opportunity landscape for T&D remains highly attractive. We are entering a multi-year transmission infrastructure investment cycle driven by renewable energy integration, rising power demand, grid modernization, and upcoming HVDC projects.

The scale of capital expenditure planned across India and international markets provides a robust, robust growth runway for companies like KPIL. We are also seeing encouraging opportunities across international markets, particularly in Africa, Middle East, South America, and Europe. Where investments in electrification, transmission infrastructure, and grid expansion continue to gain momentum. Moving forward, our focus is to further strengthen our market position, scale up our T&D business, and enhance our manufacturing and backend capabilities to remain competitive and capture the opportunities ahead.

Building and Factories. Our B&F business sustains its growth- it has sustained its strong growth momentum, recording revenue growth of 20% in Q2. And 17% Y-o-Y during H1 '27. Its contribution to consol revenues expanded to 27%. We secured record orders worth approximately INR8,000 crore YTD in FY '27, bringing our total B&F order book to INR21,659 crores as of September 30, 2026. We continue to maintain strong business visibility supported by deep-rooted customer relationships and a robust presence across multiple segments including residential buildings, industrial plants, data centers, and commercial developments.

An important industry trend that we are witnessing is that customers are increasingly looking for EPC partners capable of taking larger responsibility for larger, more strategic, and end-to-end design-build projects. This presents a significant opportunity for KPIL. With a proven delivery track record, expanding design and build expertise, and large fleet of own equipment, we believe we are uniquely positioned as a differentiated EPC partner capable of executing complex projects at scale. Oil and gas- our oil and gas business continues to benefit from favorable structural tailwinds, particularly ongoing initiatives to strengthen gas infrastructure and supply chains across the Middle East.

We remain highly optimistic about the long-term opportunities in this vertical. During Q2, as highlighted earlier, we secured a landmark order for gas pipeline infrastructure in the Middle East. Alongside additional wins in the domestic market. This has pushed our oil and gas order book to INR. INR8,196 crores as of September 30, 2026. The business recorded exceptional revenue growth of 58% in Q2 and 38% during half one '27, reflecting the increasing scale of our operations and project execution. Crucially, our ongoing projects in Saudi Arabia remain operationally stable despite the prevailing geopolitical situation.

We believe our growing capabilities, execution track record, and stronger customer relationships position us well to capitalize on the significant opportunities emerging in the global gas market. Water. Turning to our water business, collections have remained encouraging with close to INR. INR1,100 crore collected up to October in the current financial year. The business recorded revenue of INR. 1,124 crores during H1 '27, while collection intensity improved compared with the previous year. Our focus remains firmly on completing the balance works, improving project execution, and

accelerating the conversion of outstanding receivables into cash.

Backed by this improved collection momentum, we remain hopeful of recovering the majority of our pending receivables within the current financial year. Infrastructure- our infrastructure business recorded revenue of INR. 929 crores in H1 '27, and order book stands at INR. INR5,900 crores. As of September 2026. In our infrastructure business, execution across metro rail projects remains robust with all our TBMs fully deployed and utilized. Outlook and guidance. Stepping back from the quarterly numbers, the most vital takeaway from our Q2 and H1 performance is that KPIL is entering a stronger, more sustainable phase of growth.

This momentum is backed by improved earnings Quality, robust cash generation, and a substantially strengthened balance sheet. We remain highly confident in the growth opportunities ahead, supported by resilient infrastructure spending and expanding investments in power transmission distribution, renewable energy, urban infrastructure, water, and building segments, both domestically and internationally. Moving forward, our focus will center on profitable growth, disciplined bidding, execution excellence, operational efficiencies, and the continued optimization of our working capital.

Based on a strong broad-based performance and excellent contributions from our growth engines T&D, B&F, and oil and gas, we are increasing our full-year FY '27 order inflow guidance from INR. 30,000 crores to between INR. 35,000 crores and INR. INR36,000 crores. Additionally, we reiterate our target of delivering 15% revenue growth for the full year while continuing to drive sustainable, sustainable expansion in PBT margins and long-term value creation for all our stakeholders. In order to strengthen our leadership capacity and evolving organizational requirements to support growth and future scale-up, we have elevated Amit Uplenchwar to Joint MD and CEO.

Amit has been with the firm for nearly six years and has been progressively familiarizing himself with the KPIL business, our operating model, and strategic priorities. He brings in extensive experience of nearly 25 years in heavy civil, infra, oil and gas, and energy markets. To conclude, I want to emphasize that KPIL of today is fundamentally transformed from what it was a decade ago. We have evolved into a highly diversified, globally positioned EPC leader with a superior business mix, a more resilient earning base, and an accelerating cash generation profile.

The majority of our business verticals are now entering a multi-year growth phase and contributing meaningfully to our overall performance. Simultaneously, our disciplined approach to project execution, risk management, and capital allocation continues to enhance the underlying quality of our business. With that, I conclude my opening remarks. Thank you all, and we will now open the floor for your questions.

Questions & Answers

Operator
Thank you very much, sir. We will now begin the question and answer session. [Operator Instructions] who wishes to ask a question may [Operator Instructions] If you wish to remove yourself from the question queue, you may [Operator Instructions] Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Bharat Sheth from Quest Investment Managers Private Limited please go ahead thank

Bharat Sheth - Analyst, Quest Investment Managers
You Manishji and team for excellent performance as well as in order book on all fronts except sub softness is the revenue growth Manishji from taking I mean two three years perspective we are how do we Revenue, then kind of a capacity that we may require, so capex. And we are also investing heavily in capital expenditure. So are we looking some kind of a manufacturing diversification? So, and how do we see current year PBT margins in the light of 1.6% already improvements of full year, if you would like to revise?

Thank you very much.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Good morning, uh, and thank you for your kind, uh, remarks. Uh, I think, uh, you know, for us, uh, we've already positioned ourselves for the next three years on various aspects of growth, and we see that growth coming from, uh, you know, all pockets of our business. If you look at our current order book, we are nearly at 2.5 years visibility for the next Uh, where we stand today, excluding the L1 business. If you look at our capex spending of the last four years, we have invested more than INR3,000 crores on capex.

If you look at our team building, we have added closer to 20% of team in the last three years across all levels. And also beyond all of this, Getting Into newer markets, getting into, uh, you know, taking some of our businesses international, focusing on newer clients, focusing on large-scale projects. If you look at our average projects now, it exceeds more than INR500 crores. It has doubled in the last two years. So per se, where we are today, I think the next at least two to three years, looking at double-digit, good high double-digit growth should not be a challenge.

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sure. So I think our capex primarily is focused on, uh, you know, the front-end activities- aluminum shuttering, plant and machinery- as well as capacity expansion of a plant. We had recently announced also a big rolling mill which we are setting up in Raipur. That was announced in Q1. For that also, capex incurring has started.

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

Bharat Sheth - Analyst, Quest Investment Managers
So then last question is, I mean we have I mean from EBITDA margin we are giving a target of PBT margin. So what structurally, I mean, are we doing for that? Can, I mean, really EBT margin say rise earlier from EBITDA margin to PBT margin kind of? So structurally, what exactly we are doing so that we are always now have to look for a PBT margin?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sure. So both the two aspects are EBITDA margin. While it looks slightly low in Q2, it's primarily driven by, uh, one-off expense which happened in one of our international subsidiary on the fund Proceeds. You know, we did our IPO and one of our subsidiaries, and that cost has directly hit P&L. We have not taken any cognizance of profit on the sale of shares, which I had highlighted earlier. So it's, it's like a normal expense, but that's an incurrence which happened in Q2. Uh, as far as EBITDA to PBT margins are concerned, uh, you know, our biggest, uh, difference is that our interest rates are coming- interest cost is coming down significantly.

And as you look at it over the last five years, from 2.5% to revenue, now we are at 1 to 1.25% of revenue on interest cost. Uh, slowly we believe this could further improve. So from that perspective, we are trying to see that a lot of EBITDA would get converted to PBT, uh, with depreciation being the biggest cost and interest cost coming down. Our focus is primarily on PBT because, you know, from a leveraging perspective, we have very different, uh, philosophy as compared to the larger industry. And that's why we believe that, you know, it's PBT which, which makes us look a lot more realistic than EBITDA.

Bharat Sheth - Analyst, Quest Investment Managers
Okay, and thank you and all the best.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you.

Operator
Thank you. A reminder to all participants, you can [Operator Instructions] The next question is from the line of Abhijeet Singh from Systematix. Please go ahead.

Abhijeet Singh - Analyst, Systematix
Yeah, thank you for the opportunity, uh, and congrats on a very, very strong order enclosed in YTD. Sir, my first question is on the margin. in an environment which is quite inflationary, we have seen the price rise, you know, across commodities. Some of our peers also experiencing margin pressure. So under that backdrop, sir, what is, uh, you know, what we are doing good that we are able to maintain the margins in this inflationary environment? So I, I understand that, you know, uh, certain part of our projects are fixed price in nature.

So is there something, some, some factors that helped us in this quarter which has prevented a drop in margin sequentially, or, or, you know, something that you can tell me that is helping us in the margin front?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sure. good morning, Abhijeet. Uh, Abhijeet, to answer your, the simpler question, are there any specific one-offs in this quarter? Uh, the answer is no, there aren't any specific one-offs in this quarter in terms of any expense incurred or provisions made or any of that, except for that one large cost which I indicated in the earlier, uh, which happened at- for the fundraising at Sweden. Uh, as far as, uh, you know, this inflationary trend, yeah, it's a very inflationary, visible inflationary trend.

What helps us is today more than closer to 50% of our order book is variable priced, right? So that's one thing which helps us. Second, a lot of this inflationary trend which are not related directly to, uh, the,- which are related to the geopolitical situation are also being reimbursed by clients. So we have seen a lot of our clients, uh, ready to revisit the cost related to, let's say, petrol, diesel, freight, aggregates, the issue which happened in South India, all of that. So even on some of our fixed projects, we have seen clients being realistic to the extent of saying that whatever is driven by geopolitical, there's a reinvestment which is visible.

See, even in the current inflationary trend, we believe that we will be able to sustain our margins, uh, and I don't see significant impact happening from where we are today unless from here things again go up by 20-30%, then it's a different story. But as where we are placed today, I think we will be able to sustain and deliver what we have committed on margins for the current year.

Abhijeet Singh - Analyst, Systematix
Right, so as of today, we expect that the next two quarters, future and Q4, we can sustain the margins that we have been doing last 2-3 quarters.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
We will sustain or improve,

Abhijeet Singh - Analyst, Systematix
Assuming commodity is at the same level.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah, Yeah, yeah.

Abhijeet Singh - Analyst, Systematix
Second question, sir, is on the B&F, uh, side. We have experienced again very strong inflows on a YTD basis, I think about INR11,000 crores. Could you delve deeper on what is the demand, you know, where is the demand coming from, what sector, segment, geography? I mean, I know there's a large metal order there, but a bit more clarity on that front.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sure. Abhijeet, we're seeing demand across all the five business verticals which we focus in the B&F space: residential, commercial, industrial, data centers, and airports. Uh, we're seeing good traction on residential in the southern, western, and north markets. Uh, we've seen good traction coming on industrial plants. We won a large one and we're seeing a lot many tenders coming on industrial EPC where there isn't a very high competition for large complex EPC projects. We've seen good traction on the data center one where we are working on a couple of projects right now and there are 2-3 large bids which are being bidded in the Q3.

Uh, we see- we, saw some good traction in airports by previous year Q4, Q1. Not many tenders in Q2, but we believe that's also an opportunity where we have now finished the Maldives airport, we're working on the Bagdogra airport, and we believe that we are well positioned to take some more large projects on the airport business. Uh, so across all business verticals- residential, commercial, data center, industrial, and airports- we've seen good traction. And visibly a lot more

traction on residents and residential and industrial.

Also, an interesting thing is if you see majority of our orders in the B&F sector segment, they are all in that league of INR1,000-odd crores. You've not- you'll see very few orders which are very small in nature. So on the size of projects also, now we are bidding for large projects, you know, 8 million, 10 million, 12 million square feet and above, and with EPC including design and build. Which is the capabilities we built over the last five years once we merged JMC and KPIL. So our focus is one, looking at large-scale projects, EPC end-to-end including design-build projects, newer segments which is industrial data centers and airports, and focused on that fixed set of clients with whom we have worked over the last few decades where the relationship makes us- gives us a big edge.

So with this, I think within B&F space, uh, you can see half one, we have grown by 20% on revenue I see that growth only going up getting into the next year also.

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Now, Abhijeet, I had mentioned this earlier also and I'm repeating this. As far as the water business is concerned, and now we qualified with majority of the large developers in Middle East, across Abu Dhabi, across Saudi, across Qatar and Kuwait. This was the beginning of, uh, you know, this, the beginning of the growth of the international business in water. Uh, we remain highly confident of growing this business significantly over the next few years, primarily with primary focus on the Middle East business.

We build our team already there, we've got our first project, and you'll see a lot more interesting news on, in the Middle East on the water business as far as KPIL is concerned.

Abhijeet Singh - Analyst, Systematix
Sure, sir. Thank you for answering. I'll get back into you.

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

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sure. So Parikshit, uh, you know, as I had mentioned on the call earlier, as far as T&D is concerned I think across all markets, right, and driven by the Indian market where we are seeing the biggest traction, we see more than INR15,000 crores, INR20,000 crores of orders or bids to be submitted in the next two months itself, you know. And, beyond that, I think if you look at the government plans,

next three years at least doing that business at a high double digit with improved profitability should not be a challenge.

Also on the international front, on TL, we are seeing good traction coming out of Middle East. Africa as well as, uh, LatAm excluding Brazil, where we have a big focus. We are right now L1 in a few large tenders in that geography. Uh, so from both these businesses, I think a growth of 15-20% minimum with improved profitability and with reduced working capital is easily doable. We remain very, very bullish in this business from a three-year perspective, or maybe even you can say from a five-year perspective.

Uh, on the building and factories business, uh, while today among the large developers we work, I think there's a good visible tenders to be submitted in the next six months. And we work with handful of 6-7 large developers, and there's good visibility in case in more than 10,000 to 15,000 crores of tenders to be submitted this quarter itself on some large residential projects across all these bidders. Uh, even on the industrial plants, we are seeing a lot of traction coming from the government PSUs, the NMDCs, NALCOs of world, and also from some of the, the steel, the private sector large steel players.

And we remain very confident that that's one business which we will ramp up much faster, given that we build a lot of capability and capacity over the last five years. So our growth engine, as I've said earlier, would be T&F, B&F, and oil and gas in terms of order book growth for the next 12 to 18 months. Oil and gas, we did a successful Saudi project. Now we've got a large project in one of the Middle East in one of the Middle Eastern countries, and now we qualified across all the four or five large Middle East countries.

So we see good opportunities coming there also. So if you only ask me the next three to 6 months, I see tenders worth more than 50 to 70,000 crores in these three segments only being submitted, uh, and tenders which have already been announced. And I'm sure every month you'll see something more being added to this. Uh, on our other businesses, when I look at Urban Infra and Water, uh, you know, uh, Urban Infra is a business where we have already built a good order book over the last two years. They have visibility of around INR6,000 crores.

All our 6 TBMs are fully deployed on projects. We will continue to be selective on it, but that's also something which will be a growth engine looking at a three-year perspective. You know, maybe not immediately, but from a three-year perspective, this will also be a business which will continue to grow much bigger and much faster. On water, as I've said earlier, while there is an opportunity, we have been selective in India. Middle East is a big focus for us, and I see a lot of tenders coming up there from Q4 onwards, not necessarily in Q3 but from Q4 onwards.

So from a visibility perspective, you know, uh, current year we have bid for more than INR2.5 lakh crores in the first 6 months, uh, with, a win rate of around, uh, 10, 10+ percentage. And I see that similar numbers in terms of bidding at least happening over the next 6 to 12 months.

Parikshit Kandpal - Analyst, HDFC Securities
My other question is, if I see your balance sheet and I see your standalone and gross debt, so largely it's been consolidated in gross debt, it has largely remained stable quarter on quarter while your net debt is now almost at cash levels, I mean at the consol level. So how does one look at stable gross debt levels next few quarters from a cash which is there on the books? So how do you expect to utilize it for growth?

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

Uh, as far as capex is concerned, we have already committed closer to 600 crores in, the first half, and we believe that we will need around 500 more crores in the second half. So on a, on a year-end basis, we might be doing capex in excess of 1,000 crores. Which has been a trend in the past also, and we believe that that's required for future growth. So to answer your question, do you see debt going up significantly? The answer is maybe not, but yes, it could go up to the extent of working capital requirement and capex payments from a six-month perspective.

Parikshit Kandpal - Analyst, HDFC Securities
So I was bridging the gap between the gross debt and the net debt. So there's a huge gap of almost INR2,000 crore plus. So, whether you will reduce- use the cash to reduce your gross debt levels, uh, going ahead, or How do you see the gross debt guidance? I mean, will you stay at these?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Parikshit, As a rule, typically, um, the last week of every quarter and the first week of every quarter, we typically utilize our entire banking limits. I think we'll continue to be like that only.

Parikshit Kandpal - Analyst, HDFC Securities
Okay, just the last question on water receivables and JJM. So what are the pending order book, what is the pending receivables, and how much collections you have done in Q1, Q2 of this financial year?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
As I mentioned earlier, Parikshit, we have collected closer to INR1,100 crores in Q1, Q2. We still have an outstanding receivable of closer to INR1,500 crores, which is billed plus unbilled. Uh, our order book right now is around INR6,700 crores, out of which around INR2,000 plus crores is on maintenance. So the executable order book including the new Middle East project is around INR4,500-odd crores. A significant portion of it is JJM. Uh, which would all get completed in the next 12-odd months, uh, if not earlier.

And then our focus would be a lot more international than domestic.

Parikshit Kandpal - Analyst, HDFC Securities
You're saying still you have about 1,500 to be collected, and largely this is from JJM, right?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah, yeah, majority collection is from JJM only, which includes billed and some unbilled also.

Parikshit Kandpal - Analyst, HDFC Securities
But is there anything overdue, uh, past the time? Or I mean, our payments are more timely in nature as per the Payment period.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
A significant portion of this is overdue, but the good part is that we are seeing good traction, right? So significant two-third of this has all been overdue, but we're seeing good traction every month. We're seeing some collection coming from all the states. So that's why we believe that in the next six months this should further reduce significantly.

Parikshit Kandpal - Analyst, HDFC Securities
Okay. Well, sir, thank you and wish you the best.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you, Parikshit.

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

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So Sumit, I think maybe you got it wrong. What we said on Middle East was on the water side. On the B&F side, we do not have any immediate plans of going international as of now. So maybe, um, you heard that, and it was on the water front, not on the B&F front.

Sumit Kishore - Analyst, Axis Capital
Okay, okay.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
It was Water and oil and gas where we said that, you know, oil and gas we already qualified in five geographies, water also qualified in a few of them. So it was water and oil and gas. As far as B&F business is concerned, our primary focus is in India, and I think from our next couple of years I see that focus continuing in India itself.

Sumit Kishore - Analyst, Axis Capital
Right, right. So the 14% order book that you have in Middle East, uh, almost 12% is in oil and gas. And balance, whatever is there is in water. Is that the right- and

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Some in T&D. So it's a mix of oil and gas being the largest, second being T&D, and a small order in water.

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So I wouldn't say that we are not facing any issues. Uh, there are issues, the issues on supply chain, the issues on increased freight costs, which a lot of clients are ready to reimburse. There are issues on delays because work gets stalled at sometimes, that primarily in Saudi, and I'm sure we all of us have read that. But while we say so, uh, we're still being able to deliver, uh, to the expectations of the client. We're still being able to deliver in a manner where we believe that we'll still achieve our targeted 15% growth for the company in the current year.

So there are some delays but manageable, nothing which is significant or nothing which is impacting our overall growth prospects.

Sumit Kishore - Analyst, Axis Capital
Got it. And could you just quantify the size of this LNG-related expense that is sitting in the P&L in this quarter?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think it's closer to $2 million, closer to, uh, slightly higher than $2 million, uh, is what I remembered. Uh, 20-odd crores could be slightly more than that, but that's something we just hit us in Q2.

Sumit Kishore - Analyst, Axis Capital
All right, thank you so much.

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

Amit Anwani - Analyst, PL Capital
Hi sir, thanks for the opportunity. Uh, first question on, the core margins. So, uh, definitely we, we are improving progressively on the PBT margin. I wanted to understand a color On the core EBITDA margin for the three high-growth segments, uh, T&B, B&F, and, uh, the oil and gas, uh, what's the outlook in terms of core EBITDA margin? Is there any scope of expansion in the core EBITDA margin faster in any of these segments? Uh, that is my first question.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, uh, Amit, on the core EBITDA margin, when I look at all our three businesses which you mentioned Transmission, B&F, and oil and gas, I think we are at a double-digit level or very high single-digit touching double-digit levels. Some of them already at, the 10 to 12, some of them in the 9.5% to 11% range. So I believe at a EBITDA level at least, uh, you know, that these three businesses

would continue to be in that high single-digit, double-digit margins. Uh, our focus is to make sure that a lot of EBITDA gets converted to PBT, and that's what we have been continuously driving.

Uh, so we are at double digit. I think that's a good level to be with the size and scale and, and with this growth opportunity and, and the inflationary trend which is visible today. Uh, I don't see that improving significantly from my, uh, you know, from the current order book perspective, but I can only say that yes, there will be improvement in profitability, uh, coming through operational efficiencies, coming through size, coming through the client mix coming through, our committed focus on getting good orders, all of that.

But on a sustainable basis, I believe a high single-digit or a low double-digit margin at EBITDA level is good for all the three businesses.

Amit Anwani - Analyst, PL Capital
Understood. Second, sir, on, uh, if you could help us with outlook. Now the Linjemontage is separately listed, so just wanted to, uh, understand the outlook on, on the revenue EBITDA and, uh, order inflows there also? And, uh, what is the strategic intent now, uh, post the listing, uh, on Linjemontage?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, um, I'll be able to answer questions on Linjemontage about what has happened in the first 6 months and, and more at a generic level without giving specific details. Um, so we believe that that business has a very good visible opportunity from a to five-year perspective, and we've already given that business plan targets to our shareholders at Linjemontage. Uh, current year we've not seen so much growth given that the team was focused on a lot of other initiatives, which means strengthening the risk management framework, the processes, the systems, all linked to the IPO listing, and which happened successfully in September.

Going forward, we continue to remain bullish on this business. We own around 65% plus in, Linjemontage, and we believe that we will hold that for a longer period of time. Uh, so in totality, we continue to stay bullish. It's a cash-rich organization with very high ROCE. Uh, we are among a few leaders in that industry on substation and, and transmission business, and we believe that we can expand into neighboring geographies also using the stronger balance sheet which Linjemontage has built now.

Amit Anwani - Analyst, PL Capital
Lastly, sir, uh, update on the Shree Shubham Logistics, uh, what is happening there and, uh, uh, yeah, the outlook.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So if you look at it from a Shree Shubham Logistics perspective, uh, you know, we've reached the stage where our external debt is closer to zero, if not zero while we speak, um, and the business has done- is doing reasonably well. They've not improved significantly on top-line growth, but there have been improvements in margins coming through operational efficiencies as well as sale of some of our fixed assets. Uh, we would further be deleveraging that business over the next six to 12 months to reduce the capital employed in that business, uh, which is going to help our overall debt structure.

Um, and today our focus is more on looking at the hired model more than building our own warehouses or building our own storage location in that business. So the business is moving in direction where debt is coming down, uh, revenue growth is stable, and operational efficiencies are visible. So we're not investing further in this business, but we don't see any surprise in any form, but only see reduction in debt over the next 6 to 12 months.

Amit Anwani - Analyst, PL Capital
Thank you, sir. Thanks and all the best.

Operator
Thank you. A reminder to all the participants, you can [Operator Instructions] The next question is from the line of Vaibhav Shah. Please go ahead.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Yeah, so you mentioned that capex for the year will be around INR1,100 crores. So for next two years, it will be a similar trend, or we can see some reduction?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So I believe that, uh, in totality you'll see some reduction, uh, because historically, you know, Um, KPIL's philosophy has been capex equal to depreciation. Uh, we have changed that trend in the last three years. So my personal view is, getting from a next year perspective, uh, you should see, uh, some reduction in capex. But while we say so, uh, you know, our international opportunities are looking very, very good. And if we are able to grow that significantly, we might revisit the number. But where we stand today, definitely capex getting into the next year is coming down.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so secondly, uh, what would be our target for working capital days on standalone basis for next couple of years?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think at the beginning of the year we targeted being at closer to 90 days. Uh, now we have come down to closer to 80 days, and I think on a standalone basis we would continue to stay in this levels, maybe a few days here and there. Uh, at year-end, Q3 could be different, slightly higher. But at the year-end, we believe we should be at the similar levels of 80 to 82 days, uh, or slightly lower than that.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, sir, on growth, so we have seen a significant amount of, uh, order uptick in our, uh, in year-to-date. So while we guide for 15% for FY '27, would FY '28 be something kind of 20% growth given the very strong order backlog?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So I'm not able to comment on an exact number, but I definitely believe that a minimum of 15% with improved margin will happen. Beyond that is something which we'll- once we have more visibility on order book and this Middle East disruption, whatever is happening, and the delivery in the next two

quarters, we'll be able to give you more clarity getting into Q4.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so lastly, out of the water order backlog of INR6,700 crores, what would be the JJM portion?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think the JJM portion, as I've said earlier, is around INR4,500-odd crores, uh, and which includes around INR4,300 crores which includes the O&M part also. So if you, if you look at it from an EPC perspective, uh, should be around INR3,000-odd crores to be delivered. The balance is O&M which needs to be done over some over five years, some over seven years, and so on.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, what margins are you making currently in LMG and do we see any improvement going forward? At EBITDA level?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So I think what we have seen, uh, margins at the EBITDA level at LMG is more sustainable, more than a growth visible. So I think they've been at, an 8-odd percent levels even in the current year, if you remove that exceptional expense. And I believe that they should be at similar levels. I don't see significant improvements happening, at least on the current order book.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
But growth can come back from '28 onwards. After a flat year in '27?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yes, for sure, for sure. That was as planned. Uh, you'll see now growth coming back, uh, at least in order book from next year and revenue, uh, maybe later part of next year or the year after next.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, thank you.

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

Saurabh Patwa - Analyst, Quest Investment Managers
Thanks a lot, sir, for this opportunity, and congratulations for great set of numbers. Uh, so just, uh, on a structural basis, just wanted to understand, uh, uh, your thoughts on how do you see, uh, growth coming in next few years, especially in the context that you have a much, uh, elaborate, much wider management bandwidth now? Are you spending time on identifying and incubating growth avenues for the future?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, uh, we've been continuously focused on looking at, uh, you know, growth opportunities, but with this clarity in mindset that we want to do things associated with our core businesses. Historically,

when I look at myself over the last 20 years which I have been at Kalpataru, you know, the first five years, the biggest mistakes when I look at it now is getting into sectors and segments which we do not understand. So our first focus is within the EPC space or within the 6 sectors where we exist. We look at growth on manufacturing so that we do backend integration.

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

We also stand committed on taking some of our businesses international. You saw oil and gas, what has happened in three years. You've seen water traction has already started. I'm sure you'll see similar things in urban infra in the next one to three years. You're seeing TLI getting into more, you know, bigger, larger geographies. Or are we now in 75 countries? We have added around 15 countries in the last five years. Uh, so on every perspective- size of projects, complex projects, manufacturing, backend value integration, uh, design-build projects- is what our focus is.

And we believe that in the segments where we exist at a global level, next five to 10 years are so much work, uh, that, you know, growing at a high double digit will not be a challenge for us in any form.

Saurabh Patwa - Analyst, Quest Investment Managers
And so maybe you see yourself spending most time, most of your time incrementally, uh, given the balance sheet is now very, very strong, our order books are very strong, you have a very detailed elaborate management bandwidth with multiple business heads, uh, you now also have a joint, uh, your joint MD with you. So how do you see yourself spending- where do you see most of your time spending?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think I believe that maximum time would go in three areas. One is, you know, building a more cohesive, building a more disciplined team structure within the organization, because retaining resources and making sure that they deliver in the KPIL style or KPIL culture will be a challenge. So that would be the one big area. Uh, second would be to keep exploring international opportunities for some of our businesses. And third, I have a very important role to make sure this transition to Amit happens over the next defined period of time.

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

Saurabh Patwa - Analyst, Quest Investment Managers
Great, sir. All the best and best wishes for the Diwali to you and the whole team, sir. Thanks a lot.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited

Thank you very much,

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

Bharat Sheth - Analyst, Quest Investment Managers
Thank you for the once again opportunity. Again, it's questions. See, in last three years we spent a lot of time in building up capability, defects, and to Take kind of a growth lying ahead for next couple of years. Existing structure can support what kind of a growth and for how many years the pay is increasing? Second, when we are talking of quality of order book reduction in working cycle as well as just sustaining more EBITDA margin but improving PBT margin, if you can give some more color exactly what are we doing there so that kind of I mean such long [Foreign Speech] much capital requirement we can continue to generate good cashflow [Foreign Speech] I think I you have a background television and something

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
so I can I can parallelly hear something more also so but anyway [Foreign Speech] let me answer your second question first you know consciously over the It's more international, it's more in segments where, you know, the urge to delivery is, to do projects at the earliest. It's more where, you know, the working capital requirement is, is minimal, and we have large advances which come into the beginning of the project. So when you look at our order book today, you know, of around INR70,000+ crores, you'll see a significant portion where, uh, you know, we have good advances, uh, private sector clients funded projects where, you know, they pay as soon as we bill.

So we don't have much which gets stuck in any form compared to our historical, where we had a lot of government order books, where we had a lot of state exposure and all of that. So one is a conscious focus on, on that order book which we have built, by which we're confident that our interest costs should only come down going forward and which will help us convert our maximum EBITDA to PBT. Uh, so that's the first aspect. Uh, that's the second question which you asked. Uh, the first question where we are focused on saying that, you know, last five years we've built it, uh, and where can we reach?

I believe that, uh, you know, from an- we should be at a revenue of closer to- at a consol level, a revenue of closer to, uh, 28,000 to 30,000 crores in the current year. I believe in the next three to four years, targeting a revenue of around 50,000 crores would not be a challenge with what we have built today. Okay, thank

Bharat Sheth - Analyst, Quest Investment Managers
You very much and all the best, sir, and wish you and your team happy Diwali and prosperous New Year.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you, and wishing you and your family also a very happy Diwali.

Operator
Thank you. As there are no further questions, I now hand the conference over to the management

for closing remarks.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you everyone for attending the conference. Wishing all of you and your family a very happy Diwali and a prosperous new year. Thank you. Thank

Operator
You. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and [Operator Closing Remarks]