Management Discussion

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thank you, Alaric, and good morning to everyone and welcome to the KEC International's Q2 earning conference call. Let me start with some developments which have happened post the quarter end before I take you through the results and the Middle East environment. First, we have secured orders in L1 of over INR3,000 crores from PGCIL after a break of 15 months, which also includes our single largest order in India T&D of almost INR1,200 crores. Execution of these projects will commence from next month onwards in December.

Second, we have realized more than INR200 crores of collections from Afghanistan in October, which has been stuck for more than five years, and we expect another INR150 crores to come in hopefully within this quarter, otherwise at least January. Third, as we will discuss our margins for the quarter, which have been impacted due to the cost escalations owing to the various disruptions, we have submitted claims to the clients against this incremental cost. While the clients have advised closure on these claims will happen after the war ends and there is some finality to the numbers, in the interim, the clients have paid us almost INR300 crores as advance to ease the impact on the cash flow arising for the cost increases.

Let me now turn to the operating environment, particularly in the Middle East, which continued to have a strong bearing on our performance during the quarter. The Middle East business remains operationally stable. The region accounts for almost 22% of our order book and L1 pipeline. While tendering activity remains stable, order finalization timelines continue to be prolonged. We have secured a few orders during the quarter from Saudi Arabia, Oman, UAE, and are also L1 in some more tenders. Cash flows from the Middle East continue to remain stable.

Supply chain and logistics disruptions continue to affect shipments into the GCC market, resulting in longer lead times. Freight rates, including war-related surcharges and fuel prices, remain elevated at historical levels not only for GCC but across all markets. These challenges have slowed revenue accrual on certain projects during the quarter due to delayed supplies of equipment and also steel to our factory. We are actively engaging with customers for recovery of these incremental costs. In a few cases, supplies are being deferred until commercial alignment is reached, leading to timing impacts on revenue and margins.

Performance during the quarter continues to be impacted by these factors. Notwithstanding the same, we remain positive on the region's long-term outlook. Supported by investments in transmission infrastructure, renewable integration, regional interconnections, grid resilience, and reconstruction activities. Coming to the Q2 performance, uh, we have delivered revenues of INR5,468 crores in Q2, which has a Q-on-Q growth of 9%, while there has been a decline on year-on-year. PBT stands at INR41 crores and PAT at INR30 crores.

The performance during the quarter was impacted by combination of external headwinds and project-specific challenges. Revenue was affected by disruptions in the Middle East, ROW, and land acquisition challenges in India T&D, apart from calibrated supplies which we talked about. Profitability was impacted due to lower revenues, elevated freight and fuel costs, closure costs associated with certain projects, primarily metros, and delays in resolution of contractual claims in the transportation and metro businesses.

An unexpected consequence of the geopolitical disruption has been the unprecedented increase in global freight costs. For instance, shipments to Afghanistan, which are now being routed through

Europe and Turkey, have seen a multifold increase in the freight cost. While these incremental costs are recoverable from customers in several cases, there is a clear timing gap between the recurrence and recovery, which impacted profitability during the quarter. On the order intake front, we secured orders of over INR13,500 crores, of which 70% is from T&D.

Additionally, we have an L1 position of INR3,500 crores, largely in the T&D business. Our order books remain strong and stands at a record level of INR40,000 crore as of date. Including our L1 position, the combined order book and L1 pipeline stands at INR43,500 crores, of which 65% is from T&D, providing strong revenue visibility for the next 18 months. On the debt front, the net debt including acceptances stands at a very high number of INR7,793 crores as on 30th September. The debt levels are elevated owing to some of- owing to some of these things.

The spillover of collections of INR600 crores, including the INR200 and INR300 crores which we talked, have been realized in October '26. We had also built an additional strategic inventory of almost INR160 crores to manage the commodity price volatility and the logistic issues. Also, the collections in water and metro projects were lower than what we had planned. We expect the debt levels to come down to almost INR6,000 crores by the end of the year. Coming to specific businesses, in T&D, the business achieved revenues of INR3,686 crores, a growth of 15% over Q1 FY '27.

The revenues would have been higher but for the issues which we mentioned earlier. On the order intake front, the business continues to witness significant traction with new orders of INR9,500 crores across India, Middle East, Africa, SAARC, and the Americas. In India, the business witnessed strong momentum from RPGCL along with orders from private developers for transmission infrastructure to evacuate power from a PSP project in Western India and a hydroelectric project in Northern India. Supporting the growing power infrastructure requirement of India's renewable energy ecosystem.

In international, the business has strengthened its order book with multiple wins, including its re-entry into Bhutan, further diversifying its international footprint. We are witnessing a gradual revival in the African market, reflected in the recent wins of transmission line orders that further strengthened our presence in the region. Additionally, we are L1 in a large substation order in the Africa region. In SAE, the business achieved revenues of INR493 crores, a growth of 15% year-on-year. We continue to witness strong momentum in order inflows with new orders of over INR1,900 crores for the supply of towers, hardware, poles, and engineering services across the US, Mexico, and Brazil, an increase of over 2.5 times compared to last year.

With these orders, the order book and L1 position has been scaled up to INR3,700 crores. In line with our strategy of diversifying our product portfolio and expanding into new markets, we continue to make encouraging progress in SAE. During the quarter, we successfully executed our first pilot order for transformer tanks, opening up opportunities in new industry segments. The overall T&D opportunity pipeline continues to remain robust across both domestic and international markets. In India, strong demand drivers such as rising power consumption, accelerated renewable energy integration, grid modernization, expansion of transmission infrastructure, and the evacuation requirements under the GEC Phase 3 program continue to create significant opportunities for the sector.

The planned addition of renewable energy capacity, coupled with the need to strengthen and decongest the national grid is expected to drive substantial investments over the coming years. We expect the recent ROW reforms by the Ministry of Power, including market-based compensation

determined through 3 independent IBBI-empowered valuers, to help address land valuation disputes, ease execution bottlenecks, and improve transmission project timelines. The outlook for our international T&D business remains positive, supported by the planned transmission investments in the Middle East improving funding outlook in Africa, and the growing opportunities across the Americas.

The global push towards renewable energy integration, grid resilience, electrification, AI-led data center expansion is creating a multi-year investment cycle in transmission infrastructure. With our diversified presence across key markets, proven execution capabilities, and healthy T&D order book, and L1 position of over INR28,000 crores in this business, we are well positioned to capitalize on these opportunities and drive sustained growth in the years ahead. In Civil, we delivered revenues of INR957 crores for the quarter.

The execution was impacted by certain unanticipated challenges, including delays in release of work fronts, continuing labor shortages, and additional costs incurred towards fast-tracking of certain critical projects. Besides these, continued delays in customer payments in the Water segment led to the continued calibrated execution. All these factors resulted in higher execution costs and impacted performance. During the quarter, the Honorable Prime Minister and the Honorable Chief Minister of Tamil Nadu, Joseph Vijay, inaugurated the Chennai Metro Phase 2 project executed by KEC, marking a significant milestone for the business.

Execution on a second package on the Chennai Metro project is expected to be completed by March 27th. On the order intake front, the civil business secured new orders of INR1,200 crores in the B&F and hospital segments from reputed clients. We continue to be very selective in order intake in the civil business considering the challenges that we are facing in the business. Our transportation business has achieved a revenue of INR224 crores for the quarter. During the quarter, the business completed the first of its kind project involving 16 elephant underpasses in Chhattisgarh for IRCON.

The business has also physically completed more than 10 legacy projects during the year. The business entered the ROCS rigid overhead catenary system segment by securing a new order from DMRC for the Jaipur Metro Rail Corporation. The business has also successfully implemented Kavach across 682 route kilometers and is currently executing deployments across an additional 1,765 route kilometers of railway network and over 3,000 locos. We continue to actively pursue opportunities in TCAS, Kavach, technology, and tunnel ventilation projects.

Our focus remains on accelerating project closures, settlement of arbitration and claims, and selectively pursuing high-value domestic and international opportunities to drive profitable growth. Cables and conductors business has achieved revenues of INR613 crores with a strong growth of 17% year-on-year, driven by robust demand across the infra, power transmission, and industrial segments. The business continued to witness steady inflow of orders for supply of cables and conductors. On the new product front, while part of the facility has got commissioned, we expect elastomeric cables and E-Beam to commence production in Q3.

These products cater to high-growth end markets and expected to enhance our product portfolio, improve realizations, and contribute to long-term margin improvement. Given the strong demand outlook for aluminum conductors, we have initiated phase 2 of our capacity expansion to capitalize on the growing market opportunity. Backed by a diversified product portfolio and ongoing capacity augmentations, the cable business is well placed to sustain its growth momentum. In renewables, the business secured YTD order intake of over INR1,150 crores.

During the quarter, the business has secured 2 large orders in wind EPC and one order in the solar

region from renowned private developers. With these wins, we are currently executing renewable energy products- projects with a cumulative capacity of over 950 megawatts, reflecting the increasing scale of our operations and growing customer confidence in our execution capabilities. The outlook for renewable business remains highly encouraging, and we are confident that the renewable business will emerge as a significant growth driver for KEC going forward.

We are undertaking a conscious strategic shift in our portfolio by adopting a cautious and selective approach to civil in addition to transportation, considering the performance over the last few quarters. For instance, we have taken only 3 orders in civil this year in the segments where we intend to continue operating, reflecting our selective approach. This is similar to the approach adopted in transportation. Consequently, civil and transportation together account for just 11% of our YTD order intake.

Against a revenue share of 23%. In civil business, we are focused on improving the pace of execution and profitability. We remain positive and are making relevant interventions to sharpen the execution to deliver profitable growth going forward. Backed by a robust opportunity pipeline and strong structural demand drivers, T&D will be our primary growth engine. This portfolio realignment reflects our shrink-to-grow approach, prioritizing quality, profitability, and sustainable growth over scale alone.

With this, we expect our share of T&D to keep, to keep on increasing. In conclusion, while we continue to navigate certain near-term challenges, we remain confident in the strength and resilience of our businesses. Our priorities remain clear: improving cash flows and margin profile, driving execution excellence, strengthening the balance sheet, and increasing the share of T&D, especially in India. With an order book and L1 position of over INR43,000 crores and a tender pipeline exceeding INR2 lakh crores, we are confident of an improved performance in the coming quarters.

Thank you very much. We are now open to your questions.

Questions & Answers

Operator
Thank you. [Operator Instructions] [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 comes from the line of Vaibhav Shah with JM Financial. Please go ahead.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Yeah, so we saw a sharp increase in the debt and working capital, uh, for the current quarter. We did mention that we are targeting, uh, INR6,000 crore net debt by March of '27. So what would be the plan? How do you intend to achieve that?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So, uh, as I said, we have already received almost INR600 crores and odd post the balance sheet date. Number one. And, these were not the normal cash flows. One was Afghanistan, which was stuck for a long time, and second was against, uh, I'll say against force majeure costs which you have already incurred. Apart from that, as I said, we will- we are expecting another INR100 crores

from Afghanistan. So these are, typically I'll say more like non-operating, not, not from the normal operations of the company.

Second piece is, you- we have talked about order book in the last I think last four or five months we have received a large number of orders. So hopefully within November or so, we should also be getting close to maybe 500 or 600 crores of, of advance payments, uh, which will happen. There are other- as I talked about the CMRL project being commissioned, there will be inflows from metros, etc. So I think we have a very clear targeted plan against, uh, various items. Okay, and obviously if you looked at our numbers, etc., so we have also focused a lot on closure of projects.

So that itself will release a significant amount of funds. In fact, we're expecting more than INR150 crores from PowerGrid on old projects which have been also- I'll say which have been closed now awaiting final commercial sign-off. So there is a clear path forward. On where we expect and how we expect to reduce the debt.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Sure. So for last time you mentioned that we are planning to recover three fifty crores from JJM, three hundred crores from retention money in Middle East, and some one fifty crores of railway claims. So any update on that?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So as far as JJM is concerned, I think we got around hundred crores. [Foreign Speech] One hundred fifty crores this quarter. Okay, but as, as I have been mentioning, we have also been spending money to complete, complete the projects. On retention, the figures are right, but what is also happening is that since the revenue keeps on happening, the retentions on the new projects also are there. But now what we are seeing- I think I should have mentioned it against your cash flow earlier- now what we are seeing is that the order intake from Saudi has been a little bit lower, so the revenue accruals in Saudi will, will come down a little bit, and the new retention accruals will come down.

And, uh, we have- and old retentions will keep on getting released. So I think around 500 or INR700 crores of retention release will also happen to reduce our debt. I'm talking about net retention accruals.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
And incremental targeting second half for JJM recovery and railway claims?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Railway, for the last seven months, if you took aggregate till October, we have been positive in cash flow. I think we have been around 30-40 crores per month has been the normal cash flow positive. So railway business has turned positive. I think seven months could be 150-200 crores. I don't have the exact number, but it's, it's been a positive. JJM is, is a question mark all across. So I know honestly, uh, every quarter we have been talking with both the central government and the state governments, and they have been promising that they will pay, but it's, it's been, uh, I'll say a trickle rather than, uh, you know, normal payments would happen.

So I Honestly cannot give you right now. Uh, I think in fact we have put in another INR100 crores additionally in this business to close some of the projects so that at least the cost can come under control.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so secondly, on the working capital, if we can split up on a broad, broad basis, what will be the split in T&D, civil, water, and railway?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
I don't know, Rajeev, do we have that number split that way, or T&D, non-T&D?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Roughly about 50%, let's say, is between T&D and non-T&D as of now. Okay,

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
so absolute Amounts,

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
In terms of the absolute amounts. Okay, so roughly the breakup is 50-50, and the reason that, you know, there is a higher amount which is there in the non-T&D businesses, partly because, you know, most of the projects we are talking of closure in the current financial year. So a lot of money should get released. Plus the Metro project in civil business, 3 of them have been closed and we are actually settling the claims with the client. And one last project, as Vimal mentioned in his opening remarks, is still going on, which will take some more time to close the project.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so lastly, our target on working capital days for FY '27?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
We are expecting to be in the region of about 125 days, uh, by end of March.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
So earlier you were targeting closer to 110 days?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Pardon?

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Earlier you were targeting closer to 110, right?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Yeah, 110. Yeah, now currently it is at about 125 days, uh, you know, that is where we are targeting. Reason being that there has been some slippages in terms of the closure of the project in Saudi Arabia, and, uh, and that has- and there the retention is 20%. So we have invested because the last year the order intake was significant. So we are executing those projects, which is taking the net working capital levels to a higher level in Middle East.

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

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
To come back here

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Yeah, sure.

Operator
The next question comes from the line of Sumit Kishore with Axis Capital. Please go ahead.

Sumit Kishore - Analyst, Axis Capital
Uh, good morning. Please help to segregate and quantify the impact of Middle East disruption on revenue booking and the EBITDA margin impact, EBITDA impact in the second quarter and first half of this year. Also, in your order book X of L1, how much is Middle East as a proportion of order book? That's the first question.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So I don't have the exact number of orders, but it's roughly around 22%. So I'll say maybe INR9,000 crores or so would be roughly the order book in the Middle East. The impact on revenues has been around INR300 to INR350 crores for the, for the quarter. And on margins, it is approximately between 1.25% to 1.5%.

Sumit Kishore - Analyst, Axis Capital
Okay, So, You know, what is your revised guidance for FY '27 on top line growth and margin? And yeah, that's The first part of the second question.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Yes, difficult right now to give a guidance on the margin part because it will depend upon how the claims get settled. Our cost increases are there, we have asked and all that. So it's, uh, it's I think very difficult for us to hazard a guess on, you know, where we will be. I had not thought that we'll have a 1.5% impact, okay, for this quarter itself. But on the, on the top line I think we do expect that we should have around 8 to 10% growth because we have lost around 600 crores of, uh, uh, revenue.

And depending upon when the war ends, uh, we, will be not very confident when we'll recover that. Revenue will happen, it's not that it's a lost revenue, but, uh, it will depend upon how soon the logistics get, uh, settled and, you know, we can start shipping out much better and when the way factory can, you know, run at the full capacity. But, uh, with the order book which we- order intake, sorry- which we got from PowerGrid, etc., and we expect those revenues to start from, I'll say, uh, next month onwards, and the earlier orders also which we announced, we do feel that we will have a very strong uptick in Q4.

And so that should help us in, you know, our probably anywhere between 8 to 10% is what, uh, we will- this Also, we are seeing some improvement happening in the civil execution. Okay, so I think that's why, that's why I think the revenue part should be, uh, maybe closer to 10. I don't know honestly, but 8 to 10 is what I would say, from 10 to upward what we had said.

Sumit Kishore - Analyst, Axis Capital
So if you know, 8% growth for the full year would mean closer to 20% growth, uh, in the second half of the fiscal. So that, that will be appears to be a bit of a challenging ask, you know, if the factors which are depressing Middle East execution continue. Uh, your comments on that. And B, uh, in FY '28, do you expect normalized margins to at least achieve FY '26 levels?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So, Sumit, on the first question, which is why when, when you asked me on the revenue catch-up, I said that, you know, Middle East revenue, what we lost right now, may not be- we may not- I'm not sure they will catch up or The entire growth which we are talking about will largely- growth part of it, the normal revenues will come from Middle East, but the growth part of it will definitely come from India T&D, which has, uh, I'll say underperformed in terms of revenues because of a lower order intake in the first half.

Okay, now that we have got orders from PowerGrid and we are delivering some more after 15 months or so, and PowerGrid, you can Start revenues, accrual revenues quite early. I think we are pretty, pretty confident on the numbers of what we are talking right now.

Sumit Kishore - Analyst, Axis Capital
Okay. And FY '28 margins, do you think you'll be able to recover to FY '27? Too early.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Too early. [Foreign Speech] wait. But let me just tell you one thing is that We have an order book of almost 40,000+ service, and largely they are very reasonably good profit margin. So if nothing- until what happens, we should have a decent margin.

Sumit Kishore - Analyst, Axis Capital
Thank you.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thanks, Sumit.

Operator
The next question comes from the line of Abhijeet Singh with Systematix Group. Please go ahead.

Abhijeet Singh - Analyst, Systematix Group
Yeah, thank you for the opportunity, sir. I wanted to understand more on the retention money. Terms that we have with our clients. Saudi, you mentioned it is 20%, and you also mentioned in the opening remarks that you're expecting some retention money to be booked in the H2, right? So, uh, I mean, why do you think that? Are some of our, you know, larger orders coming to, uh, the fag end of the execution? and, and if you can comment on the retention money, like what percentage is it in general?

And after the completion of the project, after what time do we typically receive that money?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So, uh, let me put it this way, that virtually with every client you have different payment terms. Typically the retention would vary between 5 to 10%, typically. And in most of the cases, uh, the retention gets released against bank guarantee also, especially in the private customers and some of the government customers also. There are customers like UAE and Oman and Saudi, etc. Who will not release, uh, who will not release against bank guarantee. So, uh, in private we get it released. If you look at PowerGrid, on the supplies there are no retentions.

On, execution there is some retention which gets released, uh, on completion. So most of the cases what happens is the retention gets released in 2 parts. One is, let's say, the 10% retention, 5% will get released on completion of the project And 5% will get released on either commercial closure or

commercial charging, etc. So the terms vary, but in most cases it would get released within six months of the project completion. There are very rare cases where there may be a 1-year, uh, like in Oman where there could be a 1-year retention, but typically within six months you will get all of it.

Within 3 months, half of it, and six months, all of it. Now Saudi is an exception. Where there is a 20% retention, but of that 10%, they release immediately the day you complete physically. Or even if you're not complete physically, if the line cannot be completed because of issues of the client, they have been releasing that. And why we said that we will expect retention happening, because if you look at order book, Saudi had a very huge wave of orders which came around, I'll say around 18 to 24 months back.

And most of these orders are now- or projects are completing. Even last month, I think we completed 3 or four projects. This quarter, we are planning to complete 3 or four projects. So all these projects on completion will release a 20% retention, which is a large amount. Okay, against that, since the revenues have been slightly degrowing that way, the new retention accruals are lower. So which is where there will be a net release of funds from the retention. I hope I'm clear.

Abhijeet Singh - Analyst, Systematix Group
Yes, sir, that was helpful. And your second question on civil business, uh, I mean, there's some decrease in execution in this quarter. We've seen some 17% decline in the revenue. Uh, so could you, uh, point out to some factors that are leading to this execution, uh, slowness, slowdown in the civil business?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So obviously there are 2 parts to it. One part is, uh, because of labor and other some issues which we are facing on clearances, etc., there has been delay. The second part is out of our four metro projects, 3 have been completed. So last year there was a revenue which was there from the metro projects which is now virtually not there. I think we have an order book of 100 crore or something. Yeah, so we'll probably have 150 crores of revenue left out on the CMRL project. So that is a major cause, a reason why the revenues have, have come down.

Also, as I mentioned, the order intake has, has slowed down significantly, I'll say very consciously, and because of which also the revenues from new projects- typically it's a cycle, so old projects get over and new projects start, so you keep on getting a revenue from the new projects. So since we have reduced our order intake, that has also impacted the, revenue.

Abhijeet Singh - Analyst, Systematix Group
Right. Then lastly, uh, so we've seen that, uh, you know, JJM has suffered, you know, uh, some kind of delayed receivables. Uh, apart from the water segment, is there any other segment that you are witnessing, uh, some slowdown in the release of funds particularly?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So You're Talking about a slowdown in the sectors,

Abhijeet Singh - Analyst, Systematix Group
Release of funds, slowdown in terms of that? Yeah, I mean, in terms of the funding from the, from the customer side,

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
I don't think there's anything in particular where there is a slowdown in release of funds. Okay, often

what happens is people don't want to pay at the month end and all that, so the money will come in the next week or so and all. But otherwise, except JJM, we have not seen any concerted slowdown, if I can use that word, on payments. No.

Abhijeet Singh - Analyst, Systematix Group
Understood, sir. Uh, thank you for the opportunity.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thank You.

Operator
The next question comes from the line of Parikshit Kandpal with HDFC Securities. Please go ahead.

Parikshit Kandpal - Analyst, HDFC Securities
Yes, sir. Hi. So my first question, if I look at your standalone numbers, so if I remove the other income, we had made a loss at the standalone level both in Q1 and H1. In the past, we have discussed segmental margins like civil. We were just touching double digit. T&D we were double digit. So if you can give us some more clarity on the segmental margins, what is adding up to such a big decline in EBITDA margins, especially in this quarter?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So so Parikshit, as I said earlier that on railways and transportation we have faced some headwinds. And that entire revenue and the margins are in the standalone. So that, that's one particular reason why the, the positive margin of T&D is getting eaten into, uh, or becoming negative because of that. Secondly, because of, uh, the slowdown in the India business. See, what has happened is that, uh, since we were not getting PowerGrid orders earlier, a large portion of our India order book, uh, now comprised of basically, you know, all civil works.

Because if you look at the nature of the contracts, any, any contract which I get from a private developer- there are some exceptions here and there- would be for supply of towers and construction, whereas PowerGrid also has a conductor, insulator, hardware. So there is a huge amount of product revenue also which is happening. So this quarter of Q2 was very, very construction heavy, and we did face a lot of challenges on account of surprisingly rainfall in Gujarat and MP. But apart from that, it was basically ROW.

I'll give an example. Today we have got 3 substation projects which are virtually stuck. In fact, one of them is stuck for more than 1.5 years where land has not been secured by the developer. So what has happened is this has led- now it is getting secured finally, but this has led to significant, uh, I'll say degrowth in the India T&D also. So all the 3 or four businesses where- so we would- which are lying in the standalone has- have been impacted. But as I mentioned that with the India T&D now picking up, the power orders now coming in, we will definitely see a reversal in, in the numbers of, uh, uh, the standalone.

Parikshit Kandpal - Analyst, HDFC Securities
If I put it the other way, sir, I mean, we have X of T&D order book in India comprising of maybe, say, some of Metro projects, uh, and domestic T&D orders which you said. So versus the order book, and if you compare the cost of completion, so how much negative- if you can help us understand how much hit still we have to take in terms of like- because every quarter we are seeing almost INR250 crores to INR300 crores crores kind of subpar EBITDA being reported on the standalone basis. Is it

right to assume that we still have about INR700,000 crores of like cost hit which needs to take over the next few quarters until we come back to the healthy EBITDA margin of high single digits?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Very difficult to quantify because whatever we have been- every quarter we have been quantifying the cost of closures at the CTC, this and that is what gets booked and that's what is reflecting, as you rightly said, in the standalone. See, I'll tell you the problem what is there is when you, when you go to complete a project, suddenly you get hit by something which you have not anticipated. Or when you are closing a dispute or an arbitration, okay, you, have numbers which, which are clearly tenable, which are there, and then you go into a settlement.

You have- so it's, it's very difficult that because all whatever we have seen on 30th September has been quantified and has been Uh, provisioned or provided for. Okay, beyond that, it is very difficult today because if I had known, we would have provided it today. I think that that's the thing. But yes, in a way, your numbers are right that we have been- every quarter we have been having a hit of 2%, 3% on account of that, which is why we have not been talking about 9% or 10% margin because we are very clear that the way the closures are all happening.

Although I'll also mention one thing is that we have an ECL provision of more than INR450 crores in our books. So some part of that also goes against that, but still, uh, difficult to say what will happen.

Parikshit Kandpal - Analyst, HDFC Securities
So I mean, any- your own gut feeling or guesstimate, I mean, are we how many, like 3-4 quarters still away from that trajectory, margin trajectory moving upwards, uh, from 5% now in a sustainable manner? Because we have seen it going up, then it comes down again. So Additionally, at least if you can help us understand, maybe Q4 or Q1 next year, or maybe by the early FY '29, we will be back towards that high end of the spectrum between five to nine. So how do you move in terms of like EBITDA margin?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So let me put it this way. With our large order intake which has happened in T&D, and also we expect to get more, I think from Q4 onwards we will see a significant bump up in our T&D revenues. Okay, which will definitely start, uh, uh, have a positive impact on, on the numbers. Uh, FY '28, I definitely- let me put it this way, my expectation is that this is the lowest number which we have got to. I don't see that we will go below this in our margins. Now, uh, whether we'll achieve 7% or 8% or 9%, uh, is difficult to say, but I do expect that all the old projects or legacy or wherever we are losing money or wherever we have to close will definitely get closed by, I think, by Q2 of next year.

If you look at railways today, transportation, by March we'll just have 2 or 3 projects, uh, to be closed and none of them are, are loss-making. Okay, civil also, we are, we are, uh, I think closing around 15 to 20 projects this year. So I think we- the trajectory on losses happening will keep on coming down. The other thing is that what will also happen apart from T&D is with all these older projects getting closed, the margin trajectory for the non-T&D business, whether it is civil, whether it is transportation, and even cables- we are not- we are discounting it- all of them will also start improving.

So FY '29, so definitely, but it is far away, that's why I don't want to say anything. But we do expect that margins will start showing an uptick. Whether it will be ten basis points or hundred basis points is right now difficult to quantify because the other problem which I have is my Iran war still you know

overhang. [Foreign Speech] then I can talk much more confidently and push push much more revenue in that area.

Parikshit Kandpal - Analyst, HDFC Securities
Just the last question, sir, on the debt. I mean, the debt is all time high for us now. Just wanted some more granular. Clarity on that, that on a sustainable basis, so for the kind of business which we are doing, and when we compare to our peers who are at almost like 1/4 or 1/5 of the debt which we are running, so there is obviously a stuck payments which you are receiving, which you have received for this, but I don't see a trajectory where the debt goes down from INR6,000 crores to INR3,000 or maybe INR2,000 crores on a sustainable manner, because there will be a growth also which will require a working capital, and this debt is not sustainable.

INR6,000 is too high a debt for this business. So what other options do you have beyond the usual business receivables coming in, retentions coming down and all those things. Beyond that, do you think there is a possibility that some of your entities you can monetize, take like one of your peers has done and cut down debt? So what, what are the options on that table? Or maybe promoter can infuse some capital to bring down the debt because this debt is not sustainable.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So, Parikshit, uh, while we take what you're saying on, on the debt not being sustainable, I think that's also a function of the margins which we have had. We have been having this debt around INR5,500 to INR6,000 for a long term, and I don't think that's been a major problem. I think the problem has started because the margins went down, and we are very clear that the margins will improve. Coming to the- your question on options, I think for the last 2 years we have been talking about the cable business, and we, we are expecting that business.

So I think this year we'll probably close at INR2,500-2,600. I don't know the exact number, INR2,500 crores, INR2,600 crores of revenue. And I did talk about, uh, expansion of the, uh the conductor facility and also the elastomeric and this. So our view is that by probably by end of next year, the business should be at a reasonable number of 3.5 or maybe by 2010 should be 4,000 or more of revenue. So that, that is one, one place where we have been discussing and we have been open about it, saying that at some point of time there would be some form of dilution in that business.

Now whether it is a dilution completely or what happens. I don't think we are looking at a complete dilution, but whether it would be, uh, equity infusion by a strategic investor or a public issue, I, I do not know. It will happen later on. But that is one area where we clearly see that cash flow can be, uh, inducted. The other piece, I still have more hope than you have on, on reducing the debt by our, our own operations and all that. I think if you look at India T&D today, our NWC is down to 40 days.

So when I am talking about, uh, that we will increase our India business, etc., we are very clear that there will be, uh, much more numbers coming out of the business, although the past 2 quarters are not justifying it. But we are very clear on that part of it, that we, we have to do much more on getting out From the business. Because if you look at the INR6,000, it's largely working capital. Okay, so we have to do more work on improving the, the working capital to bring it down.

Parikshit Kandpal - Analyst, HDFC Securities
Okay, sure. Thank you.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thanks, Parikshit.

Operator
Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani - Analyst, PL Capital
Hi sir, good morning.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Morning Amit.

Amit Anwani - Analyst, PL Capital
Uh, so first question again on the civil side. So you highlighted the current order book has roughly about 11% of civil and transportation and railway. Just wanted to understand any key risk with the projects in hand And second, when we take this project, because I am, I'm just putting a context that over past five years, whatever non-T&D businesses we have done, whether it is conventional railways, oil and gas, civil, there's been a lot of- we went long and then we have to cut short the books. So what is strategically, uh, which, uh, you kind of, uh, want to build as a risk hedging in this orders and For the existing book in civil, uh, what is your view in terms of execution coming in or impacting the margins again?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So, Amit, to me, I, I was not very clear on your question, but let me try to still answer it. And if I am not able to answer, you can please ask for clarification. See, first of all, 11% is the number of our order intake, okay? So we had order intakes of roughly around INR1,500 crores or so between the transportation and civil put together. Order book will be more than that. I think my order book between railways and civil, uh, will be around 20%, 25% almost. 8,000-9,000, 8,000-9,000, uh, in, uh, in the civil and another 2,000 or so in, railways.

Okay, so we- so order book could be around 25% between this. Okay, and could you just talk a little bit more of what exactly was what you wanted to understand? Order

Amit Anwani - Analyst, PL Capital
Book of 25%, does it carry more risk book, you must be aware of what is the composition of the book. When these 25% of the order book comes into execution, any risk in next four quarters in terms of again impacting the margins?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Difficult to say whether there is a direct risk. Uh, if I- if we know, we would have quantified and put it in. But if you look at the order book, and I think civil is a large number of 9,000 crores or so, uh, it is largely, I'll say, B&F. Okay, largely B&F except for INR1,000 crore of, uh, JJM orders. So that is a- that is, I can say, a little bit risky in terms of cash flows. It is still profitable, so I'll not say it is risky in terms of, uh, margins. Obviously you will not make as much as you were making earlier because of the delayed execution.

Otherwise it's all buildings and factories, and, uh, I, I don't see too much of a, risk on the, on the order book what is there. As I said earlier, The the costs which are getting incurred are on closure of projects which are not in the order book. The projects already completed or you have one percent, two percent of revenue left. Now you are doing a railway project. [Foreign Speech] They have not

cleared the depot. So when you go to complete the depot, it takes much more than what you can think about it.

So you try to get a descope. [Foreign Speech] you have. So those are the things. But Uh, if you ask me, uh, if I give you a generalistic reply, I don't see there's any significant risk in the, in the balance order book, which is what before you came I was saying, that we do expect to start having some improvement in our numbers in non-T&D.

Amit Anwani - Analyst, PL Capital
All right. And, uh, sir, you mentioned that now civil, we are deliberately slow, the railway we have gone slow. So the most, more of the heavy lifting in terms of order inflow Uh, will be T&D? I am assuming that. And second, in terms of composition, uh, let's say 2 years down the line, uh, is it fair to assume that the T&D plus all this product business will be like more than 2/3 of the revenue? Any sense you want to give, like what is the composition we are looking, and will T&D be doing more of a heavy lifting?

Because a lot of things now we are going slow on the non-T&D side.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So Amit, you are absolutely right that T&D would be doing the heavy lifting. And in T&D also, I do think that India T&D will do more. But as I said, that the Saudi order intake has been slightly lower, plus the 20% retention. So, you know, in a way- and we are seeing a huge pipeline in India. So one is clearly the, the T&D business, and more I say India But if you- I'll just say that Africa, we have got now four orders also. So I think everything that way is looking okay. On the manufactured product business, uh, the expectation is that we should be doing- we want to do between 15 to 20%, actually more closer to 20%.

So INR4,000 to INR5,000 crores is the target. In fact, if you look at cable plus AC, we are there at INR4,000 crores. INR2,500 from cable and Rs 1,500-1,800 from this, but we actually wanted to push the transmission to 15%. Okay, so we, we do want to increase the, the tower sale business, especially to the American market as well as to the Australian market. In fact, we are also getting a lot of inquiries now from Middle East, surprisingly, because logistics is becoming problem for people to supply to Middle East from India and all that.

So We are having a lot of discussions on the India- on the Middle East market also. So clearly, as a strategy, I don't have exact numbers, but we are clearly focusing on increasing the share of manufactured revenue into our business or overall numbers.

Amit Anwani - Analyst, PL Capital
All right, so lastly, on, on the labor- sorry to interrupt, Mr. Anwani. Yeah, maybe request you return to the question queue for a follow-up question.

Operator
Thank you.

Amit Anwani - Analyst, PL Capital
Yeah,

Operator
The next question is from the line of Sanjay Mahajan from Wealthwise Capital. Please go ahead.

Sanjay Mahajan - Analyst, Wealthwise Capital
Hello?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Yeah, Sanjay. Hello?

Sanjay Mahajan - Analyst, Wealthwise Capital
Yeah, uh, yeah, the management to continue or throw more light on the, uh, manufacturing side of the business or the product sales, the tower sale. Cable and the conductor. Uh, it seems that this could be, uh, one of the stronger business where we'll have a better visibility. And, uh, within this business also, how much is typically, uh, for the captive or our own projects, and, uh, you know, how much is for the outside sale, if I understand this component in the right manner? I'll be happy to know more about it.

And the CapEx that you tried to, uh, mention in the opening remarks, something more of the CapEx, what's going on this side? Thank you.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thanks, Sanjay. So as far as captive is concerned, transmission would right now be 70-80% of India and Dubai would be captive. Rest we are selling overseas. SAE obviously is 100% the third party. The entire revenue of INR1,800 crores in SAE would be for third-party, uh, sales. Uh, as far as cables and conductors is concerned, the number varies between 30 to 40% of captive sales. So around, let's say, if you do a revenue of INR2,500 crores, around INR1,000 crores would be, uh, captive consumption. And if the conductor- when once the conductor plants come in, comes in, and with our PowerGrid order book, etc., we do expect that The share may go up slightly on account of conductor.

Sanjay Mahajan - Analyst, Wealthwise Capital
Okay. Yeah. And anything else?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Yeah.

Sanjay Mahajan - Analyst, Wealthwise Capital
What is the kind of, uh, capex, uh, we are doing over here? And, uh, what would be the work in progress or whatever more funds that would be required for this?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
So for, capital, I think on the cable side, for elastomeric and all that, we have already spent the money, uh, and capitalized it. That's why you see an increase in our fixed assets. Uh, as far as the, uh, the conductor part is concerned, we are now about to start on our second phase. I think that's around 50 crores or so, if I'm not mistaken. Okay. And on the transmission side, we have already expanded all our capacities, so we don't have any major, uh, capex on increasing capacity right now.

But we are looking at the market. If the need arises, we will plan for it. But right now, in our current capex plans, we are not spending too much money on the transmission capex on the factory. However, we are spending close to INR100 crores or so on the, on the construction equipment side on transmission. We have bought more transmission TSC machines. We are doing a lot more on the

which poles and other other mechanization efforts, so at least 100 crore is being spent on the capital side

Sanjay Mahajan - Analyst, Wealthwise Capital
On construction in transmission. Okay, last question related to this.

Operator
Sorry to interrupt. So Mr. Mahajan, I also request you to return to the question why for a fall Nipurn Khemka from CD Research. Please go ahead.

Nipurn Khemka - Analyst, CD Research
Yeah, hi sir, good morning. Morning, Nipurn. Yeah, so my first question was, how much additional capital do you people would need to sustain the business, uh, in the current rate?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
I, I don't think we would need additional capital because what we have been talking about is release of capital. So, okay, I, I, I do not envisage any extra capital to be poured in. In fact, we have been talking about reducing the balance sheet size and reducing the debt and I think Rajeev gave some figures also how we, how we want to reduce it. So I think we are very clear on that, that, uh, yeah,

Abhijeet Singh - Analyst, Systematix Group
Yeah, no, because I was seeing that in the last year something close to 200, uh, 2,800 crore is what we have poured in, uh, so that's why I was asking. And in the H1 also we have close to, uh, close to- we have, uh, 900 crore we have, uh, sucked in. So what, what is the rate that we are targeting for this year?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
No, I think as I explained earlier that there had been some factors which led to an increase in this quarter, in the last 2 quarters, which already we have received a lot of collections. And I actually elaborated a full collections item by item which we expect to realize and which will reduce the debt. So I think we are pretty comfortable, I'll say, on the, on the reduction part of it.

Nipurn Khemka - Analyst, CD Research
Okay, okay. And the second question was, uh, like, uh, with this, uh, whatever, uh, money would be- we would receive, uh, how do we expect to pull up our ROE, if any?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
So Once the Funds get selected and borrowing level comes down It will lead to a better, uh, ROCE and ROE and, and current and the margin improvement. So margin improvement coupled with the reduction in the balance sheet size will have a positive impact on the ROE and ROCE.

Nipurn Khemka - Analyst, CD Research
Okay, okay, because I, I was specifically asking this question because it has been so long that because of these projects we are out of shape. That's why.

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
The point is that, you know, if you look at last few years and especially last four or five years, one, the business has grown from INR17,000 to almost INR24,000 crores, 25,000 crore. So almost 40% growth in the business has taken an additional capital. That is one. Second, you know, last 3-4 years

have been challenging in terms of the margin. Obviously, last couple of years We saw improvement because of the, you know, better pie of T&D business and also the margins in T&D business improving. So, but apart from that, you know, we have seen earlier the SAE and transportation business.

So we have not made enough money to fund that growth. So obviously the funding of the growth has taken place by way of debt. Okay, third piece is that the Saudi growth where the Uh, you know, 20%, uh, retention is there, and obviously the business doesn't generate 20% margin. So some working capital has been taken away in the Saudi business. But as Vimal mentioned, uh, in the opening remarks, and plus, you know, later on also, the Saudi business this year, we have not received, uh, so many orders for, you know, whatever Middle East war is going on.

So we are trying to close all the projects that will help us to reduce our retention. Close the project, realize the retention. So that will help us to, you know, release the working capital. So these are all some of the reasons that we should also appreciate that, you know, basically the growth funding has taken place by way of debt capital. Although we did a QIP of about $100 million in 2024, so that also helped us to, you know, kind of fund our growth plans.

Nipurn Khemka - Analyst, CD Research
Thank you, thank you, sir.

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Thank you so much.

Operator
Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor - Analyst, Kapoor & Co.
Yeah, namaskar. Namaskar, sir. Firstly, a small bit of clarification on the cable part of the story, sir. What were you mentioning in terms of infusion or In terms of some capital raising, can you explain what any thought process that we have? Or firstly, we will be creating a new entity as a cable and then raising fund? Or what was your call there, sir? I am unable to comprehend.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Okay, the question was [Foreign Speech] That was the question for which I gave that answer. And if you recollect [Foreign Speech] I think [Foreign Speech] the appropriate time maybe twelve months down the line or fifteen months down the line whenever the cable reaches a particular size this year that will be around twenty five twenty six hundred crores we expect another five six hundred crores every year to go up so what we had said is at that point of time we will decide in what format we can raise money in that company Okay, options are very clearly is that either we dilute from- because KEC holds 100% equity, so either I dilute some KEC's portion and get some cash into KEC if, if that is what we require, or if the company requires cable, if you think it will get me more, more revenue, more margins than what KEC is getting, then maybe we'll dilute to get more funds into the cable company.

So that's a, that's a decision which we will take, uh, somewhere down the line after a year, a year and a half. saying that dilution [Foreign Speech] format [Foreign Speech] cable [Foreign Speech] company [Foreign Speech] KEC [Foreign Speech] decision [Foreign Speech] I think maybe few

quarters away maybe by end of next year is when that decision will be taken but that is always available in case

Saket Kapoor - Analyst, Kapoor & Co.
Right, sir. And just how are the margins being for the cable and the conductor part? And I just put two more questions for for you in the capacity of time. Oil and gas pipeline [Foreign Speech] H1 versus H1 especially [Foreign Speech] that is all account from the execution from our spur subsidiary or how what has led to this increase and how is the what is the outlook for H2? and sir secondly sir [Foreign Speech] receivable [Foreign Speech] pending receivable [Foreign Speech]

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
[Foreign Speech] crore [Foreign Speech] exact figure [Foreign Speech] around [Foreign Speech] crore [Foreign Speech] quarter [Foreign Speech] cable [Foreign Speech] margin [Foreign Speech] percent [Foreign Speech] cable [Foreign Speech] impact [Foreign Speech] Middle East war [Foreign Speech] because all the all the polymer prices [Foreign Speech] so right now the margins are lower. conductor would be I think similar [Foreign Speech] slightly lower [Foreign Speech] conductor is a much more volume driven game, [Foreign Speech]

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
[Foreign Speech]

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
[Foreign Speech] but [Foreign Speech] now they

Saket Kapoor - Analyst, Kapoor & Co.
getting right sir. [Foreign Speech] transportation part

Operator
sorry to interrupt Mister Kapoor [Foreign Speech]

[Foreign Speech] sir [Foreign Speech] Romi complete the [Foreign Speech] answer oil and gas pipeline [Foreign Speech]

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
oil oil and gas pipeline [Foreign Speech] revenue [Foreign Speech] basically

Saket Kapoor - Analyst, Kapoor & Co.
[Foreign Speech] closing order book

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
I don't know [Foreign Speech]

Abhijeet Singh - Analyst, Systematix Group
[Foreign Speech]

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
[Foreign Speech] I think order book [Foreign Speech] I think Middle East [Foreign Speech] but mainly I think Middle East [Foreign Speech] I think [Foreign Speech] close [Foreign Speech]

Saket Kapoor - Analyst, Kapoor & Co.
[Foreign Speech] line [Foreign Speech] and [Foreign Speech] public [Foreign Speech] thank

Operator
You Thank you ladies and gentlemen, due to time constraints, please limit your questions to one per participant. The next question is from the line of Jayesh K.

Jayesh Gandhi - Analyst, Harshad H Gandhi Securities Private Limited
You spoke about performance impacted due to certain reasons, and one of the reasons cited is land acquisition also. Can you just help me understand what exactly is that land acquisition problem?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Uh, there are 2 parts to that land acquisition. One is what I talked about, uh, at least 3 of my substation projects have not taken off because the, the client has not been able to get land for the substation. And that has impacted the revenues in India T&D significantly. That is one part of it. Second place where the land acquisition is coming into play has been on the renewable side, where on the- on, uh, I think 2 or 3 of our wind projects, we are facing- not we, the developer is facing significant challenges in acquiring land.

However, let me add one thing, is that I talked about a new Ministry of Power guideline which has come on forming a market rate committee, etc. And the expectation is that with that MRC, the land acquisition issues should hopefully get more streamlined. [Foreign Speech] But land in land acquisition is basically on the substation side which is serious impact.

Jayesh Gandhi - Analyst, Harshad H Gandhi Securities Private Limited
Sir, if it is possible for you, can you quantify that kind debt order book which is You know impacted by this particular. I mean what what amount of order book is there?

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Difficult. I don't have the numbers. Maybe Abhishek, then you can speak to Jayesh and give the numbers. Now we will give the numbers to you separately.

Jayesh Gandhi - Analyst, Harshad H Gandhi Securities Private Limited
Okay. Sure sure. But but I will I

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
I I will only add one thing Jayesh bhai is that out of the three I think [Foreign Speech]

Jayesh Gandhi - Analyst, Harshad H Gandhi Securities Private Limited
Got it got it sir.

Vimal Kejriwal - Managing Director and Chief Executive Officer, KEC International Ltd.
Thank you. Good luck for future. Yeah. Thank you.

Operator
The next question is from the line of Abhinav Mandowara from Aequitas Investments. Please go ahead.

Abhinav Mandowara - Analyst, Aequitas Investments
Yeah, hi, thanks for the opportunity. I joined the call a bit late, so not sure if it is being repeated. I

wanted to understand the working capital issues where we are facing and how our payments have been, and also with regard to Middle East pipeline. Just quickly, I'll

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
So working capital, uh, we had mentioned earlier on the call that, uh, there have been some slippages in the collection, uh, and some of the money we have already realized in the month of October. Plus, uh, you know, uh, apart from that, we were expecting, uh, the collection in the water project which has not, uh, which has not happened. So that is how, you know, the working capital is slightly higher, but At the year-end, we are expecting the borrowing levels to, you know, uh, go down to about INR6,000 crore level.

Okay. And with regard,

Abhinav Mandowara - Analyst, Aequitas Investments
Could you just quantify how much of the collection are we pending as such?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
No, collections are pending, uh, at, uh, few areas, uh, like we mentioned that, you know, retention collection is pending, which is, which is going to happen. And, uh, In, uh, in the next six months' time. Water collection has not come, and, you know, still we are struggling to get the payment from both state and the centers for the Jal Jeevan Mission. Uh, some of the projects which we have closed in the Saudi and other territories, we are expecting a lot of collections to come from the retention payments.

So all these will help us to reduce our borrowing by March.

Abhinav Mandowara - Analyst, Aequitas Investments
Okay, and what is the Middle East like? How are you seeing execution there? Any specific issues which you're facing?

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
So execution, uh, issues- basically what happened in the first half due to the West Asia war, the execution has been impacted, especially on the supply side. The supplies which are coming up from Europe and other parts of the globe, they have been impacted. Freight cost has gone up significantly higher. So all these has impacted. And in India, basically the ROW issues in few of the projects have impacted the execution. So these are some of the challenges that we have faced. Obviously in the civil business also we are facing the- we need to increase the pace of the execution, which is currently, uh, you know, it needs to improve significantly.

And that is where the performance has been impacted.

Abhinav Mandowara - Analyst, Aequitas Investments
Okay, thank You.

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Thank you.

Operator
Thank you, ladies and gentlemen. That was the last question for the day, and now I would like to hand over the conference over to Mr. Vimal Kejriwal for closing comments.

Rajeev Aggarwal - Chief Financial Officer, KEC International Ltd.
Mr. Kejriwal has left for a meeting, uh, so thank you very much for your interest in KEC. Thank you so much.

Operator
Thank you. On behalf of KEC International, that concludes this conference. Thank you for joining us, and [Operator Closing Remarks]