Management Discussion

Kishan Mundhra - Analyst, DAM Capital Advisors Ltd
Thanks, Atharva. Hi, good evening everyone, and a warm welcome to the Q1 FY27 earnings call of Kalpataru Projects International Limited. To discuss these results, we have the management today, which is being represented by Mr. Manish Mohnot, who is the Managing Director and CEO; Mr. S.K. Tripathi, who is the Deputy Managing Director; Mr. Sanjay Dalmia, the Executive Director; Mr. Amit Uplenchwar, Director Group Strategy; and Mr. Ram Patodia, President Finance and the CFO.

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

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you, Krishan. Good evening, everyone, and thank you for joining us today for the KPIL Q1 FY27 earnings call. I hope you have all had the opportunity to review our financial results and investor presentation, which are available on the stock exchange and our website. I am pleased to share that we have delivered another strong set of results for the quarter ended 30th June 26. We registered robust performance across nearly all parameters, including order book, revenue within the constraints, profitability, margins, and working capital, reflecting an excellent start to the financial year.

Before I delve into details of our Q1 performance, I want to reinforce a few key messages from the previous earnings calls. First, the underlying strength of our business remains solid. This is backed by a robust delivery track record, strong customer trust, and steady demand across all diversified -- India and diversified markets. Second, the investments we made in capability development over the last few years are translating into tangible results. This is evident in our improved competitive positioning as we continue to secure large complex bids aligned with our focus on improving profitability and margin profiles.

Third, and the most important, we remain deeply committed to disciplined growth and strict capital management. Our balance sheet highlights excellent financial health anchored by disciplined working capital, a best-in-class leverage ratio, and improved return ratios. This is further validated by a recent credit rating upgrade to AA+ stable, positioning us among an elite group of large-scale EPC players and giving us strong confidence in a strategy to invest in growth and scale. Moving on to the details of our financial results.

KPIL maintains its growth momentum, delivering record first quarter revenue, EBITDA, and profitability. Our standalone revenue increased by 9% YoY to INR5,482 crores, while consolidated revenue reached INR6,408 crores. On a comparable basis, adjusted for the base effect of our Brazilian business and road SPVs, KPIL consolidated revenue increased by 9% YoY in Q1 '27. Our profitability growth continues to outpace our targeted levels. Our consolidated EBITDA grew 7% YoY to INR562 crores. PBT rose 45% to INR420 crores and PAT increased 46% to INR312 crores.

At a standalone level, EBITDA rose 14% YoY while both PBT and PAT grew by 32%. Importantly, our consolidated EBITDA margin expanded by 30 basis points to reach 8.8%, and the PBT margin rose 190 basis points YOY to 6.6%. On a standalone basis, the EBITDA margin reached almost 9%, and the PBT margin was up by 120 basis points to reach 6.6%. This expansion reflects strong operating leverage and improved business mix and disciplined working capital management. It is important to note that, that we achieved this robust revenue growth and margin improvement despite early

quarter labor shortages due to state elections, slower receivables in the water business, and global supply chain constraints stemming from ongoing disruptions in the Middle East.

This performance clearly highlights the resilience of our business and strengthens the foundation for sustainable growth in the coming quarters. Turning to our balance sheet, our consolidated debt-to-equity ratio stands at 0.1x and ROCE remains within our targeted range of 21-22%. Standalone and consolidated net debt remains stable QoQ at INR752 crores and INR917 crores respectively. We maintained this stability despite higher execution, capital expenditure exceeding INR250 crores in the first 3 months, and increased capital employed in the water business.

Regarding working capital, our net working capital days declined by 12 days YOY to 94 days for the standalone and decreased by 11 days YOY to 80 days on a consolidated basis in Q1 '27. Moving to our order book, our ongoing momentum continues to anchor our confidence, providing strong revenue visibility and reaffirming customer trust in our capabilities. We closed the quarter with our highest ever order book of INR66,607 crores. This was supported by robust year-to-date order inflow of INR7,668 crores in FY27, with an additional L1 position in projects worth INR7,500 crores.

Equally encouraging is the growth across our key business segments. Starting from T&D business, excluding the fastener business, revenue like-for-like grew nearly 10% YoY. Year-to-date in FY27, we have secured orders exceeding INR4,100 crores and hold an L1 and favorable position in contracts valued at over INR5,000 crores. This is expanding our market presence by onboarding new clients and strengthening our footprint in high-growth HVDC and GIS substation segment. Globally, the T&D market continues to offer a massive structurally attractive growth runway across all our target markets.

In India specifically, we expect a notable ramp-up in transmission line and substation capacity to meet rising electricity demand and support the evacuation of renewable energy. The annual addressable market is expected to remain within the range of INR1 to INR1.25 trillion for at least next 5 years, including incremental opportunities of 1 to 2 HVDC projects every year. On the international front, the lack of grid capacity is emerging as a critical bottleneck for rising electricity demand across our key markets in Europe, Middle East, and parts of South America.

With our differentiated global EPC capabilities and strong international reach, we are uniquely positioned to capitalize on these opportunities. Meanwhile, LMG Sweden delivered 8% YoY revenue growth, reaching INR833 crores. LMG secured orders worth approximately INR1,500 crores YTD in FY27, bringing its total order backlog to around INR4,200 crores as of June 30th, 2026. Our building and factories business maintained its upward trajectory, recording a 15% YoY revenue increase in Q1 '27. We secured record orders worth over INR2,800 crores till date in FY '27.

Additionally, we hold an L1 position for around INR2,200 crores in this business. Our order book for the building and factories business at the end of 30th June '26 stands over INR19,600 crores. We continue to see steady traction in large-scale residential projects from reputed developers, backed by our design-build capabilities and strong delivery track record. Additionally, the pipeline remains strong, powered by a wave of public PSU and private industrial CapEx. This is further supported by improved demand for commercial office space, data centers, airports, and large-scale urban development projects.

In our oil and gas business, execution on our Saudi gas pipeline project is progressing steadily with, with site activities moving at a strong pace. Despite the ongoing conflict in Middle East, major utilities and asset developers remain optimistic and eager to advance their investment plans. We see strong business momentum building up in Middle East on the oil and gas business, offering

multi-fold growth opportunities across onshore engineering and construction projects over the next few years.

Our water business achieved revenue of INR626 crores, which is in line with our planned execution. Notably, the business achieved a major breakthrough by securing its first order in the high potential Middle East market for a water treatment project valued at INR344 crores. Our collections in the water business remain on an improved trajectory with around INR650 crores collected year to date, including July and FY27. We expect further improvements in collection intensity in the coming months. Growth in our urban infra business is driven by robust execution across metro rail projects, with all our TBMs remaining fully utilized.

I am pleased to share that we have nearly completed the tunneling work for our first underground metro project in Kanpur, demonstrating our steadfast commitment to execution and timely project completion. Moving forward, we continue to selectively target strategic opportunities into metro rail, tunneling, pump storage, nuclear power, and the international roads and highway segment. In our railway business, our approach remains strictly focused on delivery and project closures, while we remain selective with bidding for new orders.

To wrap up, I will quickly update you on our guidance for FY27. In the first 4 months of the year, our project delivery remained resilient despite the Middle East conflict and initial labor availability constraints. The prospects for our diversified end markets remain strong, further reinforced by the increasing need for energy security, infrastructure development, and industrial growth. This has led to a meaningful acceleration in order take, keeping us well on track to reach our targeted goal of INR30,000 crores of order inflow for the current year.

Specifically regarding revenue, we confirm our guidance of at least 15% growth on an annualized basis, and our original guidance for a PBT margin improvement of over 75 basis points remains unchanged. Our operating cash flows remain healthy due to structural improvements in our order book and business mix. This gives us the confidence to maintain our current positive trend in working capital, debt metrics, and return ratios as we move forward in this financial year. Thank you for your attention.

We are now happy to take your questions.

Questions & Answers

Operator
Thank you very much. We will now begin with the question- and- answer session. [Operator Instructions] The first question comes from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Yeah, so firstly, on the oil and gas business, earlier we had mentioned that we are looking for larger value orders in Saudi, similar to Aramco. Maybe size could be smaller, but any update on that? And what inflows are we targeting in oil and gas business?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, uh, as we said earlier, uh, you know, we are now qualified in oil and gas in the large utilities in Middle East, whether it is Saudi, Adnoc, Kuwait, or Qatar. We have bid for a lot of tenders in these

spaces and some very big ones. A lot of tenders, you know, the entire tenders in terms of orders have been delayed as of now. We're very confident of making sure that we win a few large projects in the current year. Might not happen maybe immediately in the next few months, but as we stand, we believe that there's a huge opportunity of, you know, having orders either from Aramco or ADNOC or Qatar or Kuwait all in the next 3 to 6 months. We have included that in our targeted 30,000 crores of order book, uh, for the current year, you know, and, and we believe that it should be in place in Q3, if not late part of Q2.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so can you tell the quantum of the bids which you submitted?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So wherever the bids are, right, ranging from $100 million to $500 million, right, it's at different levels. Uh, difficult for me to quantify exactly which one you know, is something which the client would award to us, but they're ranging from $100 to $500 million.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, sure. So secondly, on the Indore side, so the receivables have been completely received now in Q1?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah, I think indoor we are completely zero now.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay. Any, uh, any money you would be infusing now incrementally? Either in SSL or somewhere else?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, not at all. I think SSL was cash positive. They have refunded -- they have literally become debt-free as of 30th July. And Indore is -- the project is closed. So I don't see any reason of any infusion happening in Indore or Shivam, not in the near future, in the longer term also.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay. Lastly, on the interest cost side, we have seen a sizable improvement in terms of interest cost in the first quarter. So incrementally, that should be a sustainable run rate.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Sorry, incrementally, what was the question? I missed the incrementally.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
The interest cost run rate around INR65-68 crore in Q1, incrementally that could be sustainable run rate, or we may see a rise in interest cost?

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

Well, we should be in this range, you know, depending upon growth. If working capital slightly goes up, and to that extent you would see some increased cost, but as a percentage of sales, we should be in a similar range where we are today.

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, so roughly we will be targeting a 700-day kind of working capital for FY27?

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

Vaibhav Shah - Analyst, JM Financial Institutional Securities
Okay, okay. Thank you, sir. Those are my questions.

Operator
Thank you very much. [Operator Instructions] We will take the next question from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani - Analyst, Prabhudas Lilladher Capital Private Limited
Hi sir, thanks for the opportunity and congrats for the good set of numbers. The first question on the margin, you said you will maintaining the guidance of 75 bps improvement on PBT level. I just wanted to understand, particular to Q1, uh, the operating margin of 8.9%. Which segments contributed better margin? I understand by seeing the numbers that there was a favorable mix also this quarter. So that is one. Second, in your 75 bps PBT improvement, are you factoring in, and by what segments you're factoring in the improvement in especially the EBITDA margin for whole remainder of the year?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah, you know, as I've said earlier also, you know, our transmission business, our B&F business the oil and gas business, all three of them continue to be delivering, uh, you know, EBITDA closer to double-digit levels and PBT, which are also good. Uh, if you look at water and railways, while water at EBITDA level has delivered reasonably good margins, but because of interest cost, they're getting hit at a PBT level. Railways is not doing such good in margin, and urban infrastructure. So three businesses are more at a double-digit level, and three businesses at a high single-digit level when it comes to EBITDA.

As far as the 75 basis point improvement is there, I think it's a mix of the entire order book, but significant improvement in margins would come from the same 3 businesses: T&D, B&F, and oil and gas.

Amit Anwani - Analyst, Prabhudas Lilladher Capital Private Limited
Understood. The second, on, uh, you highlighted about, uh, the orders coming in from, uh, the Aramco, ADNOC, and from the geographies of Qatar, Kuwait. So when you, when you are building in the inflows, can we expect the proportionate increase or the disproportionate increase from these geographies in your inflows in the coming years, I would say? And second, is it only T&D or some other segments in, in these geographies?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, Amit, as far as the Middle East opportunities are concerned, I think we continue to We are bullish on both oil and gas and T&D. We are, we are present in both the segments as far as Middle East is concerned. We do believe, or we are seeing a lot of traction on tenders coming up on both the segments in, in these geographies, and we do believe that we are very well positioned to win some projects in the next 3 to 6 months. Uh, would this be disproportionate? Depends on what values of orders we win, but in totality, I think you know, they would -- given a size and scale, they would still be of a reasonable size to make sure that, you know, there's good visibility going forward.

Amit Anwani - Analyst, Prabhudas Lilladher Capital Private Limited
And so lastly, on the update for -- on the IPO of LMG, any progress? Uh, yeah, thank you.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So Amit, we have appointed advisors to look at various options of fundraising at LMG. As of today, we are not in a position to give you any further update on that. But we have appointed advisors, as earlier informed, you know, to all of you last year, to look at, to explore various options of fundraising at LMG. And at an appropriate stage, we would be able to give an update to all of you.

Amit Anwani - Analyst, Prabhudas Lilladher Capital Private Limited
Thank you, sir. Thank you. Thanks for answering.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Bharat Sheth from Quest Investment Managers Private Limited. Please go ahead.

Bharat Sheth - Analyst, Quest Investment Managers
Hi, congratulations, Manish Ji and team, and thanks for the opportunity. Sir, my question is related -- first is T&D. So apart from Middle East and India, which are other geographies that you think that next 2-3 years could be a growth driver for Overcome to you.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think from our perspective, even when you look at our numbers today on the international front, you see that our larger exposure is, uh, you know, in Latin America, which is the entire Chile, Guyana, that market excluding Brazil. So if you ask me today, I think we stay bullish in all three markets. One is LatAm excluding Brazil, second is Europe driven by Linje Montage and the neighboring countries, third is Middle East. And today for us, our LatAm exposure excluding Brazil is much higher than Middle East and Europe. So per se, today we stay bullish on all these markets. And in the last 3 months, we've become slightly more bullish on the Middle East opportunities because we see a lot of developments happening there. So it's all across the globe if you ask me.

Bharat Sheth - Analyst, Quest Investment Managers
And -- okay, and for other business, if like say The oil and gas apart from Middle East, this time I think we have also seen some order in domestic market. Is that correct understanding?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, I don't think we have secured any order in the domestic market in oil and gas. Yeah, we've got a small project, not something big, which is a small project we have -- what we were doing earlier, uh, not very big one, around 100 and odd crores. But as far as oil and gas is concerned, I think our focus significantly continues to be on the Middle East market. And at least from a 1 to 2 year perspective, I think that's our biggest opportunity which we want to focus on. Given that last 3 years we have delivered on one of the largest Saudi Aramco projects, we started from zero and we, we have reached a serious scale where we have delivered on some of the large projects.

So our focus continues to be Middle East, at least on oil and gas, for the next couple of years, if not beyond that also.

Bharat Sheth - Analyst, Quest Investment Managers
Sorry, I missed one. I mean, earlier we were very strong in Africa also, so any color on that market? Or you think that is still, I mean, few years away?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So I think we have a lot of tenders coming from Africa, so it's not that we are not bullish in that. But if you ask me, in terms of our, you know, priority markets -- number 1, 2, 3, 4 -- Africa is number 4, right? It continues to be LatAm, followed by Middle East, followed by Europe, and then Africa. Also, for reasons that Africa now is seeing a lot of competition, whether Indian competition or even, you know, Chinese competition. So at times it's difficult to, you know, really compete and have projects with our margin standards which we have. So, but are we bullish? Yes, but in my ranking it would be number 4.

Bharat Sheth - Analyst, Quest Investment Managers
Okay, so apart from T&D, now second is a building and factory. So how do we see and how the whole landscape is changing? Are we seeing any kind of a change in landscape factory side or building side? Still, I mean, it is, uh, we are bullish.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
As I said earlier, on the building and factory side, we are seeing a lot of developments coming on industrial CapEx, primarily from PSUs and select private players. So PSUs, we have seen a lot of tenders come, whether it is tenders from NMDC, NALCOs, and all of them, and for which we qualify. So where we stand today, while residential and commercial continues to be very, very attractive, at least with the large developers where we are doing a lot of work But besides that, given our expertise in doing data centers, given that we have done 2 airports now, given that we have done some very large industrial plants, we continue to be very positive on those opportunities also.

And we're seeing good traction as compared to what we saw in the previous year.

Bharat Sheth - Analyst, Quest Investment Managers
So any color on the building and factory side, EBITDA margin differential between residential and industrial side?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, I think there's not a significant differentiate in terms of, you know, residential versus industrial. At a bit level at least, uh, you know, we all typically double-digit margins, more in the range of 10 to 12%. Project to project, sometimes it might change depending upon the size of the project, the client, and all of that. But on average, I think all, all this, you know, the entire order book continues to be in the range of 10 to 12% EBITDA only.

Bharat Sheth - Analyst, Quest Investment Managers
Okay, great. And any capability-wise also, do we have to build a further, uh, industrial side, or We have all kind of a capability we have developed.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So this is a continuous exercise, right? There's nothing which says that we have built everything. You know, it's a continuous exercise. We started from zero, now we are qualified for large-scale projects. Maybe not very big-scale projects like some of our large competitors, but we are moving in that direction. So every project we take, we move towards this direction of qualifying for a higher value, and that's been the journey.

Bharat Sheth - Analyst, Quest Investment Managers
And any update would you like to give on Urban infra, and the last question would be on backward integration that we are -- we were evaluating.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, so urban infra, Bharat bhai, we, as I said earlier, we have a reasonably good order book today. You know, we restarted this journey 4 years ago. Now we have 6 TBMs. We have now nearly completed one underground project already. All the TBMs are deployed on 2 new projects which we got in the last year. We are not seeing many tenders in urban infra in the last few months, but we believe it should come up sooner than later. As far as our own business is concerned, you know, we see good double-digit growth in urban infra in the current year.

And going forward, we will keep on exploring opportunities in the underground metro as well as overhead metro in India, and also explore opportunities overseas. Maybe not immediately, but going forward, that's also something which would be on our radar.

Bharat Sheth - Analyst, Quest Investment Managers
Okay, that's on CapEx side and the backward integration that we were looking for.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, so on CapEx side, I think we have targeted a CapEx of closer to 800 crores in the current year, and I think we should be on track to do that, if not slightly more than that. As far as backward integration is concerned, you know, we've just declared today that we would be setting up a rolling mill in Raipur along with a plant. We are continuously exploring backward integration on various other products within the value chain where we exist today. One of them we have declared, but we are continuously exploring some, and as soon as we have clarity, we'll declare further.

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

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

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

Parikshit Kandpal - Analyst, HDFC Securities
Yes, and hi, congratulations on a great quarter and highly restrictive geopolitical uncertainties. That's our first question is, now we have given order info guidance of 13,000, which we have maintained, and this year maybe we'll touch 27-28,000 crores on revenues. So which is a very big base to grow from here on. So how are you looking over the next 2-3 years to grow at least 50% from here? So what capabilities, what segments, what markets are you looking to add to continue to keep growing at 15% given that our balance sheet is on a very strong level? Hardly have any debt. Technically, maybe in years' time we'll be debt-free. So how does one model growth from here on?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So Parikshit, 3 or 4 aspects, you know, going beyond the current year to look at growth, and we started working on all of them. The first aspect is taking a few of our businesses international which have delivered extremely well in the country over the last one decade, right? So whether it is water, whether it is urban infra, whether it is larger projects in oil and gas, and whether it is KL itself getting to newer geographies. So that's the one thing which we are exploring continuously for the businesses which could give us a much higher growth compared to what we are doing here.

Uh, the second aspect, as, as I mentioned earlier, is to look at backward integration wherever we can which will help us not only achieve higher growth but also give us, you know, profit improvement if you do backward integration on the projects. Third, within some specific areas, whether you look at B&F or you look at Urbanfra, right, from where we started to where we are today. We started from only being residential commercial, today we are qualified in data centers, airports, industrial, all of them.

Now, now all of them together, the opportunity is huge.. And we have nearly -- we have never looked at it except for a few projects in the past. So within the value chain where we exist, we are qualifying ourselves through our design expertise, through our execution expertise, through CapEx, to make sure that we can target bigger size projects. Our average size project today is more than INR500 crores, and we are wanting to see how we can further increase that. So enhancing value chain within our offerings, looking at international markets and backward integration, it's a combination of all three by which we believe that growing at least 15% minimum should not be a challenge even for the next few years.

Besides this, you know, our international subsidiaries, Sweden, Linje Montage, has been on a good growth journey. Last 3 years they have done very well, although current year we do not see them doing extremely good, but they should also be in good shape to look at further growth opportunities going forward. So combination of all of this and with great opportunity in the market today, right, all

the segments where we are today, whether it's T&D, look at the numbers, you know, including today's newspaper, you would have seen some further CapEx additions being planned.

B&F across the segments, oil and gas, Middle East, you know, with all of this, uh, we believe that we're getting well positioned to look at larger projects, complex projects, margin-accretive projects, and growth should not be a challenge at least for the next couple of years. Even where we sit today, if you look at it, we have closer to 2.5 years visibility on order book, right, including L1. So, uh, where we are today plus visibility, I see that it's going to be a mix of all of this to make sure that we achieve what we have targeted.

Parikshit Kandpal - Analyst, HDFC Securities
The other question is that we already including L1, we are 15,000 crore in financial year to date. So that would make a case for the rest of the year to increase the order inflow guidance. And secondly, on the manufacturing plants, like, I've not, um, because beyond the pipeline projects, so in terms of capability upgradation, so what are we looking at? What kind of further mining can we do with them in terms of

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, Parikshit, yes, we might have a revision, upward revision, but we'll have to come back to you at the end of Q2 because there are a lot of delays happening in some parts of the world in placing orders. We also believe as an organization that given that we have INR15,000 crores already in our hand, we might be able to do better than this. But you'll have to give us some more time, maybe end of Q2, by which we might be able to revisit our guidance. As far as capabilities in oil and gas is concerned, we continue to keep on further building on process plants, on, uh, you know, stations which we are doing, on high-end projects, on pipeline projects, all of that.

And we expanding through CapEx investment also. Right now we are not exploring offshore in any form, but onshore, everything from plants to process lines to pipelines is what we are looking at. We've already built a strong team on it and we already have the credibility, so it's only a matter of bidding for the right projects, winning it, and then focused on delivery.

Parikshit Kandpal - Analyst, HDFC Securities
Anything on the hydrocarbon side? Hydrocarbon, new energies, so anything there we can do?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So we have created a small team which is looking at those opportunities. We had also recently bid for some projects for power grid from something on BES. We were not successful in that, but yes. The exploration part has started, but do we have that clarity by which we can say that we will do this much in the current year is going to be difficult? Yes, but we've created a team which has started exploring BESS as well as hydro, uh, you know, carbon projects. But it's just the beginning, so give us some more time before we come back to you with a, with a clear picture on this.

Parikshit Kandpal - Analyst, HDFC Securities
Okay, this is one last question on KPIL. So I think NHN has got some reprieve from the court. If you can help us understand, like, what was the context and what was the expectation on awards we could have realized, and now how the scenario changes, and what kind of worst it can be possible -- could be there on the cash flows, if at all. I have everything being provided in your P&L.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah. So Parikshit, as far as KPIL is concerned, on our books, the carrying value of equity is zero. The entire amount is already provided. We provided it 3 years ago when we surrendered the asset. This was an arbitration award which we had won. The award has not been fully set aside. It's been set aside on some technical parameters to revisit the baseline assumptions on whatever claims was done. So there were some technical issues on seeing that whether the cost should be considered A, B, C, right? So that's something which has been -- which the High Court has said, you know, to be revisited.

So whatever the award comes, it is only positive for us. There's no negativity in any form. So we're just going to go back to the drawing board and make sure that the process starts again and decide that what is the technical, what is the right mechanism to calculate what award should come to us. So we would be going under Section 37 against that award, and sooner than later we would work on that. From a cash flow as well as P&L perspective, there's no negative. It will only be positive as and when it comes.

We have not considered this award in any form in our balance sheet or P&L in any form today because our accounting policy is clear. Only once the award finally comes and it's not contested is when we take it. So I would not like to quantify the numbers because the numbers are relatively huge. I can only say that whatever comes to us is only going to be positive and not negative.

Parikshit Kandpal - Analyst, HDFC Securities
But will it take care of the debt, you're sure? Because there's a partial here. So what is outstanding debt here? And once you realize whatever, in the worst case also, it will be worth is -- yes, it continues. So will it be able to cover up your debt, and whether still post that you'll have some cash flows left?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So technically, we have zero debt on this project today. This project has been taken over by NSEI. We have handed it over to them 4 years ago, and as per the concession agreement, the entire debt is now to be managed by NSEI. So technically, we have, you know, zero debt on this project. Yes, there is a contest going on between NSEI and us in terms of the calculation of the debt, but even in the worst case scenario we would not have any impact of debt coming on our books.

Parikshit Kandpal - Analyst, HDFC Securities
Okay, thank you.

Operator
Thank you. The next question comes from the line of Anuj Upadhyay from Investec. Please go ahead.

Anuj Upadhyay - Analyst, Investec
Hey, hi, uh, thanks for the opportunity. Just want to get a sense on how exactly we are dealing on the margin side. You know, in the previous call also you have mentioned that 50% of our order book are exposed, uh, are variable in nature. And within that, you know, there are certain commodities which have been hedged, but steel and diesel is something, you know, uh, the escalation of which can have an impact. So just want to get a sense on those costs, how exactly they are scaling up,

and, uh, what impact could that have over the near-term margin, say by Q2 and Q3 kind of a level.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, Anuj, as I said earlier also, right, um, on our variable projects or on our fixed projects, because the impact comes more on the fixed price projects. The impact is only on, let's say, diesel and steel. And I continue to be saying that if you look at the steel prices last 3 months, there's hardly been any movement. Actually, the movement has been more positive than negative for us. Uh, so, and that's something which I've been saying historically also, you know, if it moves within a band of plus minus 5-10%, we can manage through contingencies and reserves which we always have at a project level.

So today where we are, there's some impact happening on diesel prices, there's some impact happening on aggregate prices in some parts of the country, but is it big enough to have impact on the larger balance sheet? The answer is no. We still continue to be guided on this 75 basis point increase which we have promised for the current year. Quarter 1 has been much better than that, and so I believe on annualized basis we should be in that range even, you know, with even a 5-10% movement in prices from where we are today.

Anuj Upadhyay - Analyst, Investec
Got it, sir. And, and can you throw some light on the domestic opportunity on the transmission space? Uh, you know, we hear this, uh, as you mentioned today also, there was around 50,000 kind of an opportunity which has been discussed. But any, uh, near-term big opportunity which is coming especially on the HVDC side?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, you know, we've said this in the past also, the opportunity in terms of tendering looks very, very attractive when it comes to domestic TLD, whether it is HVDC, whether it is renewable integration, whether it is GIS substations, all of that. We believe that this opportunity in terms of our annual basis is more in the range of INR1 lakh to INR1.5 lakh crores on an annualized basis for the next 5 years. We continue to stay very bullish There are limited players in the market on the EPC side who can deliver such high-value projects, and we are one among them.

So we continue to stay bullish. Current year also we have good traction on it. So my view is a INR1 lakh crore plus order release on annualized basis for the next 5 years should not be a challenge on domestic T&D in any form.

Anuj Upadhyay - Analyst, Investec
Got it, sir. And so for this quarter specifically, the Brazil revenue have fallen steeply, uh, any reason for that, sir?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think it's zero now, right? We have nearly written off -- we have nearly written off that. Yeah, all our projects are zero, so it's closer to zero now.

Anuj Upadhyay - Analyst, Investec
Oh, got it, got it, sir. This was quite helpful, sir. Thanks.

Operator
Thank you. The next question comes from the line of Bhavin Modi from Anand Rathi. Please go ahead.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Hi sir, thank you for the opportunity. So I would just like to know, you know, so what is the, you know, the margin differential between the overseas, you know, order and the domestic order? I believe even the overseas order must be fetching a good margin. So any color on that?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
There isn't a specific rule on, on a margin differentiator. Typically overseas orders have a higher margin because they carry a higher risk. But it's all again linked to a particular client, a particular kind of order, and a delivery timeframe. So there isn't a kind of a rule. So on, you know, even my international TL business does EBITDA more in the range of 10-12% also, which is what B&F also does. But it is very different when the competition is high versus when competition is low, when it is Latin America versus Middle East versus Africa.

As I said earlier, it's typically higher than domestic, but the risks are also higher. And to that extent, you know, you need that Kalpataru Projects International Limited to make sure that you deliver within that budgeted cost.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Understood. So second thing, are we open to, you know, the government orders, you know, in terms of a BNF, for example, you know, Central Vista projects? So are we like open to that?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yeah, definitely. If there are good projects where we qualify, we would be more than happy to look at them.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Okay, so we are okay with the, you know, having a government client, you know, especially in the BNF side.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, no, I think we've never said that we will not have a government client.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Yeah. And third, sir, with respect to the urban infra, so, you know, apart from the elevated underground metro, are we also open for the, you know, projects like, you know, coastal road projects, you know, so, or the, you know, elevated road projects?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So urban infra, our road project portfolio is very, very minimal at a domestic level, and it's not one of our focus areas. If it's a project with tunnels or with, you know, high-end expertise on engineering is where we might be focused. But if it is a plain vanilla road project or something like that, we might

not be very excited with that.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Got it. Got it. Yeah, that's it from my side. Thanks.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Arafat [Phonetic] from Dolat Capital. Please go ahead.

Arafat Saiyed - Analyst, Dolat Capital
Yeah, hi sir, and thanks for taking my questions. And so congrats on great set numbers in a tough environment. So my question is, if you look at several EPC players posted lower margin in the quarter, in particular commodity inflation, labor shortage, and all the logistic issues, but still despite that you guys maintain intact the 0.40 basis points higher margin. So what differ -- let's say the difference we have in the total, uh, higher margin, you say?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I would not like to deep dive into, you know, the numbers of some other companies. I can only say that what have we built is all about a diversified order book, is of a large-scale order book, is about resilience in a lot of projects, so that if something does not deliver, something else will deliver.. It's about having robust plant operations which helps us on transmission projects. And it's about, you know, deep dive planning which helps us to make sure that, you know, even with external factors, we can still deliver closer to what we have budgeted.

Additionally, with that, our working capital focus approach, you know, where, you know, working capital is very, very critical, helps us to make sure that delivery is the big driver. So to us it's a mix of all of that along with, you know, a CapEx-driven approach on growth. If you see last 4 years we have done closer to INR2,500-3,000 crores of CapEx, right, which is a very big number which helps us to deliver on the projects. So it's a mix of all of that which helps us achieve what we have done. Clearly we also had a lot of challenges in the Q1 including labor. It was a challenge for the entire industry. But when domestic did not deliver, international delivered. When one market did not, something else delivered. And that helped us achieve a balanced growth for the organization as a whole.

Arafat Saiyed - Analyst, Dolat Capital
Got it. So, and secondly, sir, any non-core are you looking to sell off in the near term?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I don't think we have much non-core left. We have one road asset which had a life of closer to 2 years, so it would automatically, you know, be handed over. And we have Shivam Logistics, where we are reducing debt continuously by selling off their own assets. So my view is maybe in the near future nothing except that debt reduction and Shivam Logistics will continuously -- will continue over the next 2 years also.

Arafat Saiyed - Analyst, Dolat Capital
Uh, got it. And then especially for Shivam Logistics, I just want to understand overall ecosystem. How do -- when you bought that, what amount you invested, and how much is -- let's say, are

looking to sell? Are you making a profit on that? Or what is the investment in the system?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, Arafat, I don't have those details with me. I'll be happy if you can connect with Kunal. I can only tell you that today Shubham Logistics has closer to zero in external debt. They have repaid all banks as of 31st July. As far as Kalpataru Projects International Limited is concerned, our investment including equity and loan together would be in the range of INR300+ crores -- INR325 crores, they've just corrected me. The business is doing reasonably well. They are in profitable zone today, and I believe that We're not investing any further capital in it, and slowly this investment value should only come down because we have a lot of assets in that business which we are slowly disposing of.

Arafat Saiyed - Analyst, Dolat Capital
And lastly, sir, what kind of opportunity are you looking in for data center, and what's the project pipeline in that? Uh, how's the competition in the, in the, in the overall data center opportunity for you?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So in the data center side, we, we are today qualified for civil as well as MEP. We have already done 2 data centers, and we are doing the third one right now while we speak. We're seeing a lot of tenders which have come up, both domestic -- by domestic developers as well as some international developers in India. Uh, we are bidding for it. Uh, my view is that there's a reasonably good opportunity available there, and in the next 6 to 9 months, we should be able to take at least a few projects in that space.

Arafat Saiyed - Analyst, Dolat Capital
Fine, sir. That's all from my side. Thank you.

Operator
Thank you. The next question comes from the line of Jainam Jain from DAM Capital. Please go ahead.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Hi, thank you for the opportunity. So given that we have received their first order in water segment in Middle East, uh, what sort of opportunities does it open for us, uh, in the Middle Eastern market?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So, Jainam, on the Middle East side, uh, in the water segment, now we are qualified with some of the large developers in those geographies where we exist. This is the first project which we have won with a large Middle East developer. There are some more projects coming on everything -- on, let's say, plants, on pipelines, on a mix of all of that, including water treatment plants. We are bidding for that, and our view is that, you know, this is a great opportunity from a 2- to 3-year perspective, and we'll be slowly and steadily building that order book so that we focused on building delivery capabilities along with the order book.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay, so are you looking for desalination projects in Middle East?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Yes, we're looking at desal projects also in Middle East, and we're qualified for a lot of them already.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay, and how are the margins panning out over there in terms of water segment over there?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
I think we just started this journey, and obviously when you start this journey, the margins are not the best for any business. Just started the journey, they're still with positive margins. Not necessarily the same levels at which T&D and B&F and oil and gas are. But I believe that given that there are limited players only in that, in that segment, in that size and scale, we should be able to get good margins in the long term.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
So generally we subcontract the projects whichever we do on the -- in the international markets. Is that a good understanding?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, I don't think we ever subcontract the entire project. There's smaller components of the project within, sometimes on civil, sometimes on, let's say fabrication, sometimes on erection, all of that we subcontract. But project as a whole, we never subcontract.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay. Once you're in the water side, on the domestic front, how are we seeing the opportunity standing up?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
So on the domestic front, on the water side, as I said in my call, we've seen good traction of collections, not necessarily what we wanted to. Even today, if you look at our build and unbuilt, it's more in the range of INR1,500+ crores on the water side for work which is done, which is pending. But it's much better than what it was in the previous year. So we expect a lot of collections to improve. We expand this -- it's there well in the finance budget, it's visible in all the action of the government.

As far as tenders on the domestic side are concerned, we, as of now, not bidding for any major tenders. We're not seeing major tenders also. But as and when, once our dues are clear and if tender opportunities come up, we'll definitely look at that also. I'm not so confident that you'll have a lot of tenders in the current year, but I believe going forward in next year you should start seeing tenders on the domestic waterfront also.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
And so other than the Jair Bhimrao Mission, uh, you know, on the waterfront, are we seeing any

decarbonization projects in India itself on which we are looking to bid for?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
As I said earlier, in the Indian market today, we are not bidding for any projects, at least from the 6 to 9 month perspective, which is still our collection come back.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay, so what is the pending order book in Jio?

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Closer to 4,000 crores. Closer to 4,000 crores, out of which significant portion should get delivered in the current year itself.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay. And the outstanding receivables,

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
bill plus unbilled, more in the range of 1,500 crores.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay, sir, do you have the statement of bank allocation for...

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
No, I don't have that with me right now. You can collect the details from Kunal later on.

Jainam Jain - Analyst, DAM Capital Advisors Ltd
Okay, that answers my question. Thank you so much and all the best.

Operator
Thank you very much. We will take that as the last question, and I would now like to hand the conference over to management for closing comments. Thank you, and over to you.

Manish Mohnot - Managing Director and Chief Executive Officer, Kalpataru Projects International Limited
Thank you everyone. Thank you for attending the call.

Operator
[Operator Closing Remarks]