

KEC International

11 August 2026

Operator: Ladies and gentlemen, good day and welcome to the KEC International Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and 0 on your touchtone phone. Please note that this conference is being recorded. From management today, we have Mr. Vimal Kejriwal, MD and CEO, and Mr. Rajiv Agarwal, CFO. I now hand the conference over to Mr. Vimal Kejriwal. Thank you, and over to you, sir.

Vimal Kejriwal – MD & CEO: Thank you, Alaric. Good morning, everyone, and welcome to KEC International Ltd.'s Q1 earnings conference call. Let me begin by sharing an overview of the operating environment, our performance during the quarter, and business-wise updates.

In the Middle East, our Dubai manufacturing facility and the execution of all ongoing projects continue to operate near normal on the ground. The region accounts for approximately 25% of our overall order book and L1 position. While tendering continues to remain strong across the region, we are witnessing some delays in the finalization and award of new orders. Cash flows remain stable, and we continue to be optimistic about the medium- to long-term outlook, supported by sustained investments in grid expansion, regional interconnections, grid resilience, renewable energy integration, and reconstruction initiatives.

While on-ground execution continues across our sites, we continue to face challenges in the supply chain and logistics. Shipments, especially from Europe, China, and India to the GCC countries, which had come to a standstill earlier, have gradually resumed, albeit with some delays. This has resulted in slower execution on certain projects on the supply side. Costs, including war-related surcharges, insurance, and so on, remain elevated, though they are expected to moderate over the coming weeks. This also had a cascading impact on logistics, fuel, and power costs, including at the manufacturing facilities in India.

We are working closely with our supply chain partners to minimize these disruptions and are also engaging with our customers to recover these additional costs. Procurement or project execution may get deferred until customer alignment is achieved on the recovery of additional costs, resulting in pressure on margins and delayed billing. These factors impacted our business during the quarter and are expected to have some impact on Q2 also.

Coming to Q1 performance, despite a challenging operating environment, we delivered a resilient performance by maintaining revenues, strengthening our order book, reducing debt, and continuing to build a healthy pipeline for future growth. We delivered revenues of 5,024 crores, marginally higher than Q1 last year. We delivered PBT of 90 crores with PBT margins of 1.8%, and our PAT stands at 73 crores.

Our performance could have been better but for the continued geopolitical disruptions in the Middle East, shortage of labor, and calibrated execution of water projects owing to delays in payments. The labor situation has started improving from June 2026 onwards. Delays in the legal closure of disputes toward the settlement of claims in transportation and metro projects also impacted profitability.

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On the order intake front, we secured new orders of over 6,300 crores across T&D, civil, renewables, cables and conductors, and transportation businesses. Additionally, we have an LI position of almost 3,000 crores, predominantly in the T&D business, which is expected to be awarded in the near future. We have a well-diversified and strong order book of 37,697 crores as of date. Including the LI position, our order book and LI stand at over 40,000 crores.

On the debt front, net debt, including acceptances, has been reduced by over 150 crores to 6,568 crores in June 2026 from March 2026, supported by free cash flow generation. This reduction in debt has also translated into a lower absolute interest cost compared to Q4 FY26.

Debt could have been further reduced but for the delay in realizing significant collections from Afghanistan, which we now expect to materialize in Q2, as well as higher inventory levels due to delayed dispatches from the Dubai factory and some raw-material storage amid the ongoing Middle East disruptions.

On specific businesses, T&D achieved revenues of 3,217 crores, higher than last year. Revenues could have been better but for the supply chain constraints in the Middle East. On the order intake front, the business secured orders of 3,600...

Management: ...crores across India, the Middle East, Africa, and the Americas.

In India, we secured repeat orders from leading private developers, including a significant order in the rapidly growing HVDC segment. We continue to witness a robust opportunity pipeline in this space. We have already participated in multiple packages in the Barmer, Rajasthan HVDC scheme and expect additional schemes to be floated during the course of the year.

We have also secured our first transmission line order for the evacuation of power to a data center in Western India from a private developer. This order marks an important milestone for the T&D business in supporting the power infrastructure needs of the growing data center segment. We are also engaged in discussions with other data center developers for similar opportunities.

In addition to PGCIL and other private developers, we started bidding for three new developers during the quarter. Internationally, we are witnessing a gradual revival in the African market, reflected in the recent win of a significant transmission line order that further strengthens our presence in the region. We have also expanded our tower supply business by securing a substantial order in the Middle East, opening up a sizeable new market beyond our presence in the Americas, Australia, and Europe.

In SAE, the business achieved revenues of Rs 450 crores, representing strong growth of 25% year-on-year. We continue to witness strong momentum in order flows, with new orders of over Rs 1,650 crores for the supply of towers, hardware, poles, and engineering services across the US, Mexico, and Brazil, an increase of nearly 4 times compared to last year. These orders include the largest-ever tower supply order from the US, reflecting the growing momentum in the American T&D market. With these orders, the order book and LI position have been scaled up to a record level of over Rs 3,800 crores.

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On diversifying our product portfolio and expanding into new markets, we continue to make encouraging progress. In Brazil, we successfully executed our first pilot order for mining structures, opening up opportunities beyond the power transmission sector. In Mexico, we expanded our international footprint by securing an order for the supply of structures for a solar project outside Mexico.

On the manufacturing front, following the successful capacity enhancements at our facilities in Dubai, Jaipur, and Jabalpur, we completed the expansion of our Butibori facility in Nagpur in Q1. With this, our global manufacturing capacity has increased to 483,800 metric tons. These capacity additions further strengthen our manufacturing capabilities and position us well to cater to the growing demand for transmission infrastructure across both domestic and international markets.

The overall tender pipeline in T&D continues to remain robust across both domestic and international markets. In India, the sector continues to offer a strong multi-year growth opportunity driven by rising power demand, accelerated renewable energy capacity addition, grid modernization, and the increasing need to address grid congestion through the expansion and strengthening of the transmission network. With a robust tender pipeline, we see significant multi-year opportunities ahead and remain well-positioned to capitalize on this growth.

The international T&D market continues to present a strong growth outlook, supported by robust transmission investments across the Middle East, recovery in Africa, expanding opportunities in the Americas, CIS, and SAARC regions, and increased infrastructure demand driven by renewable energy integration and the AI-led data center boom. Our diversified global position positions us well to capitalize on these opportunities. With a healthy order book and L1 in T&D of over Rs 25,000 crores, we are confident of delivering significant growth in the T&D business.

In civil, we delivered revenues of Rs 993 crores for the quarter, representing growth of 6% year-on-year. While execution has progressed across multiple sites, growth was slightly lower owing to labor shortages arising from the election period and delays in customer payments in the water segment.

During the quarter, we successfully commissioned the Bedan water supply project in Odisha, which was inaugurated by the Honourable Prime Minister Shri Narendra Modi. This landmark project will provide safe and reliable drinking water to 166 villages through 58,000 household tap connections, creating a meaningful social impact.

During the quarter, the business secured multiple orders/L1s of over Rs 1,400 crores in the buildings and factories vertical from reputed clients. The civil business has widened its presence in the automobile segment with an order from one of India's leading automobile manufacturers, adding a marquee client to its portfolio.

The business continues to strengthen its presence in the high-rise residential segment, expanding its customer base with a prestigious order in Northern India. It is also well-positioned to secure another order from a repeat customer, reflecting strong execution capabilities and customer confidence. With these wins, KEC is now constructing approximately 80 high-rise buildings for marquee clients across the country.

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Our geographic footprint extends with a strong presence in markets such as Mumbai, Gurugram, Pune, Goa, Bangalore, Hyderabad, and Kolkata. During the quarter, we further strengthened our civil leadership capabilities through the onboarding of senior talent.

Looking ahead, with the labor situation gradually normalizing, a sharp focus on execution, and a robust order book and L1 of over Rs 10,000 crores, we are confident that the civil business is well-positioned to deliver healthy growth over the coming quarters.

Our transportation business achieved revenue of Rs 259 crores for the quarter. The business continues to focus on the execution of new orders and completion of ongoing projects. During the quarter, the Honourable Chief Minister of Maharashtra inaugurated the Mumbai Metro Line 2B section between Mandale and Diamond Garden, where KEC executed the ballastless track work.

The business has also secured new orders of over Rs 250 crores in the technologically advanced automatic block signaling segment. The business has successfully implemented Kavach across 667 route kilometers and is currently executing deployments across an additional 1,780 RKM of the railway network and over 3,000 locos. We continue to actively pursue opportunities in Kavach, technologically advanced metro systems, and tunnel ventilation projects.

Going forward, our focus remains on accelerating project closures, improving working capital efficiency, and selectively pursuing high-value domestic and international opportunities to drive profitable growth.

For cables and conductors, the business achieved revenue of over Rs 600 crores, representing stellar growth of 57% year-on-year, driven by robust demand across the infrastructure, power transmission, and industrial segments. We also continue to witness a steady inflow of orders for the supply of both cables and conductors.

On the new product front, elastomeric cables are slated to commence production in this quarter, followed by the commissioning of the EBM plant in the next quarter. These investments are expected to strengthen our specialty product portfolio, improve our product mix, and support long-term margin expansion.

In the renewables business, we secured new orders of Rs 800 crores from an existing customer during the quarter. These include prestigious projects in both the wind and solar segments. We are now executing solar and wind energy projects with a cumulative capacity of over 600 megawatts.

In addition, the 1-gigawatt solar projects for Ircon in Karnataka and NTPC in Rajasthan, which were commissioned recently, are operating successfully at their rated capacity. The outlook for the renewable business remains highly encouraging, driven by sustained investments in clean energy, grid modernization, and the increasing focus on reliable and dispatchable power solutions.

We continue to engage with leading wind OEMs for strategic partnerships to strengthen our presence in the wind segment. With our expanding execution capabilities and growing project portfolio across both wind and solar, we are confident that the renewable business will become a significant contributor to KEC International Ltd.'s long-term growth.

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In the oil and gas pipeline business, we have initiated the merger of our wholly owned subsidiary, KEC Spur Infrastructure, with KEC International Ltd. Post-merger, the oil and gas pipeline portfolio will be integrated into our civil hydrocarbon segment, enabling a more unified approach toward hydrocarbon projects. Going forward, we see significant opportunities to expand our hydrocarbon business across both domestic and international markets.

In conclusion, our performance during the quarter reflects the resilience of our diversified geographical portfolio. While we continue to face certain near-term challenges, we believe these are largely transitory. With supply chains gradually normalizing, labor availability improving, a strong order book and L1 position of over Rs 48,000 crores, a robust tender pipeline exceeding Rs 2 lakh crores, and encouraging opportunities across both domestic and international markets, we remain confident of delivering stronger execution and improved financial performance over the remaining quarters of the year. Thank you. We are now open to take questions.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. 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 – JM Financial: Firstly, on the standalone performance, we saw EBITDA margin decline to almost 4% for Q1, and PAT was negligible. What was the reason for that at the standalone level?

Management: Vaibhav, as you have seen in our numbers, T&D is obviously at a higher margin, while railways and civil have been negative. That is in the standalone business. A large part of our T&D is also in the consolidated business, which is the major reason why standalone is showing much lower numbers compared to the consolidated business.

Vaibhav Shah – JM Financial: We expect T&D to pick up from Q2 onwards, or should it be in the second half?

Management: There should be some pickup in Q2. I think the problem in Q2 in T&D in India is expected because of very heavy rainfall, especially in Gujarat, where most of our projects are currently concentrated. But clearly, Q2 would definitely be better on a standalone basis.

Vaibhav Shah – JM Financial: Secondly, you mentioned the stuck receivables in Afghanistan and JJM. What is the quantum of receivables from Afghanistan and JJM? Can you split the JJM receivables between MP and Odisha, and how do you see the inflows coming in?

Management: I do not have the split numbers, but total receivables should be around 800-900 crores, of which around 400-500 crores are overdue. The balance is pending certification and so on. If things progress, we have been talking with everyone, including the state governments and the central government, and we have received assurances that the funds have now been released. We will keep our fingers crossed.

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In fact, in July and August to date, we have received around 110 crores or so between the 2 states. I do not have the exact amount or whether the dues are equally spread between Odisha and MP.

As far as Afghanistan is concerned, we have roughly 300 crores due for payment for some time, and it has to come from ADB. We have been receiving repeated assurances that we should get the money. It was supposed to come in Q1, and now we have been told Q2. I think it is a matter of time. If we are lucky, we should get it in Q2 itself; otherwise, definitely in Q3. That is a large amount, 300 crores, without any outflow against it, so that will help us improve our debt situation, which did improve a little bit in this quarter.

Vaibhav Shah – JM Financial: Lastly, you mentioned in the last call that we were targeting 120 days by September and 110 days by March in terms of overall working capital. If we receive these 300 crores from Afghanistan and another 300–400 crores from JJM, even then, to achieve that target, we need another improvement as well. What could be that lever?

Management: These 2 factors should help us substantially. I also mentioned that we had a higher inventory level in Q1. One part is in our Dubai factories because some balancing equipment and so on did not reach there. That equipment has now reached, so that is one factor.

Secondly, in our cable business, with all the uncertainty on the plastics side and so on, we had increased our raw materials and finished goods inventory. Those inventories are now getting utilized. I think around 200–250 crores should get released from working capital, even without considering the debtors. I think we are comfortable with the numbers we are discussing.

Vaibhav Shah – JM Financial: Lastly, on interest cost, we have seen some reduction on a quarter-on-quarter basis. Should this be the run rate on a quarterly basis for the entire year?

Management: No, it should be much less than that. This quarter, we had 3.3%, largely because a lot of cash came in at the end of the quarter. While absolute borrowings went down by the quarter-end, they were elevated in April and May. Our expectation is that, against the 3.3% we delivered, we should be around 2.3% or so for the whole year. Total interest should be around 600–odd crores. That is our expectation.

Vaibhav Shah – JM Financial: Thank you very much, sir. I will fall back in the queue.

Management: Thank you. Thanks, Vaibhav.

Operator: Thank you.

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

Sumit Kishore – Axis Capital: Good morning, sir. My first question is in relation to your 25% order book in the Middle East. Could you speak about the composition of this order book and the challenges you face in terms of execution? Excluding the Middle East, what would your revenue growth have been? I am trying to understand the impact there.

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Management: Sumit, our 25% order book is, broadly speaking, equally divided between Saudi Arabia and the UAE. That is the basic composition. When you say 25%, it is almost 10,000 crores, so approximately 5,000 crores each between the 2 countries. That is a very broad figure, with perhaps 1-2% difference here and there.

On the challenges, we have not seen anything significant on the ground. Project executions are continuing. In the last 4 months, we have commissioned 3 or 4 projects, and a lot more is happening.

I think the problem is 2-fold. First, logistics costs and fuel costs have gone up, so local operating costs have increased significantly, which is reflected in the margins. We have been in touch with the clients and so on. Let us see what happens. However, since the costs are being incurred, they are being booked immediately. That is one part of it.

The second part relates to supplies. Typically, 25-30% of our revenues come from supply items. We are seeing a significant challenge on the shipping side, with ports coming under attack. Vessels from China, Europe, and even India are difficult to obtain, and the rates have also increased.

Whatever is impacting the quality of revenue, we have been deferring for some time. Hopefully, the situation is slowly normalizing, so it should come back by the end of this quarter or so. Let us keep our fingers crossed. The major impact is not on physical execution but on the supplies that go into the projects.

Sumit Kishore – Axis Capital: Essentially, revenue growth excluding the Middle East would also have been flat, just as we have seen on a year-on-year basis for KEC at the consolidated level.

Management: I think revenue growth was slightly impacted in India T&D and also in civil because of labor issues on the civil side. In India T&D, we are still seeing a significant headwind in terms of rights of way. Whether it is Rajasthan or Gujarat, these are 2 major states where we are operating, primarily because all the renewable projects are there, so most of our projects are concentrated in those areas.

That is one issue. It is gradually getting resolved. Gujarat has introduced a new scheme where compensation has been increased to 2 or 3 times the market value. I hope that we will start seeing much more movement on the India T&D side.

Sumit Kishore – Axis Capital: On the FY26 call, you had indicated an expectation to grow 12-15% in revenue terms and achieve order inflow of 300 billion rupees, and you had not given any specific margin guidance. Would you like to revisit your guidance for the fiscal year?

Management: I think we are comfortable with the guidance. On the revenue side, we had guided to 12-15%, so it will depend upon what happens in the war. There may be {? half or 1% ?} difference here and there, but I do not think there is anything major for us to worry about because we have an order book plus LI of 40,000 crores. Q3 and Q4 are typically good for execution. So, right now, we are comfortable with our guidance.

Sumit Kishore – Axis Capital: Finally, in your civil segment, how much does water account for as a percentage of your order book?

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Management: I think it is roughly—yes, go ahead.

Sumit Kishore – Axis Capital: With the {? headwinds [unclear] ?} or working capital challenges, what is the outlook on execution there? Particularly within civil, I think you had expressed an expectation of 80 billion rupees of order inflow in FY27. How much of that would be from water?

Management: We have not taken anything from water, first of all. Secondly, our water order book is roughly 1,200–1,300 crores. That would be approximately 13–14% of our order book.

For the balance, I think we are comfortable. We have a large tender pipeline for civil, so we are not too worried. There is plenty of work happening, especially in the residential and commercial segments. We are also receiving a lot of inquiries from the metals and mining sectors. I do not think we are seeing too much in other sectors, but in these sectors there are continuous inquiries coming in.

Sumit Kishore – Axis Capital: Thank you, and I wish you all the best.

Management: Thank you, Sumit.

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

Parikshit Kandpal – HDFC Securities: Hi, sir. Congratulations on a decent quarter in a tough environment. My first question is on the standalone revenues and profitability. If I do the simple math, it is almost 3,900 crores of revenue, and you have reported 4% EBITDA. Historically, this business had a 10% margin, but even if we take an 8% normalized margin, that would be 311 crores or 300–odd crores of EBITDA. So we are falling short by almost 150 crores. Largely, from which segment within the order book is this loss coming?

Management: It is difficult to quantify exactly, but it is primarily coming from our transportation and civil businesses. That is where the shortfall is coming from. T&D is performing reasonably well.

Parikshit Kandpal – HDFC Securities: But, sir, we were approaching high–single–digit margins in civil. What is happening in civil now? Why has civil turned negative?

Management: It has not turned negative. The issue we have been discussing is that we have a few old metro projects and so on. I will give you an example. I have 4 metro projects: 2 with DMRC and 2 with Chennai Metro. One of the DMRC projects was commissioned some time ago. The second one has been ready for commissioning since last June, but the client has not taken it over.

The same thing has happened with Chennai Metro. One of the projects has been ready for commissioning for several months, but it has not been commissioned for whatever reason because someone is not available or something else is happening.

When this happens, the client does not take over the project, and we are required to maintain it. As a result, we end up spending almost 10 crores per month on each project. All of this is going into the expense account. We will make a claim and so on, but when it comes, it comes; as of today, we have to bill and debit all of it. That is where the issue continues. It is a saga, and I do not know what

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else to say about it.

Hopefully, we are hearing that these projects will be commissioned. They are stuck because the second part is not getting ready, or something else has happened.

When you say that we are approaching higher margins, that is a fact for all the new orders. All the new orders are profitable, and we are comfortable with them. It is a question of closing the tap on these old orders. As soon as we are able to do that, we will start seeing a turnaround.

Parikshit Kandpal – HDFC Securities: When we talk about the line of sight, Q1 represents a shortfall of 150 crores. If I annualize it, it is almost 600 crores on a standalone basis. Where does it end? What is the order backlog right now from all these troubled projects that are underfunded or possibly loss-making? What is the pending cost to completion, or the additional cost that you need to cover? If one has to assess in which quarter down the line we will turn profitable and move toward 8–9% standalone margins, any color on that would be helpful.

Management: It is difficult to provide that today. On the order book, these projects are not in the order book because they are all completed projects. They do not have any order backlog, except for one CMRL project that may be completed in the next 6 months, where we may have an order book of 100–150 crores. The rest are not in the order book. As I said, they are completed, ready to be handed over, and everything is done, so they are not in the order book.

I will not be able to give you exact numbers, but I do think that Q2 also would remain on a similar line, perhaps with 50 basis points difference here or there. That is how Q2 will be. Q3 and Q4 would also depend on what happens in West Asia because many of the West Asia projects are in my standalone business.

Parikshit Kandpal – HDFC Securities: The other point relates to the civil and transportation businesses. Secondly, with the challenges emerging on the freight and commodity side, with steel and aluminum prices increasing, is there a risk that the T&D business, which is supposed to have higher margins, will start seeing margin headwinds because of these conflicts? Could it start reporting lower margins, thereby pushing out our aspiration of reaching high-single-digit margins by a year or 2?

Management: In T&D, I am not seeing too much of a challenge to maintaining a double-digit margin. We have sufficient cushions available, and a lot of the exposure is already hedged. I do not think we are too worried about it. We are comfortable with T&D.

Regarding steel and other materials, costs have come down again, especially for plates and angles. We have some exposure to aluminum, but I think we have sufficient time to assess it. Are we worried? No, I do not think we are significantly worried about 50 basis points here or there. Our view is that T&D would probably continue to be double-digit or very close to double-digit going forward.

Parikshit Kandpal – HDFC Securities: What about the other segments—civil, transportation, and others? Can you give us some color?

Management: They are still negative. That is where the overall numbers are under pressure.

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Parikshit Kandpal – HDFC Securities: Do you have any estimate of the quarter from which the margin turnaround will start? If someone had to hold you accountable and ask in which quarter we would see the turnaround, would it happen in FY27, or should we look toward the beginning of FY28 for the margin turnaround to start?

Management: Margins will keep inching up. I have no numbers to give you today on where and how they will reach. Do we think we will get into double-digit margins in FY27? That is not possible.

Parikshit Kandpal – HDFC Securities: FY28? High-single-digit margins starting in FY28?

Management: High-single-digit margins in FY28 should be possible. Yes.

Parikshit Kandpal – HDFC Securities: Fine, sir. Thank you. Those were my questions. My biggest worry is on the margin side because that impacts the CFO and CFO...

Management: I thought your biggest worry was working capital, which you are not asking about.

Parikshit Kandpal – HDFC Securities: Eventually, CFO leads to working capital and then to how working capital gets impacted. It flows down from profitability. In any case, that is the challenge right now that I am not able to grapple with.

Management: Thank you, Parikshit.

Parikshit Kandpal – HDFC Securities: Thank you, sir.

Operator: The next question comes from the line of Jainam Jain with Dam Capital. Please go ahead.

Jainam Jain – Dam Capital: Thank you for the opportunity. I wanted to understand how we see the opportunity in the data center EPC business in terms of competition and margins, and what the right to win is in that segment.

Management: Jainam, it is a difficult business in the sense that, although there are large opportunities, we are seeing developers traditionally break up orders into various smaller sections, slicing them into different packages. Very few hyperscalers are willing to give orders for civil, MEP, and everything together.

Typically, most of them break it up into high and low voltage and so on, so we are not seeing large orders coming in from most clients. There are a few exceptions. Our right to win is that we can do civil as well as MEP together, and that is what we are pitching. Hopefully, we will see some data center wins perhaps next quarter.

The market is large, but as I said, there are too many players with small ticket sizes, which is creating a problem overall. For me, the interesting part of data centers is more on the T&D side, where we are seeing inquiries coming in. A data center may get built in 15–18 months, but lines and power supply are becoming a challenge in some places, which is why we announced that we received a private order.

We are seeing developers like us also resorting to having their own connectivity and so on. I think that is also very interesting.

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Jainam Jain – Dam Capital: We have been pursuing opportunities in the US for US data centers as well, particularly in the T&D segment.

Management: I am not pursuing opportunities specifically for the US, but we have received some large orders, and there are many inquiries from private developers in the US who are supplying to data centers.

Jainam Jain – Dam Capital: How is the competition developing?

Management: In which area?

Jainam Jain – Dam Capital: In this data center business.

Management: Data centers are very difficult. The market is highly fragmented. It is regional, and each region has different players, so it is difficult to say who they are. Otherwise, if you look at the larger players, they would include companies such as Tata Projects and L&T.

Jainam Jain – Dam Capital: What would be the civil TAM if we have to compete? We currently have the order in the T&D space for a data center. What about the civil segment for data centers?

Management: Right now, we do not have a single order in data centers. We have completed 5 data centers in the last couple of years. We have bid for a few of them, which is why I said that hopefully, by next quarter, we should have at least a few orders in the civil side of data centers.

Jainam Jain – Dam Capital: If we have to quantify it on a per-megawatt basis, is that possible?

Management: Typically, our size would be around 10 crores per megawatt or something like that.

Management: That is the approximate figure.

Jainam Jain – Dam Capital: Okay, sir.

Management: It is very difficult because every developer gives the requirements in a different format. Each tender has a different number, so it is difficult to provide a standard figure.

Jainam Jain – Dam Capital: My last question is on the Jal Jeevan Mission. What is the pending order book currently, and how much of the receivables are currently stuck there?

Management: We have an order book of roughly 1,300 crores pending. Gross debtors would be around 800–900 crores, of which approximately 400 crores are due for payment. We hope that amount will come in.

Jainam Jain – Dam Capital: That answers my question. Thank you very much, and all the best.

Management: Thank you.

Operator: The next question comes from the line of Amit Anwani with PL Capital. Please go ahead.

Amit Anwani – PL Capital: Good morning, sir. Thank you for the opportunity. You highlighted the delay in conversion. I wanted to understand whether this is more in the domestic market or the

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export market, particularly the Middle East.

Second, you highlighted a tender pipeline of Rs 2 lakh crores, with, I think, Rs 1 lakh crore for T&D and Rs 1 lakh crore for non-T&D. Within the Rs 1 lakh crore of T&D, how much are you factoring in from the Middle East market?

Third, what is the expected inflow now amid whatever is happening, given that we are already 4-5 months into the financial year? What is the expectation of inflows for the full year?

Management: Amit, when we talked about the delay in conversion, it was primarily in the West Asia market. We have bid for quite a few projects in Saudi Arabia, the UAE, and Oman. In fact, we are LI in a few of them, but conversion is taking time. It is not unduly delayed, but it is taking time.

The tender pipeline is there. We saw some new tenders being announced even yesterday in the Middle East. I do not think we are worried because tenders are still being announced. There has been some discussion about whether there will be a scaling down, but I do not think there is a scaling down because projects are continuously coming up.

As far as order intake is concerned, when we had indicated 30,000 crores or so, roughly 60-65% would be from the T&D market. International order intake is around 9,000-10,000 crores. Our international expectation was that we would be between 9,000 and 10,000 crores in terms of order intake. A significant part of that would obviously come from West Asia.

Amit Anwani – PL Capital: Secondly, on the cables business, you have delivered strong quarterly performance. What is the capacity now? With elastomeric cables, are you seeing more growth? Do you have more capex lined up in cables, given that other pure-play cable or conductor players have continued to front-load capacities?

Also, what are your thoughts on exporting cables to the US market, and what margins are you currently making in the cables business?

Management: Typically, our exports were around 200 crores last year, and we obviously want to expand them. With these specialty cables coming up, I think by Q4 we should see an increase in our export market.

I do not think we have very large capex programs. We have normally been spending around 75-80 crores, or perhaps 100 crores, in cables every year. Over the last 3 years, we have spent 300 crores. A large capex program will happen if we decide to expand our EHV capacity, which we have been evaluating.

Once we see demand stabilizing, perhaps we will invest in a larger capex program. That is not immediate; it could be next year or so, but it is still on the drawing board. Otherwise, we continue to spend 50-75 crores.

We may add some capacity on the aluminum conductors side, particularly more specialized products such as HTLS. That is how we are looking at cables.

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Margins have been satisfactory. I think they are around 5% currently, almost 200 basis points below the market. With specialty cables coming up, margins should start inching up. That is the expectation.

Amit Anwani – PL Capital: What is the capacity, or the peak revenue that you can achieve with the fixed assets you have?

Management: I do not have the capacity in terms of kilometers and so on, but I think we can achieve around 3,000 crores with the current assets without any further capex.

Amit Anwani – PL Capital: Lastly, what was the deferment, or the revenue that you were not able to book because of the Middle East conflict? What is the current expectation for full-year growth?

Management: Amit, for the full year, we are still maintaining what we said last quarter: around 12–15% growth should be feasible today. The Middle East deferment was around 300 crores for the quarter.

Amit Anwani – PL Capital: Is that also dragging growth this year, or is it recoverable in subsequent quarters?

Management: It will definitely be recovered. This is not product sales that are lost. It is an EPC number, so whatever did not happen in this quarter, as well as what did not happen in Q4, should ultimately happen. That is why, despite having a flat quarter this year, we are still saying that we will maintain our growth.

Amit Anwani – PL Capital: Thank you for answering my questions.

Management: Thank you, Amit.

Operator: The next question comes from the line of Sudeep Bora with Ambit Capital. Please go ahead.

Sudeep Bora – Ambit Capital: Thank you for the opportunity, sir. I wanted to understand the SAE Towers business. With the current set of fixed assets, in terms of revenue potential, how much can we execute in a year, and what is the utilization percentage?

Management: It is difficult to give a number because it depends on the type of product we make, but broadly, around 2,000 crores could be the utilization based on today's fixed assets. We have been adding a little bit here and there, so it may go up slightly, but 2,000 crores is the number you can consider.

Utilization is reasonably good. We are now at almost full capacity. We can always add some capacity by adding extra shifts and so on, but broadly, we are at 100% utilization now.

Sudeep Bora – Ambit Capital: The current order book from this segment is around 3,800 crores, so that would be delivered over a period of 1.5–2 years, correct?

Management: Yes. Typically, in those markets, you receive orders well in advance, at least 12 months in advance. That is how it works in the Brazilian and US markets.

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Sudeep Bora – Ambit Capital: What would typically be the margins in this business, the SAE tower manufacturing business?

Management: I think SAE is close to double-digit margins currently. It is almost double-digit.

Sudeep Bora – Ambit Capital: Double-digit, correct, sir?

Management: Yes.

Sudeep Bora – Ambit Capital: For FY27 order inflow guidance, how much are we expecting from T&D?

Management: We have said that it should be around 60–65%, or approximately 60–70%. If you take 30,000 crores, it would be roughly 20,000 crores, perhaps a little higher or lower.

Sudeep Bora – Ambit Capital: Thank you, sir. Those were my questions.

Management: Thank you, Sudeep.

Operator: The next question comes from the line of Arafat with Dolat Capital. Please go ahead.

Arafat – Dolat Capital: Thank you for taking my question. Apart from the Middle East and labor challenges, labor challenges now appear to be getting resolved, and we may get some clarity on the Middle East in the next couple of months. What are the other factors we need to watch in the near future to get back to 15% annual growth and an 8% EBITDA margin?

Management: It is difficult to say because these are the 2 major factors we are seeing. Once they are out of the way, margins should obviously improve.

The other factor we have always discussed is that we have a lot of arbitration and other issues, especially on the railway side. If something particularly adverse happens, it could have some impact. However, I think that is somewhat far-fetched, but since you asked a specific question, I am answering it. Otherwise, with West Asia and the labor situation getting resolved, a large part of the headwinds will go away.

Arafat – Dolat Capital: Which are the slow-moving projects in railways and water? Do you have any sense of when these projects will be completed and margins will return to normal?

Management: In railways, most of the slow-moving projects are at 95–97% closure. It is a question of when the railway provides a block or when it approves the design of the depot. They will get completed once that happens.

In water, we are working in only 2 states, MP and Odisha. In Odisha, I think we have 6 or 7 projects. All of them are at various stages of completion. Our expectation is that, if cash flow happens regularly, by the end of this year we will have perhaps 2 projects still continuing after March. Otherwise, most of them should be completed within this year.

Arafat – Dolat Capital: Thank you, sir.

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Management: Thank you, Arafat.

Arafat – Dolat Capital: Lastly, can you give any guidance on working capital days for FY27?

Management: Rajesh, please go ahead.

Rajesh: We are talking about 110 days of working capital at the end of the year.

Arafat – Dolat Capital: Thank you, sir. That is all from my side.

Management: Thank you.

Operator: The next question comes from the line of Priyanka Biswas with JM Financial. Please go ahead.

Priyanka Biswas – JM Financial: Thank you for the opportunity. Coming back to the working capital question, I am trying to visualize a roadmap for working capital reduction. From what I understood from the call, first, you expect to receive approximately 300 crores from Afghanistan, if not in the next quarter, then in the next 2–3 quarters. That is the first point.

Secondly, from water, I understand that the current dues are 300–400 crores, so you should ideally receive that as well. Then there is the inventory build-up that occurred in West Asia, so there should also be some unwinding. These are the positive factors I have identified.

If you could provide a cumulative assessment taking everything together, what should be the working capital reduction? Finally, I understand that JJM still has an order book of 1,300 crores remaining. At the individual project level, what is the average completion level? To complete the entire 1,300 crores of orders, what kind of costs would be required?

Rajesh: Priyanka, as you rightly said, these are some of the levers available to us to reduce working capital. The overall reduction we are looking at in the current financial year is roughly 1,200 crore rupees of debt reduction. At the beginning of the year, we were at about 6,700 crore rupees, and our guidance is that by March we should reach approximately 5,500 crore rupees.

Apart from the 2 or 3 levers you mentioned, there are projects in Saudi Arabia that we are closing. These projects were started about 2–2.5 years ago. They will also get closed, after which we will be able to recover at least 50% of the retention money upon physical closure. Fifty percent comes at the time of physical handover, and the remaining 50% comes after a period of 6 months. We should be able to collect at least the first part.

Another item we are looking at is that, in railways, a few claims have been decided positively in our favor in DABS and arbitration. We are hoping that, with the intervention of the client and negotiations with the client, we should be able to recover some of these claims.

Additionally, we are looking at the closure of all the projects, as Vimal mentioned earlier. These projects are at 90–95% closure. We are hoping that these projects will be closed and that we will be able to collect the retention money.

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These are the levers available to us, and we are confident that we should be able to realize them and reduce our working capital debt to approximately 5,500 crore rupees.

Priyanka Biswas – JM Financial: For the water-related project, the 1,300-crore order book you mentioned, what would be the cost to complete it? What I am trying to assess is...

Priyanka Biswas – JM Financial: ...how much further losses or cash outflows could arise in order to complete the entire JJM book?

Management: As Vimal said earlier, these water projects are profitable. The only challenge is that we have a large outstanding amount, so we have deliberately slowed down execution, although construction is continuing at full force.

What is happening is that supply items are being provided on a need-based basis. Depending on the project requirement, we are supplying items such as DI pipes, valves, and other materials. These are the items involved, but I think these projects are all profitable, with margins of approximately 8-10% at various stages. I do not see any challenge in terms of the cost structure or the profitability of these projects.

Priyanka Biswas – JM Financial: Afghanistan is expected to provide approximately 300 crores over the next couple of quarters, if I heard you correctly. In water, you said that current dues are 300-400 crores, which you should be able to recover, but there will also be some new dues. Realistically, what should the net collections in water be? Would it be 300 crores in total?

Management: Priyanka, we are expecting roughly 300-400 crore rupees for which the cost has already been incurred. We are hearing from the government that funds from the Jal Jeevan Missions have started to be released. If that happens, we should be able to collect the overdues, which are roughly 300-400 crore rupees.

For the subsequent revenue, we will incur the cost and regularize collections from the water segment during the remaining part of the year.

Priyanka Biswas – JM Financial: You also mentioned the Saudi Arabia projects and the railway claims. How much inflow could the Saudi Arabia projects generate, broadly, if 50% of the retention comes back?

Management: Between Saudi Arabia and some of the projects in the Middle East, we expect to be able to collect approximately 300-400 crores. That is what we expect because substantial execution is also happening in Saudi Arabia.

Our assumption is that, with the collection of these 300-400 crores, although the overall retention may not actually come down, there will not be further investment required at the time of executing these revenues. That will ease working capital.

Priyanka Biswas – JM Financial: What about the railway claims? How much has been decided favorably for us, roughly?

Management: We expect to realize roughly 200 crores from claims in the current financial year. We have already received awards for approximately 150–160 crore rupees. It all depends on how much we are able to negotiate and how much we are able to realize from the customer.

Our expectation is that between now and March, we should be able to realize between 150 and 200 crore rupees from the claims.

Priyanka Biswas – JM Financial: During the early parts of this West Asia crisis, we heard that the GCC governments were discussing reducing the retention amounts in T&D projects. Has any step been taken in that direction, or is it still only being discussed and not yet implemented?

Management: We have not seen any reduction in the retention amounts. However, there has been some easing of general payments. For example, if they are paying 70%, we can ask them to increase that somewhat. In one case that I know of, they agreed to pay 95%.

In some cases, they changed the billing breakups to allow us to claim faster on a progress basis. I do not see any major change, but what we have seen regarding retention is that the release of retention amounts has been fast-tracked. It is not a reduction in the percentage.

The percentage remains 10% in the UAE, 20% in Saudi Arabia, and 30–35% in Kuwait. However, in Saudi Arabia and Dubai, we have seen that retention payments, as and when they become due, have been fast-tracked. They have been paid much faster than we had expected.

Priyanka Biswas – JM Financial: Understood. These may be the levers that can hopefully reduce debt by at least 1,000–1,200 crores.

Management: Yes. If I summarize what Rajiv said, there is some money from Afghanistan, some money from closed projects, and a little reduction in working capital and inventory. These are the 3 factors.

When I say 400 crores from water, that is above the normal payment. Whatever normal payment they make, we reinvest in the business. However, the old outstanding amount is revolving, and it includes 300–400 crores. If that amount comes in, then together we are talking about debt reduction of 1,000–1,200 crores.

Priyanka Biswas – JM Financial: That was all from my side. Thank you for the comprehensive answers.

Management: Thank you.

Operator: The next question comes from the line of Nipur Khemka with CD Equisearch. Please go ahead.

Nipur Khemka – CD Equisearch: Is there a way to bring down net working capital by changing the nature or type of EPC orders we receive? How willing are you to do that?

Management: It is not a question of how willing I am. Ultimately, it depends on whether the client is willing to agree to it. A simple example is a contract we recently negotiated where we told the client that we would not work with less than a 20% advance. The client finally agreed in an exceptional

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case.

The earlier question was whether we could change the retention terms. There are situations where we approach the client and say that we do not agree to cash retention. Typically, with some private clients, especially in civil, such negotiations are possible.

In T&D, at least with Power Grid or in the Middle East, where standard tender conditions apply, it does not work that way. We can always negotiate individual contracts and say that we need to receive the money faster and that the client should not wait for the entire billing process to be completed.

These are contracts that need to be negotiated. Obviously, we always ask for the moon, but what the client actually provides depends on the individual client.

I can say one thing generally: payment terms are improving. I am seeing improvement in civil, T&D, and private-sector projects. Power Grid has also improved payment terms in some cases. It has provided interest-bearing advances. Earlier, Power Grid used to charge interest on advances, but now it has made them interest-free.

In general, I would make the broad statement that we are seeing an improvement in payment terms and payment cycles.

Nipur Khemka – CD Equisearch: How much of your current order book pertains to orders with high execution complexity and, in some way, high entry barriers?

Management: It is very difficult to quantify high complexity. We have a couple of orders that were awarded through a single negotiation because the client felt that no one else could execute them. Whether that reflects complexity, difficult execution, or difficult terrain is very difficult to say because most orders are still awarded through tenders.

It is very difficult to quantify this because we would have built the project at a cost and so on in this business. There are not too many entry barriers, except for very large projects. We have seen entry barriers in the private sector when clients select whom they want to award the work to. That is where entry barriers arise in a way.

Nipur Khemka – CD Equisearch: How much of the current order book of approximately 40,000 crores is from the Adani Group specifically?

Management: We do not generally provide individual numbers, but it would be close to perhaps 5% or less as of now.

Nipur Khemka – CD Equisearch: Close to 5%, correct?

Management: Yes, but it would be spread across T&D, railways, civil, and the other businesses.

Nipur Khemka – CD Equisearch: What was the intake from the Adani Group last fiscal year?

Management: I do not have the exact number, but I think we received 1 HVDC order and 2 or 3 other orders from there. It must be close to 1,000 crores or slightly more. You can take it as

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approximately that amount.

Nipur Khemka – CD Equisearch: That is not much. That answers my question. Thank you very much.

Operator: The next question comes from the line of Vaibhav Shah with JM Financial. Please go ahead.

Vaibhav Shah – JM Financial: Thank you for the follow-up. Are we providing any guidance on margins for this year?

Management: No, not yet.

Vaibhav Shah – JM Financial: Should we see margins improving every quarter from now, or would Q2 be weak?

Management: At least from Q3 onwards. Q2 also will not be that low, but I do not see a significant increase happening right now. It all depends on when the war ends. At this point, we have not given guidance, but you are right that there has to be an improvement.

Vaibhav Shah – JM Financial: For FY28, may we see margins being better than FY26?

Management: One hundred percent.

Vaibhav Shah – JM Financial: Thank you, sir.

Operator: The next question comes from the line of Saket Kapoor with Kapoor Company. Please go ahead.

Saket Kapoor – Kapoor Company: Greetings, Vimal, and thank you for the follow-up.

Vimal: Greetings, Saket. We were looking for you. Where have you been? Please go ahead.

Saket Kapoor – Kapoor Company: Thank you, sir. You mentioned some new product introductions in the cables segment in your investor deck. Could you explain what kind of potential these products have?

Vimal: Ultimately, our view is that these products should add approximately 300–400 crores of revenue altogether. How it develops will depend on the new products, but the expectation is that these products will increase our revenue by 300–400 crores next year. That is the size of the opportunity.

These are specialized products used for ships and in other applications. The soft-rubber cable is treated. Some products, such as E-beam products, may not add too much revenue, but they reduce the insulation requirement. As a result, our costs will go down and our margins should improve, especially on LT and HT cables.

Saket Kapoor – Kapoor Company: These elastomeric cables are for shipbuilding?

Vimal: They are used in many applications, including data centers and several other places where some flexibility is required.

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Saket Kapoor – Kapoor Company: Currently, we are running the cable business at optimum utilization. Can the 600-crore revenue easily be annualized to 2,400–2,500 crores for the year, or will the number be higher?

Vimal: It could be more than that. I answered earlier, perhaps you were not present, that our revenue could be around 3,000 crores.

However, metal prices ultimately play a role. If aluminum falls from 3,200 to 2,400, the per-kilometer price will obviously start coming down. Based on today's prices, I think we can achieve around 3,000 crores with the present capacity.

Saket Kapoor – Kapoor Company: Coming to the financial results, you were saying that Q2 may also not show any material change. As investors, what should we expect from KEC going forward? These are not the numbers KEC is associated with. Neither the operating profit nor the margins are at the levels associated with KEC, and all of this appears exceptional.

What phase are we currently in, in terms of execution as well as financial results? What is the path to profitability or improvement in profitability going forward, according to your understanding, given your long experience at the company? How much longer will the adverse impact we are currently seeing continue to affect our financial results?

Vimal: Saket, we had answered that margins should start improving from next year. We also said that, from this quarter onward, although we have not provided numerical guidance, there will definitely be margin improvement.

There were 2 or 3 negative factors. One of the headwinds is the war. No one expected the war to happen, for it to continue for this long, or for the Strait of Hormuz to be closed. That impact was not expected. It is having a major impact on revenue and the order book.

There are discussions every day, and hopefully the war will end soon. If it ends in Q2, we will start seeing improvements from Q3 onwards. There is also considerable discussion about reconstruction. If that happens, there could be a tailwind from orders in that region.

Normally, we have seen that orders after a war carry higher margins. Typically, these projects are fast-tracked, and we are able to execute them.

The second factor relates to the orders we had taken in railways and civil. Earlier, we had built the civil order book from zero to 10,000 crores. Some of those orders were obviously at challenging margins, and those orders are now coming to an end.

As the old orders are completed and revenue from the new orders increases, the adverse impact you referred to will gradually go away. I think that by the end of this year, hopefully, we will start seeing a much more positive situation.

The other factor is working capital, which has a greater impact in an EPC business. Rajiv also explained that we are expecting debt reduction of 1,000–1,200 crores by the end of the year. If all these 3 or 4 factors work in our favor, you will see a much better KEC.

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Management: If we reduce debt by 1,200 crores, you should look at EBITDA margin, and you should also look at PBT. You will start seeing a positive impact at the PBT level as well.

As revenue from the Middle East increases, our tax rate also becomes more efficient because taxes there are somewhat lower. While other companies pay tax at 30–35%, our tax rate is 20–22%. Overall, if you look at the improvement in PAT and other measures, you will definitely see some improvement.

Operator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Vimal Kejriwal for the closing remarks.

Vimal Kejriwal: Thank you, everyone, for your continued interest. Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of KEC International Ltd., that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

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