

Kalpataru Projects

11 August 2026

Operator: Ladies and gentlemen, good day and welcome to Kalpataru Projects International's 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 then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kishan Mundra. Thank you, and over to you, sir.

Kishan Mundra: Thanks, Atharva. 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 team with us today, represented by Mr. Manish Mohnot, Managing Director and CEO; Mr. S.K. Tripathi, Deputy Managing Director; Mr. Sanjay Dalmia, Executive Director; Mr. Amit Inplenchwar, Director, Group Strategy; and Mr. Ram Patodia, President, Finance, and CFO.

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

Manish Mohnot – MD & CEO: Thanks, Kishan. 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 delivered another strong set of results for the quarter ended June 30, 2026. We registered robust performance across nearly all parameters, including order book, revenue within constraints, profitability, margins, and working capital, reflecting an excellent start to the financial year.

Before I delve into the 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 our diversified Indian and international markets.

Second, the investments we have 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 most importantly, 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 our recent credit rating upgrade to AA+ Stable, positioning us among an elite group of large-scale EPC players and giving us strong confidence in our strategy to invest in growth and scale.

Moving on to the details of our financial results, KPIL maintained its growth momentum, delivering record first-quarter revenue, EBITDA, and profitability. Our standalone revenue increased by 9% YoY to {? 5,482 crores ?}, while consolidated revenue reached {? 6,408 crores ?}. On a comparable

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basis, adjusted for the base effect of our Brazilian business and Road SPVs, KPIL's consolidated revenue increased by 9% YoY in Q1 FY27.

Our profitability growth continues to outpace our targeted levels. Our consolidated EBITDA grew 7% YoY to {? 562 crores ?}. PBT rose 45% to {? 420 crores ?}, and PAT increased 46% to {? 312 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 by 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, an improved business mix, and disciplined working capital management.

It is important to note 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 net debt-to-equity ratio stands at {? 0.18 ?}, and RoCE remains within our targeted range of 21-22%. Standalone and consolidated net debt remained stable quarter-on-quarter at {? 752 crores ?} and {? 917 crores ?}, respectively. We maintained this stability despite higher execution, capital expenditure exceeding {? 250 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 on a standalone basis and decreased by 11 days YoY to 80 days on a consolidated basis in Q1 FY27.

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 {? 66,607 crores ?}. This was supported by robust year-to-date order inflow of {? 7,668 crores ?} in FY27, with an additional L1 position in projects worth {? 7,500 crores ?}.

Equally encouraging is the growth across our key business segments. Starting with the T&D business, excluding the Fastel business revenue, like-for-like growth was nearly 10% YoY. Year-to-date in FY27, we have secured orders exceeding {? 4,100 crores ?} and hold an L1 and favorable position in contracts valued at over {? 5,000 crores ?}. This is expanding our market presence by onboarding new clients and strengthening our footprint in the high-growth HVDC and GIS substation segments.

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 lines 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 {? 1 to 1.25 trillion ?} for at least the next 5 years, including incremental opportunities of 1-2 HVDC projects every year.

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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, the 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, the L&G business delivered 8% YoY revenue growth, reaching {? 833 crores ?}. L&G has secured orders of approximately {? 1,500 crores ?} year-to-date in FY27, bringing its total order backlog to around {? 4,200 crores ?} as of June 30, 2026.

Our Building and Factories business maintained its upward trajectory, recording a 15% YoY revenue increase in Q1 FY27. We secured record orders worth over {? 2,800 crores ?} to date in FY27. Additionally, we hold an L1 position for around {? 2,200 crores ?} in this business. Our order book for the Building and Factories business at the end of June 30, 2026, stood at over {? 19,600 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 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 site activities moving at a strong pace. Despite the conflict in the Middle East, major utilities and asset developers remain optimistic and eager to advance their investment plans. We see strong business momentum building in the Middle East in the oil and gas business, offering manifold growth opportunities across onshore engineering and construction projects over the next few years.

Our water business achieved revenue of {? 626 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 {? 344 crores ?}. Our collections in the water business remain on an improved trajectory, with around {? 650 crores ?} collected year-to-date, including July FY27. We expect further improvements in collections in this segment 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 in metro rail, tunneling, pumped storage, nuclear power, and the international roads and highways segment. In our railway business, our approach remains strictly focused on delivery and project closures, while we remain selective in bidding for new orders.

To wrap up and give you a quick update on our guidance for FY27, in the first 4 months of the year, our project delivery has remained resilient despite the Middle East conflict and initial labor

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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 intake, keeping us well on track to reach our targeted goal of {? 30,000 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.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. 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 from JM Financial. Please go ahead.

Vaibhav Shah – JM Financial: Yes, sir. Firstly, regarding the Oil and Gas business, earlier you had mentioned that we were looking for larger-value orders in Saudi, similar to Aramco, perhaps somewhat smaller. Is there any update on that? What inflows are we targeting in the Oil and Gas business?

Manish Mohnot – MD & CEO: Vaibhav, as we said earlier, we are now qualified in oil and gas with the large utilities in the Middle East, whether it is Saudi, ADNOC, Kuwait, or Qatar. We have bid for a lot of tenders in this space, including some very large ones. A lot of tenders in terms of orders have been delayed as of now.

We are very confident that we will win a few large projects in the current year. This might not happen immediately in the next few months, but as we stand today, we believe there is a huge opportunity to receive orders from Aramco, ADNOC, Qatar, or Kuwait, all within the next 3–6 months.

We have included that in our targeted {? 30,000 crores ?} of order book for the current year, and we believe that it should be in place in Q3, if not in the latter part of Q2.

Vaibhav Shah – JM Financial: Can you tell us the quantum of the bids that you have submitted?

Manish Mohnot – MD & CEO: Vaibhav, the bids are wide-ranging, from {? 100 million dollars to 500 million dollars ?}, at different levels. It is difficult for me to quantify exactly which one the client would award to us, but they range from 100 million dollars to 500 million dollars.

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Vaibhav Shah – JM Financial: Okay, sure. Second, regarding Indore, have the receivables now been completely received in Q1?

Manish Mohnot – MD & CEO: Yes, I think Indore is completely at zero now.

Vaibhav Shah – JM Financial: Would any money be infused incrementally now?

Vaibhav Shah – JM Financial: ...either in S-S-L or somewhere else?

Management: No, not at all. I think S-S-L was cash positive, and it has literally become debt-free as of July 30. The Indore projects are close to completion, so I do not see any reason for any infusion in Indore or Shivam, not even in the near future or in the long term.

Vaibhav Shah – JM Financial: Okay. Lastly, regarding interest costs, we have seen a sizeable improvement in interest costs in the first quarter. Should this be a sustainable run rate incrementally?

Management: Sorry, what was your question regarding the incremental impact? I missed it.

Vaibhav Shah – JM Financial: The interest cost run rate was around 67–68 crores in Q1. Could that be a sustainable run rate incrementally, or might we see an increase in interest costs?

Management: No, we should remain in this range, depending upon growth. If working capital increases slightly, then to that extent you will see some increase in costs, but as a percentage of sales, we should remain in a similar range to where we are today.

Vaibhav Shah – JM Financial: Okay. So, roughly, would we be targeting working capital of less than 100 days for FY27?

Management: Yes, definitely.

Vaibhav Shah – JM Financial: Okay. Thank you. Those were my questions.

Operator: Thank you very much. Before we take the next question, a reminder to all participants: to ask a question, please press star and one. We will take the next question from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani – PL Capital: Hi, sir. Thank you for the opportunity, and congratulations on the good set of numbers.

My first question is on margins. You said that you will maintain the guidance of a 75-basis-point improvement at the PBT level. I wanted to understand, specifically for Q1, which segment contributed to the operating margin of 8.9%. Looking at the numbers, I understand that there was a favorable mix this quarter. That is one question.

Second, in your 75-basis-point PBT improvement, are you factoring in improvement by segment, and what improvement are you factoring in, especially in the EBITDA margin, for the remainder of the year?

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Management: Amit, as I have said earlier, our transmission business, B&F business, and oil and gas business continue to deliver EBITDA margins close to double-digit levels, with good PBT as well.

If you look at water and railways, water has delivered reasonably good margins at the EBITDA level, but because of interest costs, it is impacted at the PBT level. Railways is not performing as well in terms of margins, and the same applies to Urban Infra. So, 3 businesses are at a double-digit level and 3 businesses are at a high-single-digit level when it comes to EBITDA.

As far as the 75-basis-point improvement is concerned, I think it is 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 – PL Capital: Understood. Second, you highlighted the orders coming in from Aramco and ADNOC, and from Qatar and Kuwait. When you bid for these orders and they come into the inflows, can we expect a proportionate increase or a disproportionate increase from these geographies in the coming quarters, or over the year? Second, is it only T&D, or are there other segments in these geographies as well?

Management: Amit, as far as the Middle East opportunities are concerned, I think we continue to be bullish on both oil and gas and T&D. We are present in both these segments in the Middle East.

We do believe, and we are seeing, a lot of traction in tenders coming up in both these segments in this geography, and we believe that we are very well positioned to win some projects in the next 3–6 months.

Would it be disproportionate? It depends on the value of the orders we win, but in totality, given our size and scale, they would still be of a reasonable size to ensure good visibility going forward.

Amit Anwani – PL Capital: Understood. Lastly, regarding the update on the IPO of LMG, is there any progress? Thank you.

Management: Amit, we have appointed advisors to look at various fundraising options for LMG. As of today, we are not in a position to give you any further update on that. We appointed advisors, as informed earlier to all of you last year, to explore various fundraising options for LMG, and at an appropriate stage we will be able to provide an update to all of you.

Amit Anwani – PL Capital: Thank you, sir. Thanks a lot.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Bharat Sheth from Quest Investment Managers Private Limited. Please go ahead.

Bharat Sheth – Quest Investment Managers Private Limited: Hi, congratulations to Mohit and the team, and thank you for the opportunity.

My first question is related to T&D. Apart from the Middle East and Asia, which other geographies do you think could be growth drivers for our company over the next 2–3 years?

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Management: Bharat, from our perspective, even when you look at our numbers today on the international front, you see that our larger exposure is in Latin America, which includes Chile and Guyana and excludes Brazil.

If you ask me today, I think we remain bullish on all 3 markets. The first is Latin America excluding Brazil, the second is Europe, driven by Linjemontage and the neighboring countries, and the third is the Middle East.

At present, our Latin American exposure excluding Brazil is much higher than our exposure to the Middle East and Europe. Therefore, we remain bullish on all these markets. Over the last 3 months, we have become slightly more bullish on the Middle East opportunities because we see a lot of developments happening there. So, it is across the globe, if you ask me.

Bharat Sheth – Quest Investment Managers Private Limited: Regarding the other businesses, specifically oil and gas apart from the Middle East, I think we had also seen some orders in the domestic market last time. Is that a correct understanding?

Management: No, I do not think we have secured any order in the domestic market in oil and gas. We have received small projects, not anything significant. These are small projects similar to what we were doing earlier, not very large ones, of around 100-odd crores.

As far as oil and gas is concerned, I think our focus continues to be significantly on the Middle East market. At least from a 1-2-year perspective, I think that is our biggest opportunity, and we want to focus on it.

Given that over the last 3 years we have delivered one of the largest Saudi Aramco projects, which started from zero, and we have reached a stage where we have delivered some of the large projects, our focus continues to be the Middle East, at least for oil and gas, for the next couple of years, if not beyond that as well.

Bharat Sheth – Quest Investment Managers Private Limited: Sorry, I missed one. Earlier, we were very strong in Africa as well. Could you provide some color on that market, or are you saying that it is still a few years away?

Management: No, I think we have a lot of tenders coming from Africa. It is not that we are not bullish on it. If you ask me in terms of our priority markets, Africa is number 4. Our priority markets continue to be Latin America, followed by the Middle East, followed by Europe, and then Africa.

This is also because there is now a lot of competition in Africa, whether from Indian competitors or Chinese competitors. At times, it is difficult to compete and secure projects with the margin standards that we maintain. So, are we bullish? Yes. But in my ranking, it would be number 4.

Bharat Sheth – Quest Investment Managers Private Limited: Okay. Apart from T&D, my second question is regarding Building and Factories. How do we see this segment, and how is the overall landscape changing? Are we seeing any change in the landscape, particularly on the industrial or building side, or do we remain bullish?

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Management: Bharat, as I said earlier, on the Building and Factories side, we are seeing a lot of developments in industrial capex, primarily from PSUs and select private players.

From PSUs, we have seen a lot of tenders come in, including tenders from NMDC and NALCO, and we are qualified for all of them. Where we stand today, residential and commercial continue to be very attractive, at least with the large developers for whom we are doing a lot of work.

Besides that, given our expertise in executing data centers, the fact that we have completed 2 airports, and the fact that we have executed some very large industrial plants, we continue to be very positive on those opportunities as well. We are seeing good traction compared with what we saw in previous years.

Bharat Sheth – Quest Investment Managers Private Limited: Could you provide any color on the EBITDA margin differential between the residential and industrial segments on the Building and Factories side?

Management: No, Bharat, there is no significant differential in terms of residential versus industrial, at least at the EBITDA level. We typically have double-digit margins, mostly in the range of 10–12%.

From project to project, it might sometimes change depending on the size of the project, the client, and other factors. However, on average, the entire order book continues to have EBITDA margins in the range of 10–12%.

Bharat Sheth – Quest Investment Managers Private Limited: Okay, great. From a capability perspective, do we need to build further capabilities on the industrial side, or have we developed all the required capabilities?

Management: Bharat, this is a continuous exercise. There is nothing that says we have built everything. It is a continuous exercise. We started from zero, and now we are qualified for large-scale projects. Perhaps we are not yet qualified for projects on the very large scale of some of our major competitors, but we are moving in that direction.

With every project we take, we move further toward qualifying for higher-value projects, and that has been the journey.

Bharat Sheth – Quest Investment Managers Private Limited: Would you like to provide any update on Urban Infra? My last question is regarding the backward integration that we are evaluating.

Management: Bharat, regarding Urban Infra, as I said earlier, we have a reasonably good order book today. We restarted this journey 4 years ago. Now we have 6 TBMs, and we have nearly completed 1 underground project already.

All the TBMs are deployed on 2 new projects that we received last year. We have not seen many tenders in Urban Infra over the last 2 months, but we believe they should come up sooner rather than later.

As far as our own business is concerned, we see good double-digit growth in Urban Infra in the current year. Going forward, we will continue exploring opportunities in underground metro as well

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as overground metro in India, and we will also explore opportunities overseas. Perhaps not immediately, but going forward, that is also something that would be on our radar.

Bharat Sheth – Quest Investment Managers Private Limited: Regarding capex and the backward integration that you were evaluating?

Management: On the capex side, we have targeted capex of close to 800 crores in the current year, and I think we should be on track to achieve that, if not slightly more.

As far as backward integration is concerned, we announced today that we would be setting up a rolling mill in Raipur along with the plant. We are continuously exploring backward integration for various other products within the value chain in which we currently operate. We have announced one of them, but we are continuously exploring others, and as soon as we have clarity, we will make further announcements.

Bharat Sheth – Quest Investment Managers Private Limited: Okay, thank you, and all the best.

Management: Thank you, Bharat.

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

Parikshit Kandpal – HDFC Securities: Priyanshu, hi. Congratulations on a great quarter amid highly restrictive geopolitical uncertainties.

My first question is regarding the order inflow guidance of 30,000 crores, which we have maintained. This year, perhaps we will reach revenue of 27,000–28,000 crores, which is a very large base from which to grow. How are you looking at growing by at least 15% over the next 2–3 years?

What capabilities, platforms, and markets are you looking to add to continue growing at 15%, given that our balance sheet is now at a very strong level, with hardly any debt and technically perhaps near-term debt-free? How should one model growth from here?

Shardul: Parikshit, there are 3 or 4 aspects to consider when looking beyond the current year for growth, and we have started working on all of them.

The first aspect is taking some of our businesses international, which have delivered extremely well in the country over the last decade. This includes water, Urban Infra, larger projects in oil and gas, and taking T&D itself into new geographies. That is one area we are continuously exploring for businesses that could give us much higher growth compared with what we are doing here.

The second aspect, as I mentioned earlier, is to look at backward integration wherever possible. This will not only help us achieve higher growth but also provide profit improvement if we undertake backward integration on projects.

Third, within specific areas, whether we look at B&F or Urban Infra, we have progressed significantly from where we started. We started by operating only in residential and commercial projects. Today, we are qualified for data centers, airports, industrial projects, and all of these areas.

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The opportunity across all of these areas together is huge, and we have hardly looked at it, except for a few projects in the past. Within the value chain in which we operate, we are qualifying ourselves through our design expertise, execution expertise, and capex investments to ensure that we can target larger-size projects.

The average size of our projects today is more than 500 crores, and we want to see how we can increase that further. Enhancing the value chain within our offerings, looking at international markets, and pursuing backward integration are the 3 elements through which we believe that growing at a minimum of 15% should not be a challenge, even for the next few years.

Besides this, our international subsidiary in Sweden, Linjemontage, has been on a good growth journey. It has performed very well over the last 3 years. Although we do not expect it to perform extremely well in the current year, it should also be in good shape to pursue further growth opportunities going forward.

So, it is a combination of all of this, along with the significant opportunity in the market today. In all the segments in which we operate today, whether it is T&D—as reflected in the numbers, including in today's newspaper, where you would have seen some further capex additions being planned—B&F across the segments, or oil and gas in the Middle East, with all of this...

Shardul: We believe that we are getting well positioned to pursue larger, complex, and high-margin-accretive projects, and growth should not be a challenge for at least the next couple of years.

Even where we stand today, if you look at it, we have close to 2.5 years of visibility on the order book, including L1. Therefore, where we are today, along with the visibility we have, I feel that it will be a combination of all these factors that will ensure we achieve what we have targeted.

Parikshit Kandpal – HDFC Securities: Another question is that, including L1, we already have {? 15,000 crores ?} in financial year-to-date orders. Does this make a case for increasing the order inflow guidance for the rest of the year?

Secondly, on the oil and gas front, I have not heard much about projects beyond the pipeline projects. In terms of capability upgrades, what are we looking at? What other {? margins ?} can we pursue through oil and gas capabilities and the capabilities being developed to undertake additional activities?

Shardul: Parikshit, yes, we may revise the guidance upward, but we will have to come back to you at the end of Q2 because there are a lot of delays in some parts of the world in placing orders.

We also believe as an organization that, given that we already have 15,000 crores in hand, we might be able to do better than this. However, you will have to give us some more time, perhaps until the end of Q2, by which time we may be able to revisit our guidance.

As far as capabilities in oil and gas are concerned, we continue to build further capabilities in process plants, stations that we are executing, high-end projects, pipeline projects, and all of these areas. We are also expanding through capex investments.

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At present, we are not exploring offshore activities in any form. However, onshore, we are looking at everything from plants to process lines to pipelines. We have already built a strong team and established credibility in this area, so it is only a matter of bidding for the right projects, winning them, and then focusing on delivery.

Parikshit Kandpal – HDFC Securities: Is there anything on the hydrocarbon side or hydrocarbon new energy side that we can pursue?

Shardul: We have created a small team that is looking at those opportunities. We also recently bid for some PowerGrid projects involving BESS. We were not successful in that bid, but the exploration has started.

However, do we have a strategy by which we can say how much we will do in the current year? That will be difficult. We have created a team that has started exploring BESS as well as hydrocarbon projects, but it is just the beginning. So, give us some more time before we come back to you with a clear picture on this.

Parikshit Kandpal – HDFC Securities: Okay, just one last question on KPL. I think KPL has received some relief from the court. I want to understand the context, what the expectation was regarding the awards we could have realized, how the scenario changes now, and what the worst-case impact on cash flows could be, if any, given everything provided for in the P&L as of now.

Shardul: Parikshit, as far as KPL is concerned, the carrying value of the equity on our books is zero. The entire amount has already been provided for. We provided for this 3 years ago when we surrendered the asset.

This was an arbitration award that we had won. The award has not been fully set aside. It has been set aside on certain technical parameters to revisit the baseline assumptions relating to the claims that were made.

There were some technical issues regarding whether the costs should be considered as A, B, or C. That is what the High Court has directed to be revisited. Whatever award is ultimately issued will be positive for us. There is no negative impact in any form.

We will go back to the drawing board, ensure that the process starts again, and determine the technical and appropriate mechanism for calculating the award that should come to us. We will proceed under Section 37 against that award, and sooner or later we will work on it.

From a cash flow as well as P&L perspective, there is no negative impact. It will only be positive if and when it is received. We have not considered this award in any form in our balance sheet or P&L to date because our accounting policy is clear: we recognize it only once the award is finally issued and is no longer contested.

I would not like to quantify the amount because the numbers are relatively large. I can only say that whatever comes to us will be positive and not negative.

Parikshit Kandpal – HDFC Securities: Would it also take care of the debt? Given the provision for debt, once we realize whatever is due, even in the worst-case scenario if the court verdict

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continues, would it cover the debt, and would there still be some cash flow left afterward?

Shardul: Parikshit, technically, we have zero debt on this project today. The project has been taken over by NHAI. We handed it over to them 4 years ago. As per the concession agreement, the entire debt is now to be managed by NHAI.

Therefore, technically, we have zero debt on this project. There is a dispute between NHAI and us regarding the calculation of the total debt, but even in the worst-case scenario, there would be no impact from debt coming onto our books.

Parikshit Kandpal – HDFC Securities: Okay, Shardul. Thank you, and all the best.

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

Anuj Upadhyay – Investec: Hi, thanks for the opportunity. I want to understand how exactly we are managing the margin side. In the previous call, you mentioned that 50% of our order book comprises exports or is variable in nature. Within that, certain commodities have been hedged, but steel and diesel are commodities whose price escalation can have an impact.

I want to understand how these costs are scaling up and what impact that could have on near-term margins, in a Q2 and Q3 scenario.

Shardul: Anuj, as I said earlier, whether on our variable projects or fixed-price projects, the impact comes more on the fixed-price projects. The impact is mainly on diesel and steel.

I continue to say that if you look at steel prices over the last 3 months, there has hardly been any movement. In fact, the movement has been more positive than negative for us.

As I have also said historically, if prices move within a band of plus or minus 5-10%, we can manage the impact through contingencies and reserves that we always have at the project level.

Today, there is some impact from diesel prices and some impact from aggregate prices in certain parts of the country, but is it significant enough to impact the larger balance sheet? The answer is no.

We continue to be guided by the 75-basis-point increase that we have promised for the current year. Q1 has been much better than that, and therefore I believe that on an annualized basis we should remain in that range, even with a 5-10% movement in prices from where we are today.

Anuj Upadhyay – Investec: Understood, sir. Can you provide some insight into the domestic opportunity in the transmission space? As you mentioned today, there was an opportunity of around {? 50,000 ?} discussed. Is there any significant near-term opportunity coming up, particularly on the HVDC side?

Shardul: We have said this in the past as well: the opportunity in terms of tendering looks very attractive in domestic T&D, whether it is HVDC, renewable integration, GIS substations, or any of these areas.

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We believe that this opportunity, on an annualized basis, is more in the range of 1 lakh to 1.5 lakh crores on an annualized basis for the next 5 years. We continue to remain very bullish.

There are limited players in the market on the EPC side who can deliver projects of this value, and we are one of them. So, we continue to remain bullish. In the current year as well, we have seen good traction in this area.

My view is that releasing 1 lakh crore-plus of orders on an annualized basis over the next 5 years should not be a challenge in domestic T&D in any form.

Anuj Upadhyay – Investec: Understood, sir. Specifically for this quarter, Brazil revenue has fallen steeply. Is there any reason for that?

Shardul: I think it is zero now, right? We have nearly written off the Brazil EPC projects to zero, so revenue is now close to zero.

Anuj Upadhyay – Investec: Got it, sir. That was helpful. Thank you.

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

Bhavin Modi – Anand Rathi: Hi, sir. Thank you for the opportunity. I wanted to understand the margin differential between overseas orders and domestic orders. I believe overseas orders should be generating good margins. Could you provide some color on that?

Shardul: Bhavin, there is no specific rule regarding margin differentiation. Typically, overseas orders have higher margins because they carry higher risk, but it is also linked to the particular client, the type of order, and the delivery timeframe.

So, there is no specific rule. However, even our international T&D business generates EBITDA margins more in the range of 10–12%, which is also what T&D generates domestically.

It is very different when competition is high compared with when competition is low, and when the project is in Latin America compared with the Middle East or Africa. As I said earlier, margins are typically higher than in domestic projects, but the risks are also higher. To that extent, you need the expertise to ensure that you deliver within the budgeted cost.

Bhavin Modi – Anand Rathi: Understood. Second, are we open to government orders in B&F, such as Central Vista projects? Are we open to those opportunities?

Shardul: Yes, definitely. If there is a good project for which we qualify, we would be more than happy to consider it.

Bhavin Modi – Anand Rathi: So, we are comfortable having a government client, especially on the B&F side?

Shardul: No, we have never said that we would not have a government client. We have many such projects, and we are always open to them. We would be more than happy to consider them.

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Bhavin Modi – Anand Rathi: Thirdly, regarding Urban Infra, apart from elevated and underground metro projects, are we also open to projects such as coastal road projects or elevated road projects?

Shardul: Our road project portfolio is very limited at the domestic level, and roads are not one of our focus areas. If it is a project involving tunnels or requiring high-end engineering expertise, that is where we might be interested.

However, if it is a plain-vanilla road project or something similar, we might not be very excited about it.

Bhavin Modi – Anand Rathi: Got it. That is all from my side. Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Arafat from Dolat Capital. Please go ahead.

Arafat – Dolat Capital: Hi, sir, and thank you for taking my question. Congratulations on a great set of numbers in a tough environment.

My question is that a typical EPC player posted lower margins during the quarter because of commodity inflation, labor shortages, monsoons, and various operational issues. Despite that, you maintained your performance and delivered a 40-basis-point higher margin. What was different for us that enabled the 40-basis-point higher margin?

Shardul: Arafat, I would not like to discuss the numbers of other companies in detail. I can only say that what we have built is a diversified and large-scale order book, with resilience across many projects, so that if one project does not deliver, another project will deliver.

It is about having robust plant operations, which help us on transmission projects, and deep-dive planning, which helps us ensure that even with external factors, we can still deliver close to what we have budgeted.

Additionally, our working-capital-focused approach, where working capital is very critical, helps us ensure that delivery remains the key driver.

For us, it is a combination of all these factors, along with a capex-driven approach to growth. If you look at the last 4 years, we have incurred close to {? 2.5–3 thousand crores ?} of capex, which is a very large number and helps us deliver on our projects.

It is a combination of all these factors that helps us achieve what we have delivered. We clearly also faced many challenges in Q1, including labor shortages. This was a challenge for the entire industry.

However, when the domestic business did not deliver, the international business delivered. When one market did not perform, another market delivered. This helped us achieve balanced growth for the organization as a whole.

Arafat – Dolat Capital: Got it, sir. Secondly, are you looking to sell any non-core assets in the near term?

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Shardul: I do not think we have much non-core activity left. We have 1 road asset with a remaining life of approximately 2 years, so it will automatically be handed over.

We also have Shubham Logistics, where we are continuously reducing debt by selling its own assets. My view is that, in the near future, there will be nothing apart from the debt reduction in Shubham Logistics, which will continue over the next 2 years as well.

Arafat – Dolat Capital: Got it. Specifically regarding Shubham Logistics, I want to understand the overall ecosystem. When you bought it, how much did you invest, how much are you looking to sell, and are you making a profit on it or seeking to recoup the investment?

Shardul: Arafat, I do not have those details with me. I would be happy if you could connect with Kunal.

I can only tell you that today Shubham Logistics has close to zero external debt. It repaid all its debt to bankers as of July 31.

As far as Kalpataru is concerned, our investment, including equity and loans together, would be in the range of 300-plus crores. They have just corrected me: 325 crores.

The business is performing reasonably well. It is in a profitable position today, and I believe we are not investing any further capital in it. Gradually, the value of this investment should only decline because the business has a number of assets that we are slowly disposing of.

Arafat – Dolat Capital: Got it. Lastly, what kind of opportunities are you looking at in data centers? What is the project pipeline, and how is the competition in the overall data center opportunity for you?

Shardul: Arafat, in the data center segment, we are currently qualified for both civil and MEP work. We have already completed 2 data centers, and we are executing the third one as we speak.

We are seeing a significant number of tenders from both domestic developers and international developers in India. We are bidding for these projects. My view is that there is a reasonably good opportunity—

Management: There is an opportunity available there, and in the next 6–9 months we should be able to take up at least a few projects in that space.

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

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

Jainam Jain – DAM Capital: Thank you for the opportunity. Given that this is your first order in the water segment in the Middle East, what kind of opportunities do we see going forward in the Middle Eastern market?

Management: Jainam, on the Middle East side, in the water segment, we are now qualified with some of the large developers in the geographies where we operate. This is the first project that we

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have won with a large Middle Eastern developer.

There are some more projects coming up, including plants, pipelines, and a combination of all these areas, including water treatment plants. We are bidding for them.

Our view is that this is a great opportunity from a 2–3-year perspective, and we will slowly and steadily build that order book so that we can focus on developing delivery capabilities along with the order book.

Jainam Jain – DAM Capital: Are you looking at desalination projects in the Middle East?

Management: Yes, we are also looking at desalination projects in the Middle East, and we are already qualified for many of them.

Jainam Jain – DAM Capital: How have the margins developed there in the water segment?

Management: We have just started this journey, and obviously, when you start a journey, the margins are not the best for any business. We have just started the journey, and the margins are still positive, although they are not necessarily at the same level as those of T&D, B&F, and oil and gas.

However, given that there are limited players in that segment at that size and scale, I believe we should be able to achieve good margins over the long term.

Jainam Jain – DAM Capital: Will we subcontract the projects, or will we execute them ourselves in the international markets? Is that a correct understanding?

Management: No, I do not think we have ever subcontracted an entire project. We subcontract smaller components of a project in some cases, such as civil work, fabrication, or erection. However, we never subcontract the project as a whole.

Jainam Jain – DAM Capital: On the domestic front, how are we seeing opportunities develop in the water segment?

Management: On the domestic water front, as I said in my opening remarks, we are seeing improved collections, although not necessarily at the level we wanted.

Even today, if you look at our billed and unbilled amounts, they are more in the range of 1,500-plus crores for work that has been completed but is pending payment. However, this is much better than it was in the previous year.

Therefore, we expect collections to improve significantly. We expect this because it is included in the finance budget and is visible in all the government's actions.

As far as domestic tenders are concerned, we are not bidding for any major tenders as of now. We are also not seeing any major tenders. However, once our dues are cleared and these tender opportunities come up, we will definitely look at them.

I am not very confident that there will be a lot of tenders in the current year, but I believe that going forward, in the next year, we should start seeing tenders on the domestic water front as well.

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Jainam Jain – DAM Capital: Regarding the Jal Jeevan Mission and the domestic water front, are we seeing any desalination projects in India itself that we are looking to bid for?

Management: As I said earlier, in the Indian market, we are not bidding for any projects, at least for the next 6–9 months, until our collections improve.

Jainam Jain – DAM Capital: What is the current pending order book?

Management: It is close to 4,000 crores. Out of that, a significant portion should be delivered in the current year itself.

Jainam Jain – DAM Capital: And what are the outstanding receivables?

Management: Billed plus unbilled amounts are more in the range of 1,500 crores.

Jainam Jain – DAM Capital: 1,500. Okay. Do you have the sector-wise bifurcation for [inaudible]?

Management: I do not have those details with me right now. You can obtain them from Kunal later.

Jainam Jain – DAM Capital: Okay. That is all from my side. Thank you, sir. 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.

Management: Thank you, everyone. Thank you for attending the call.

Operator: Thank you. On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.