



**“Kalpataru Projects International Limited
Q2 FY '26 Earnings Conference Call”
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**MANAGEMENT: MR. MANISH MOHNOT – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**

MR. S.K. TRIPATHI – DEPUTY MANAGING DIRECTOR

MR. SANJAY DALMIA – EXECUTIVE DIRECTOR

**MR. AMIT UPLENCHWAR – DIRECTOR GROUP
STRATEGY**

**MR. RAM PATODIA – PRESIDENT, FINANCE AND CHIEF
FINANCIAL OFFICER**

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Moderator: Ladies and gentlemen, good day, and welcome to the Kalpataru Projects International's Q2 FY '26 Earnings Conference Call hosted by DAM Capital Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you, and over to you, ma'am.

Bhoomika Nair: Yes. Good evening, everyone, and a warm welcome to the Q2 FY '26 Earnings Call of Kalpataru Projects International Limited. We have today the management being represented by Mr. Manish Mohnot, Managing Director and CEO; Mr. S.K. Tripathi, Deputy Managing Director; Mr. Sanjay Dalmia, Executive Director; Mr. Amit Uplenchwar, Director, Group Strategy; and Mr. Ram Patodia, President, Finance and CFO.

At this point, I'll hand over the floor to Mr. Mohnot for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Manish Mohnot: Thank you, Bhoomika. Good evening, everyone. Thank you for joining us for the Q2 FY '26 earnings call of Kalpataru Projects International Limited. Our financial results and investor presentation have been uploaded on the stock exchanges, and I trust you had the opportunity to review them.

We are pleased to share that KPIL has reported yet another good quarter with highest ever second quarter revenue and profitability. The performance highlights the underlying strength of our diversified business portfolio focused towards on-ground execution, efficient working capital management, and proactive approach in investing to build capabilities to scale high-growth businesses. I'll first start with some key highlights from quarter 2, and then we'll share updates on individual businesses.

Our consol revenue for the quarter recorded a growth of 32% Y-o-Y and stand-alone revenue grew by 31% Y-o-Y. At profitability level, EBITDA was up by 28% Y-o-Y. PBT grew by 71% Y-o-Y, and PAT reported a strong growth of 89% Y-o-Y for Q2 '26 at consol level. Similarly, at stand-alone level, EBITDA grew by 28%. PBT was up by 48%, and PAT growth was 51% for Q2 '26. Our consol EBITDA margin was at 8.6% and stand-alone EBITDA margin stands at 8.3%.

Likewise, the performance on EBITDA margin front reflects the nature of project mix, lower progress of water projects and impact of extended monsoon in India. Our finance cost as a percentage of sales is in line with the guidance of 2% for both consol and standalone business. Our consol PBT margins witnessed a sharp improvement of 110 basis points to 4.9%, and stand-alone PBT margin was up by 60 basis points to 5% for Q2 FY'26.

To update on the working capital and debt front, our focus clearly remains on further strengthening our balance sheet. We have closed the quarter with standalone net debt at ₹ 2,189 crores and consol net debt at ₹ 3,169 crores. Even after considering the inflows from QIP last year, our debt levels have moderately increased despite delivering strong revenue in excess of 30% for the first half of the year.

This is on top of the fact that we continue to witness delay in collections from water projects, particularly in JJM projects of UP and Jharkhand, where the progress on payments have remained slow compared to our expectations.

Furthermore, we have incurred capex of around ₹ 340 crores in first half of the year, mainly to support execution of large-scale orders in the B&F business. In the last 4.5 years, we have incurred capex closer to ₹ 2,400 crores to improve our project delivery and competitiveness in high-growth T&D and B&F businesses.

Our net working capital days has further improved, both on a year-on-year basis and quarter-on-quarter basis. Our consol net working capital stands at 90 days and standalone net working capital has improved to 102 days.

Now on the order book position, our consol order book remains strong at ₹ 64,682 crores as of 30th September 2025. The diversification of our order book across T&D and Civil businesses provide stability and ensure a healthy growth trajectory for the coming quarters. During the year, we secured orders worth ₹ 14,951 crores led by major order wins in the B&F and T&D business. Further, we have positively placed in tenders worth ₹ 5,000 crores, mainly in the international T&D business.

On the business visibility front, our addressable markets in the near and long term remains very strong, spanning across power transmission distribution, Solar EPC, residential and commercial buildings, oil and gas pipeline network, underground and tunneling, urban mobility and select international projects in the Civil business. While we anticipate some temporary headwinds due to lower capex, geopolitical issues, etc, but the long-term opportunity remains very robust and exciting for established EPC companies like us.

From a long-term perspective, we remain confident and undeterred in our growth strategy. Our focus remains to bid strategically with focus on improving profitability, enhancing return ratios, secure projects that have fair working capital terms and build differentiated capabilities to maintain our competitive edge. Looking ahead, based on our current order book position and the immense potential of our addressable market, we remain confident in our trajectory to further scale our T&D and Civil businesses going forward.

Now coming to the performance of some of the large businesses. First, I shall talk about the performance of our T&D business. We delivered a strong revenue growth of 51% Y-o-Y in Q2 FY26 supported by robust execution in India, Sweden and other international markets. We received new orders of ₹ 6,864 crores in the T&D business till date in FY26.

Additionally, we are positively placed in order projects over ₹ 4,500 crores, mainly in the overseas market. Our T&D order book stands at ₹ 26,276 crores, reflecting a growth of 18% Y-

o-Y. Overall, the outlook for our T&D business remains very optimistic in the domestic and overseas market, with a tender pipeline in excess of ₹ 150,000 crores over the next 12 to 18 months.

LMG Sweden continues to deliver strong performance with Y-o-Y revenue growth of 89% to ₹ 720 crores in Q2 FY26. LMG received orders worth approx ₹1,100 crores till date in FY26 and have an order backlog of around ₹ 3,600 crores as on 30th September '25. Our B&F business maintained a strong growth momentum, recording a 20% Y-o-Y increase in revenue in Q2. Our order inflows are at record level as we have secured orders over ₹ 8,000 crores till date in FY26. Our B&F order book has grown by 43% Y-o-Y to an all-time high of ₹ 18,758 crores.

Our focused business development and robust execution capabilities has helped us to improve our competitive position in large-sized design-build projects, which places us favorably to secure repeated projects from large market developers in India. Our oil and gas business delivered strong Y-o-Y growth of 21% in Q2. Our progress on the Saudi project remains on track.

We are actively working to expand our international presence to drive the next phase of growth for this business. Our water business saw a decline in revenue by 5% Y-o-Y to ₹ 517 crores. As informed earlier, collections in the Water business improved in few states while progress in UP and Jharkhand remained very slow. With an order backlog of over ₹ 8,379 crores, we remain focused to complete the existing projects. At the same time, we continue to evaluate new opportunities in new areas and international markets.

Our Urban Infra business delivered strong performance this quarter with a 65% Y-o-Y growth, driven by progress on Metro rail projects. In our railway business, we recorded revenue of ₹ 210 crores during the quarter, reflecting a growth of 9% Y-o-Y. Lastly, on our Road BOOT Assets post the termination of WEPL in July '25, we have handed over the asset to NHAI with effect from 30th September '25. With respect to Vindhyachal Express, VEPL, we are progressing well on approval for sale and expect to complete the transaction in the second half of FY26.

Lastly, as you can see, that all key parameters of most of the businesses have done well. The quality of the performance is just getting better over the quarter, and we expect good stability in the performance and earnings going forward. This record performance has clearly set a strong tone for the fiscal year ahead and reinforces our confidence to achieve the revenue and margin guidance set for the full year '26.

On the guidance front, we are on track to achieve targeted revenue growth of 25% plus at both standalone and consol level, compared to our earlier guidance of 20% to 25%. On the standalone and consol PBT margin, we reaffirm our guidance of FY26 of improving PBT by a minimum of 50 basis points. Further, we are positive to achieve a targeted order inflow of ₹ 25,000 crores plus for full year '26.

In conclusion, we are excited about the opportunities ahead, and we remain committed to drive profitable growth and creating long-term value for our stakeholders. Thank you for your continued support. Now I request the moderator to open the floor for Q&A.

Moderator: Thank you very much. The first question comes from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Congrats on a good set of numbers. My first question is with respect to the tender pipeline for the power T&D space. So initially, last call, you had mentioned that it was around ₹ 1.2 lakh crores, and now it is ₹ 1.5 lakh crores. So there has been quite a bump up in the tender pipeline over quarter-to-quarter?

Which are the subcategories like power grid, SEB, private players, international, where we have seen the biggest delta in terms of tender buildup? And because of the significant growth, are we seeing an improvement -- further improvement in margin profile of Power T&D orders, margin and working capital of Power T&D orders?

Manish Mohnot: Ravi, we are seeing traction across both domestic and international front. On the domestic front, whether it is the new HVDC lines, which are further expected to come in for tenders, the southern part of the grid, the Southern India grid, which is further getting strengthened, all are expected in between November to February. So on the domestic front, whatever we had planned looks visible.

What has changed in the last 2 quarters, we're seeing a lot of traction in some of the LatAm markets like Guyana and the neighboring countries around there and also in Middle East. We've seen a lot of tenders come in Middle East in the last 2 to 3 months, whether it is in Abu Dhabi, Kuwait, some of the interconnection lines.

So personally, if you ask me what has changed is international order book visibility has improved significantly in the last 2 to 3 months, whether it is Middle East, Africa or LatAm. And also on solar EPC projects, we are looking at some big opportunities in the Middle East market, and that's also an opportunity which we are looking at.

So on an overall basis, the market still looks very good. Now from, on your second question, given that the orders are under tendering now and will get awarded only in Q3, Q4 or later part of that -- later than that, I don't see any improvement in revenue because of these tenders coming in the current year. Definitely, they will help us in forecasting for revenue going forward.

Ravi Swaminathan: And in terms of margin profile, sir, because the market itself is expanding, are we seeing improvement in margin and working capital terms further for the Power T&D orders? Or is it like this is getting maintained at the same level?

Manish Mohnot: So if you ask me at an India level, I don't see a significant improvement, although margins are much better than what they were in the past. But on the international front, there are a lot of markets where we have a competitive edge of an early -- being there early or being -- not having much competition. So there, we can see some improvement. But on an overall basis, we still continue this business at the same 9% to 10% EBITDA levels.

Moderator: The next question comes from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: My first question is on the T&D business. When I look at your disclosed orders so far this fiscal, it appears that a fairly small portion has come domestically and mostly it's overseas. And you mentioned that in your mature L1 positions pipeline, also international T&D is quite strong.

What we are noticing is that award of interstate TBCB projects on a year-on-year basis has been much lower so far this fiscal. So I just want to understand that in this backdrop, is it possible that second half also would largely be dominated by international and T&D? And what percentage of your T&D order book is international right now?

Manish Mohnot: So Ravi, just so that we have clarity on the domestic front also, we have got orders in excess of ₹ 2,500 crores plus in the first 6 months, which is around 30% higher than what it was in the previous year. We are L1 also in a few projects. On the international front, obviously, including Linjemontage, we've got orders in excess of ₹ 4,000 crores in the first 6 months -- in Q2.

Now my point is I do not see orders coming down because a lot of tenders, which Power Grid has not taken, but some private sector players have taken would get into that award stage maybe Q3, Q4. So some of the large TBCBs have not been necessarily been taken by Power Grid and that also would come up for tendering soon or have already the tendering process started, but the award would happen later part of the year.

So I personally stay confident from a long-term perspective on getting very good orders coming in. Now from a timing perspective, maybe Q3, maybe Q4, maybe it could be 1 quarter here and there. But the reality is that both the businesses, whether it is TLD and TLI, are sitting on very good order books right now, right? They are sitting on order book, which is closer to 2.5, 3 years, even if I assume a 20% growth.

So I'm not desperate in that sense to go and take an order just for the sake of getting an order book because they have good visibility, the opportunity is good, and there are limited players of the size and scale who can deliver this kind of projects. So I am very optimistic about it. I believe the next 6 to 12 upto 18 to 24 months, there will be good orders, both domestic and international. One quarter here and there could happen depending upon when the tenders happen.

Sumit Kishore: Okay. And sir, second question is in relation to water, while revenues are down about 5% in the quarter. How has been the movement on receivable dues for water over the past 6 months?

Manish Mohnot: So over the past 6 months in the business, we have invested additionally closer to ₹ 700 crores, basically focused on execution of a lot of projects which were at 70%, 80% completion, which we want to complete at a very soon much sooner than later. We have seen good traction coming in from a few states.

We have seen good traction coming in from MP. We have seen good traction from Punjab. We have seen good traction from Bihar. We're not seeing as much good traction coming from UP and Jharkhand when it comes to receivables.

We've had meetings at various levels, and we believe this should change soon. So -- but in the first 6 months, we have invested closer to ₹ 700 crores in that business, additionally ₹700 crores.

- Sumit Kishore:** Okay. So basically, the working capital improvement that we are seeing slightly is not being helped by water. Water is just still being a drag there. Ex of water, your working capital would be much better.
- Manish Mohnot:** 100% agree.
- Sumit Kishore:** Okay. Just one last point clarification for WEPL, when is your dues going to come to you? After the transfer to NHAI?
- Manish Mohnot:** It will take some time because as far as the dues are concerned, there are some arbitration and there's some claims also. Even our KEPL dues, which the termination happened 3 years ago have not yet come, while we have provided for full KEPL in books.
- So given the lengthy process at NHAI and given that there are some claims which we have won and which are under arbitration, I do not expect this to happen very, very soon. It could take maybe a few years or could be more than that. We are trying to settle this with them, but that it's a lengthy process. So I'm not expecting any dues on WEPL to come in even this year and maybe even next year.
- Sumit Kishore:** Okay. And what is the total quantum of the claim?
- Manish Mohnot:** No. So we might not be able to quantify that today because we have a lot of arbitration claims, which we have won and there are some claims which are under process. So the quantification is difficult, but we believe there might not be a large amount or any amount of equity hit, which might come on this project.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** Parikshit Kandpal from HDFC. So my first question is on the domestic. So if you can give us the breakup of the T&D order book in domestic and international, and also the breakup of the prospect pipeline in the T&D both international and domestic.
- Manish Mohnot:** So you want the order book as of September '25, right? T&D order book as of September '25 is closer to ₹10,000 crores, excluding L1. If you look at the international order book, that's approximately ₹ 16,000-odd crores as of 30th September '26. Sep'25, my mistake.
- Parikshit Kandpal:** And sir, also, if you can give us the breakup of the prospect pipeline of ₹ 1.5 trillion, which you highlighted, both domestic and international?
- Manish Mohnot:** So of the ₹1.5 trillion, which we are looking at it, more than ₹50,000 crores to ₹55,000 crores of orders, I think, would come under TBCB bidding itself in the next 3 to 4 months, which includes 2 big HVDC order and 2 large orders in Southern India. So that itself would be in the range of ₹ 50 odd thousand crores plus a few more orders, which are already shortlisted for tendering.
- The balance would be international with a lot of focus on Middle East, LatAm, excluding Brazil, Sweden and neighboring countries and Africa. But our focus would be primarily on domestic LatAm and Africa and Europe, not as much on the neighboring countries.

- Parikshit Kandpal:** So can you just -- on the 2 HVDCs, which are these HVDC, sir, if you can help us.
- Manish Mohnot:** There's one in Gujarat and there's one in Southern India. I don't have the exact names of those lines, but there's one more coming up in Gujarat, which is connecting Gujarat Rajasthan and one in Southern India. I'll be happy to give you those details. Maybe my team can do it or you can - it's already on the REC and PFC site. If you look at it, you'll get those.
- Parikshit Kandpal:** But okay. Understood, sir. So my second question is total on the Saudi expansion, which you mentioned. So what are the areas beyond the pipeline project which you currently have and the T&D which you do? So what are the other areas you're looking at? And how big the opportunity is that? And what kind of conversions we can see over the next 2 to 3 years coming in incrementally from these geographies?
- Manish Mohnot:** So I think our focus on as far as the Saudi market is concerned, continues to be on 3 areas. One is oil and gas itself. We are doing a large project, and we'll continue to make sure that we are in that leadership position there. Second, T&D, we have a few projects going on right now, which are all getting completed in the next 6 to 9 months. So we would like to take some more projects. And third is solar EPC, where we are looking at one large opportunity in Saudi Arabia.
- Which hopefully will have that clarity coming in soon. So that's also an opportunity which we are looking at. So right now, as far as Saudi is concerned, we have all 3, oil and gas, transmission as well as solar EPC. We're also exploring some projects in the water business, but it might take some time. It might not happen in the next 6 to 9 months, maybe after that.
- Parikshit Kandpal:** And this one large opportunity, if you can quantify how big is it?
- Manish Mohnot:** No, it might be difficult for me to quantify it today, but I can tell you it's already included in our L1 opportunity, which we have declared.
- Parikshit Kandpal:** Okay. So waiting the conversion, allowing to come in. Just on Linjemontage and LMG and Fasttel. So you can help us understand on the revenues which you have disclosed. So what has been the EBITDA and the PBT margins on these 2 entities?
- Manish Mohnot:** So on Linjemontage, we have seen a very healthy growth in this quarter, which we have expected to be very good. So if you look at Linjemontage number in terms of revenue, we have touched in revenue of closer to ₹ 1,500 crores in H1, a growth of more than 50%.
- On EBITDA margin in H1, Linjemontage has done in excess of 7.5% and PBT margin closer to 7%. As far as Fasttel is concerned, the quarter saw revenue of approx.. and first half saw a revenue of ₹ 370 crores. It's much lower than what we had projected. And on an EBITDA and PBT, Fasttel continues to be negative. We have had some hits coming on some projects, and it continues to be negative.
- Parikshit Kandpal:** And just the last question around JJM receivables. So now what are the overdue receivables, which is yet to be collected? If you can help us quantify in case if they would have got realized, so what should have been our debt position? Just wanted to get a sense on that.

- Manish Mohnot:** Sure. I'll ask SKT to respond.
- S K Tripathi:** Parikshit, this is SKT. So total receivables from the last quarter, they have gone up by about ₹ 125 crores. As the end of the quarter 1, we were roughly at about ₹ 1,427 crores. And today, we stand to almost ₹ 1,551 crores. Out of that, highest is in UP, which is ₹ 737 crores.
- And the next one is the Orissa is about ₹ 330 crores. Jharkhand is about ₹ 246 -- and out of the 5 states, there is no movement, particularly in UP and Jharkhand. Otherwise -- so in this quarter, we collected about ₹ 420 crores and majority of this, it came from the MP and Orissa. So in nutshell, we have gone up by ₹ 125 crores during the quarter in spite of collecting ₹ 420 crores, yes.
- Parikshit Kandpal:** So is it right to understand that if I club both UP and Jharkhand, which is about ₹ 983-odd crores. So this is the overdue. I mean, beyond the time, I mean, this should have actually come in now. So this is as of now maybe beyond 180 days receivables?
- S K Tripathi:** No, no, they are more than that. Maybe out of this, 50% is more than 8 to 9 months, right? So in case of UP, we have not got our due payment from almost 15 to 16 months. It is so in nutshell, these 2 states, you can say more than a year, in fact.
- Parikshit Kandpal:** If this had come on time, our debt should have been lower by at least like ₹ 800 crores, ₹ 900 crores?
- S K Tripathi:** Yes. So if you look at the debt number and the water receivable, they match with each other.
- Parikshit Kandpal:** So what are you doing? I mean why this -- I mean, why UP is not paying or Jharkhand is not paying. So what are the challenges? And you keep -- you must representing it, but what are the challenges? Are they not getting funds or Center not giving them money? So what is the challenge, if you can help us understand that?
- S K Tripathi:** Yes, yes. So UP and Jharkhand, they are 2 states. And JJM -- and these are the receivables, which are part of the JJM, where the major funding has to come from the central government. Now in UP, about 15 days back, there was a meeting even at a CM level, where he assured that they will do some funding from the state.
- So in nutshell, if states which have some money, they are paying from their own corpus. Otherwise, they are waiting for the central government to support the project. Now central government, maybe at this point of time, they have different priorities. Also in the JJM at a nation level, there is a cost overrun, which at the cabinet and the PMO is yet to approve.
- Now because of this non-approval process from the central government, the money is not flowing to the states and then the bills are kept pending. This is a real situation. Now representation as the industry through the SHM, there is a representation to the ministry. At a CM level, there was a discussion. from FICCI, there is a representation. So UP, about 15 days back when we met CM, he assured that after Deepavali, the state government will fund about ₹ 3,000 crores.

Their outstanding in UP alone is about ₹ 18,000 crores. For all vendors. They will similarly, in case of Jharkhand, the total outstanding to the contractor is about ₹ 4,000 crores. Now Jharkhand, they are not at all ready to support any even a single rupee from the state government.

You can understand why. And they will wait till the time the money comes from the central government. Now there is a but some of the states like MP and the Orissa, they are paying from the state coffer and the central government will pay them later.

So this is where exactly, but I think there is enough pressure created by industry in UP and Jharkhand. And we are hopeful something should happen in this quarter, but we can believe only when it happens.

Manish Mohnot: And just to add to what SKT said, Parikshit, our focus continues to be in completing whatever civil projects we have a 50% plus because we have taken a call that while we might not supply additional materials, but at least the civil portion of all these projects we are completing, we are not worried about the money because central government-funded projects, the money will come sooner than later, but the delays impact the margins in a big way. So and that's why we've been funding these projects to make sure that we complete as many projects as many we can.

Parikshit Kandpal: Okay. And Manish, just one last question on the margin. So now trajectory-wise, when do we see that we reach closer -- cross 9% when do you expect we cross -- look at crossing EBITDA margins at 9% and moving more towards high single digit, moving towards double digit. So is there any possibility in the near future or now it's a thing of the past?

Manish Mohnot: Parikshit, on a lighter note, we have been saying PBT margins 50 basis point plus and which we are nearly on track. We should be doing better than that going forward. If you look at it on a totality basis, we have also in the current quarter, provided for around ₹30 crores of warranty guarantee provision.

And if you give impact of that, we are already at those levels where we want to be. So let me not go ahead and commit anything at the EBITDA level. But on PBT level, I believe that margins should only go up from here. I don't see any reason why it should come down on an annualized basis in any form. And we are on track to achieve that 50 basis points plus improvement in the current year also.

Moderator: The next question comes from the line of Amit Anwani from PL Capital.

Amit Anwani: My question pertains to, as you highlighted that the margins will go up from here and this year also, you're expecting 50%. So wanted to understand considering the current order book and the pipeline of ₹ 150,000 crores in T&D, what sense you're getting in terms of the favorable mix change and over the next 2 years, will we be towards double-digit margins in especially T&D?

And in the overall improvement, is it only T&D where we are seeing improvement since we are -- or the other segments also since we are facing headwinds in water, railways. So just a sense what will be driving this, basis your understanding on the current pipeline also?

Manish Mohnot: Sure. So Amit, first, so that we have clarity, we have targeted for minimum 50 basis points improvement in PBT for the current year as a whole. I'm not saying further 50 from here. It's from what we started is what we have targeted for the year. As far as the business EBITDA is concerned, our B&F and T&D business, both in totality are at a closer to double-digit level.

So Building and Factories business, T&D business and Oil and Gas business, all 3 are at double-digit level, more in the range of 9% to 11%. Some of the other businesses for reasons we discussed earlier in the call, are at lower margins. And I think these 3 businesses will continue to be in this range given our current order book and visibility going forward.

Amit Anwani: Understood, sir. Sir, with respect to the international pipeline, which you talked about almost ₹ 1,00,000 crores, how much should be Middle East? And like we already won one large order, I think, some time back. Are these lumpier orders in Middle East? And will this be the high-margin orders? And some more color on the Middle East pipeline, if you could provide?

Manish Mohnot: Amit, as I said earlier, I think there are a lot of tenders in Middle East, Abu Dhabi, Saudi and some connectivity projects and solar EPC projects. Our philosophy on Middle East projects have always been that the projects in terms of margins might not be the best, but are very good from a revenue and delivery ROCE perspective.

As far as and when I say not very good, they might not compare to, let's say, an Africa or a LatAm project, which we have won at Guyana or Chile or any of them. So in totality, I think if you look at the international order book also, we are focused on that double-digit margin, and we are targeting that. And Middle East, in totality might be slightly lower than double digit, but reasonably good ROCE numbers because the projects get done very quickly.

Amit Anwani: Understood, sir. Sir, lastly, on the railway business, and you have been highlighting in the past also that we'll be focusing for a few international railway orders and also the value-added metro orders in domestic market. Some color, if you could, so are we progressing there? Anything in pipeline in terms of domestic, international market, which can really change the things in railways?

Manish Mohnot: So while we continue to explore a lot of opportunities in railway, we've not had any significant developments to say that something is visible in the near future. We have submitted PQs in a few countries. We've got qualified also. But from a 6 to 9 month perspective, I would say nothing is visible as of now on the railways international front.

Moderator: The next question comes from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Sir, firstly, on the international subsidiaries. So how do you see the growth in Fasttel in the next couple of years?

Manish Mohnot: On the Fasttel front, I'm not very bullish in terms of growth. We've had some challenges at Fasttel and delivery as well as some delays and some client issues and all of that. So as far as Fasttel is concerned, we're not running for growth in any form. We are focused more on stabilizing that business and coming back to profitable numbers instead of losing money. So if

you ask me from a KPIL's perspective, next couple of years, Fasttel will degrow and not look at growth in any form.

Vaibhav Shah: And LMG?

Manish Mohnot: LMG, we continue to stay bullish. The current year itself, we are looking at a growth, which is more in the range of 30% to 40% and improved margins. That business, given the visibility on order book, I think a double -- 20%, 25% growth from a 2- to 3-year perspective should be very easy.

Vaibhav Shah: In terms of margins, what could be the stable margins for the LMG business, say, in next 2 to 3 years, given the strong growth?

Manish Mohnot: So I think at a PBT level, that business looks like easily, we should be doing anywhere between 6.5% to 7.5% in the Linjemontage at a PBT level.

Vaibhav Shah: Okay. Okay. Sir, secondly, what would be your order inflow guidance on a consolidated stand-alone basis for FY '26?

Manish Mohnot: So I think we stick to our guidance of ₹ 25,000 crores plus on a consol basis for FY26. And normally, on order inflow, we normally give guidance on a consol basis only. So that number of ₹ 25,000 crores plus, I think, given that we have already received around ₹ 150-odd thousand crores, and we are favorably placed in ₹ 5,000 crores, I think we should be surpassing that ₹ 25,000 crores, but I'll be able to revise that guidance, if at all, in December, January.

Vaibhav Shah: Okay. And sir, what has been the funding for the BOOT portfolio in second quarter? And for the entire year, what are we expecting?

Manish Mohnot: I think my colleague is just telling me it's less than ₹ 20 crores what we have funded in the first 6 months. It's hardly any funding, which is required. And now that we're pretty confident that we're working hard to get the approval in November, December, we should be positive as far as road assets are concerned because we're pretty confident before March '26, our VEPL transaction should be done.

Moderator: The next question comes from the line of Balasubramanian from Arihant Capital.

Balasubramanian: For Shree Shubham Logistics, the plan is to sell 2 to 3 warehouses. What is the expected net debt reductions from these sales? And what is the carrying value of these assets on the books?

Manish Mohnot: So I think if I look at it from a debt perspective, on Shree Shubham Logistics, the external debt is now reduced to a number of closer to ₹ 90 crores. Our target is to bring this -- reduce this by at least a further 50%, get it to levels of ₹ 40 crores to ₹ 50 crores by the year-end.

And we're working on that direction by selling some warehouses. We will continue to focus on reducing that debt as we go forward. And hopefully, by the end of next year, the debt -- our external debt should be closer to 0. I'm not exactly aware of the gross book or gross value of assets, but I can ask you to connect to my team who can give you the exact gross book value of the fixed assets in the Shree Shubham balance sheet.

- Balasubramanian:** Sir, for the Oil and Gas segment, I think we are qualified with Aramco and ADNOC. And could you please quantify the size of the quantified big pipeline and the typical margin profile we are looking at in those oil and gas segment?
- Manish Mohnot:** I'll just ask my colleague, Amit to respond to this question.
- Amit Uplenchwar:** Yes. So Bala, we've got several projects where we are now qualified between Saudi and ADNOC and some of the other geographies in the Middle East. Some of these tenders which were planned for middle of this year are getting pushed towards Q4 or probably Q1 of next year because of volatility in prices of rent and the crude prices.
- So let's see where that goes. But the qualifications are in place. Tenders are expected either by Q4 or first half of next year. So we'll be able to give a better view then. But from a pipeline perspective, there doesn't seem to be any issue with number of projects that are planned in the next 2 to 3 years in the Middle East.
- Moderator:** The next question comes from the line of Bharat Sheth from Quest Investment Advisors Private Limited.
- Bharat Sheth:** Congratulations, Manishji and the team for good numbers.
- Manish Mohnot:** Thank you, Bharat Bhai.
- Bharat Sheth:** We have already got, I mean, clarification on all business verticals, except building and factories. How do we see, I mean, the way real estate also, I mean, again, reviving as well as a lot of commercial and data center things are coming. And what I understand, real estate also requires a lot of capex. So how do we think about it from a 2 to 3-year perspective? ?
- Manish Mohnot:** So Bharat Bhai, first of all, we continue to stay very bullish on this business on all aspects, right? One is our capability and competency to deliver on large projects. Now we have 2 or 3 projects, which are like 10 million square feet and above design build. Second, our ability to work with large marquee clients in the country, right.
- There are 5 or 6 clients who constitute more than 75% to 80% of our order book. And third, we have a very good capex base, which we can use it again and again. So we built this capex over the 5 years. So incrementally for the growth, we don't need to put in similar kind of capex.
- So with the combination of a great team on delivery, great opportunity in all sectors, whether it is residential, commercial, airports, data centers and industrial projects, a history of working with the large clients very, very well and a great balance sheet, I think we are very bullish on this opportunity.
- So I do not see this business doing less than double digit on EBITDA, and I do not see us growing at less than 20%, whatever happens, even with those challenges on labor and all of that. So in a nutshell, I think -- and you can see in the last 18 to 20 months, our 90% order book has come only in 2 business, building and factories and transmission. And we're very happy with

that because from a resource allocation perspective, we believe this is the best time to give resources to both the businesses where the return ratios look very, very attractive.

Bharat Sheth: Am I audible?

Manish Mohnot: Yes. Now.

Bharat Sheth: Sir, one bookkeeping question out in this quarter, our other expenses should have almost double Y-o-Y as well as Q-o-Q also, it has gone up. So is there any one-off there in the expenses?

Manish Mohnot: I'll ask CFO Ram to respond to this question.

Ram Patodia: Bharat, the costs have gone up because of the manpower. There are certain costs which is...

Moderator: Sorry to interrupt you, sir, but you are not audible.

Manish Mohnot: Okay. Sorry. Okay. Let me just quickly help on this one. So first, there isn't any one-off expenses which have come in Bharat Bhai. Previous year, we had some gains coming out of forex mark to market, which were there in other expenses.

And that impact this year, there's no gain. That impact is closer to ₹ 90-odd crores. which was more on -- so otherwise, there's no one. Second, there's rent expenses, which has gone up primarily on the Saudi project, which comes in other expenses, and that's a big, big impact. Otherwise, there's no one-off.

Bharat Sheth: Thank you and all the best sir.

Moderator: The next question comes from the line of Abhijeet Singh from Systematix.

Abhijeet Singh: Sir, I wanted a state on the order book of Middle East between oil and gas, renewables and other segments.

Manish Mohnot: So right now, in Middle East, Abhijeet, we have only oil and gas and transmission. My oil and gas order book approximately should be in the range of \$600-odd million, so let's say, around ₹5000 -odd crores.

And as far as my transmission order book is concerned, which includes Saudi, which includes Abu Dhabi, which includes Iran and Kuwait, it should be in the range of \$150-odd million. So let's say -- so total would be more in the range of ₹6,500 crores. I could be off by a few hundred crores but should be in range of ₹ 6,500 crores to ₹7,000 crores.

Abhijeet Singh: So you said 5,000 and 2,000?

Manish Mohnot: Yes 1,500 to 2,000. I'm talking of unexecuted order book. I'm sure you're looking at that only.

Abhijeet Singh: Yes, sir. Yes, sir. And sir, what is the outlook on both of these segments in that particular geography going forward? And the reason I ask this question is that Middle East, especially

Saudi and a few of the larger economies there, they are looking at a significant expansion in their gas evacuation capabilities and other infrastructure, right?

Also, a lot of orders are coming in for T&D segment? So in that context, I'm assuming the growth should be pretty robust in that particular geography. So if you can throw some light on this aspect?

Manish Mohnot:

So Abhijeet, I think my colleague, Amit did speak about this just a few minutes ago, but I'll repeat that just for the sake of clarity. While we continue to be bullish on the sector, we still are cautious because some projects have slightly got delayed given that oil prices have come down. From a long-term perspective, we believe that there's huge opportunities coming in Middle East.

Even in the short term, at least in transmission and a few large projects in ADNOC, we see some opportunities coming through. So it's a mix kind of thing. But today, we have around ₹ 7,000 crores of opportunity already there, which we have to deliver over the next 2 years. We continue to be focused. We continue to be cautiously optimistic on these opportunities.

Moderator:

The next question is from the line of Ms. Bhoomika Nair from DAM Capital Advisors.

Bhoomika Nair:

Yes. Sir, just on Linje, I just wanted to understand how is the outlook out there, and we were looking at some fundraising opportunities. If you can just throw some color on ordering activity there? What are the prospects?

How are we looking at that business because we've seen a very strong momentum this year, both in terms of revenues, and I think also profitability has picked up quite a bit. So if you can just talk on that part of the business a little more in detail?

Manish Mohnot:

So Bhoomika, I think we continue to stay bullish as far as the opportunities at LMG are concerned, one in Sweden and the neighboring countries also. We are among the top 3 players today in that business in the T&D space and have a very good team, which is delivering on across all projects, whether it is transmission, substation or services.

Our growth in the current year has been exceptionally good, and we believe that next 2, 3, 4 years, that opportunity is intact, and we'll only grow one way. As far as margins are concerned, I think that those are mature markets where a PBT of 6% to 7% is very reasonably good because the ROCE numbers are very, very high and they are cash positive always. So we believe that margins should stay in that range of 6.5% to 7.5%. Growth is visible and good growth is visible and with very high ROCE.

As far as the fundraising options are concerned, as we had said earlier, we have appointed advisers to look at fundraising options. We are in continuous dialogue with them. And at an appropriate time, once we have decided the path which we are choosing, we will communicate back to all of you.

We are continuously exploring opportunities of fundraising there. And I believe that in '26, '27, we should see some light in terms of getting some valuation of fundraising in whatever form we can.

Bhoomika Nair: Okay. Got it. Got it. Sir, the other thing is in terms of working capital, despite the strong execution in the first half, we've not really seen working capital kind of rising and that has also been in control. Now as we continue to see further momentum into the second half and perhaps some uptake from more of the water railways, etc, how do you see the working capital for the rest of the year and the year-end debt looking like per se?

Manish Mohnot: So on working capital, Bhoomika, I think we continue to stay on a target of less than 100 days for standalone and less than 90 days on consol or less than 85 days on consol. Obviously, these numbers could look very different if we get majority of our collections coming in from water, but I don't want to be overoptimistic at this date.

As SKT said earlier, as and when the money comes, it would have a direct impact on working capital. I think we will stick to our given numbers at the year-end of less than 100 days and debt numbers should improve -- shouldn't go deteriorate from here because typically Q3, Q4 debt only improves. But given the growth, it might slightly be in a similar range, not significantly up, not significantly down.

Bhoomika Nair: Got it. Got it. And I know this was discussed to a certain extent earlier in the call in terms of the margin profile. As we're seeing more T&D-led execution, should we see margins further improving maybe obviously, at the PBT level, we are looking at an improvement. But more at the operating level, can we see margins going back to that crossing a 9% level over the next 1, 2 years? Or you think right now, the mix is quite diverse, which will not allow us to kind of cross that level?

Manish Mohnot: So I think the margins would definitely improve, right? And I have no ts about it because the order book, which has been built over the last 2 years is much better than the order book which we had built earlier.

Would it go up from here? It's definitely yes. Can it go to 9% plus levels getting into next year? It sounds feasible, but let's just come back to you at the end of the year with exact numbers. But definitely, it should be going up only, and I don't see any reasons on this current order book for margins to be lower.

Moderator: The next question comes from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Sir, a couple of clarifications. You mentioned that last year, there was a one-off in the margins, some FX gain. So what was the amount?

Manish Mohnot: No, I did not mention of an asset sale last year. I mentioned about gain, not in margin. It was in other expenses. There was some FX gain, which was closer to -- so just to give you a perspective, the forex loss in H1 FY26 is around ₹ 29.7 crores and forex loss in Q2 FY26 is ₹ 35.5 crores. So forex gain in H1 FY25 was ₹ 66.6 crores.

So the delta between ₹ 66 crores and ₹ 26.6 crores is around ₹ 90 odd crores. There was a gain of ₹ 66 crores previous year in the first half. There's a loss of ₹ 29.75 crores in Q2, in the first half of this year.

So the delta is around ₹ 90 crores in other expenses. But just so that we are very clear, this gain and loss directly does not hit P&L, it goes through hedge reserves. So it's only in other expenses, but does not directly hit P&L in a larger perspective.

Vaibhav Shah: Sure. And sir, were there any provisions in Q2?

Manish Mohnot: Provisions in terms of what warranty guarantee, I've already said that we have created a provision of closer to ₹ 30 crores in Q2. In half 1, our warranty guarantee has increased by ₹ 60-odd crores, right ₹ 70 crores.

Vaibhav Shah: So ₹30 crores is in other expense?

Manish Mohnot: The ₹30 crores would normally at in other expenses, it's in erection expenses.

Moderator: The next question comes from the line of Deepak Purswani from Svan Investment.

Deepak Purswani: Sir, just wanted to check it out recently, there has been a spike in some of the commodity prices, especially copper and aluminum. So in this context, if you can also give us a sense in terms of the margin profile, what is the fixed price contract firstly in the current order book? And is there any margin impact we are expecting because of this? And on an incremental basis, how should we see the margin profile because of the rising commodity price?

Manish Mohnot: So I think in totality, if you look at the order book, it's as of now, 50% fixed and 50% variable when I look at the consol order book. As far as specifically on commodities are concerned, today on aluminum, we are hedged at 90% plus of whatever orders we have, including some L-1 orders, which we are definitely sure to get.

We are hedged at 90% plus. So I believe the impact of any increase in aluminum at any levels would be very, very minimal, if not closer to 0 because this aluminum needs to be delivered over the next 2 to 2.5 years. Also on the copper front, our exposure is very, very minimal because on copper front, our railway order book is minimal and there's not much exposure, and we are nearly hedged on that also.

So if you ask me personally, from aluminum, zinc and copper perspective, the impact on margins might be very, very minimal. As far as steel is concerned, we have not seen much volatility in the last 12 to 15 months in terms of increase in price. So I don't think that should also have an impact on our profitability in any form.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments. Please go ahead.

Bhoomika Nair: Yes. I would like to thank all the participants for being on the call, and thanks a lot to the management for giving us an opportunity to host the call. Thank you very much, sir, and wish you all the very best.

Manish Mohnot: Thank you very much, everyone.

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

Manish Mohnot: Thank you.