



“KEC International Limited
Q2 & FY '26 Results Conference Call”

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LIMITED
MR. RAJEEV AGARWAL – CHIEF FINANCIAL OFFICER
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Moderator: Ladies and gentlemen, good day, and welcome to KEC International Limited Q2 and FY '26 Results Conference Call. We have the management from KEC International Limited joining us today. Mr. Vimal Kejriwal, Managing Director and CEO; Mr. Rajeev Agarwal, Chief Financial Officer.

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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Vimal Kejriwal. Thank you, and over to you, sir.

Vimal Kejriwal: Thank you, Danish, and good morning, everyone, and welcome to the Q2 earnings call of KEC. Let me begin by sharing an overview of our financial performance of the quarter and H1, along with the highlights of their respective businesses.

We have delivered a good performance this quarter, achieving record revenues in Q2, substantial growth in profitability and strong momentum in order intake especially in the T&D business. Our top line witnessed healthy growth with revenues of INR6,092 crores in Q2 FY '26, reflecting an increase of 19% Y-on-Y primarily driven by a robust execution in our T&D business, both in India and international.

With this, we have achieved a revenue growth of 15% for H1, which is in line with our guidance for the year. Aligned with our strategic focus that T&D segment's contribution to overall revenues increased to 65%, up from 55% in H1 last year.

Our EBITDA has grown by 34% in Q2 and 27% in H1. EBITDA margins for Q2 increased by 80 basis points to 7.1%, up from 6.3% in Q2 FY '25, while H1 margins rose by 60 basis points to 7% from 6.4%. Interest expenses as a percentage of revenue have reduced by 50 basis points in both Q2 and H1 resulting in an interest cost of 2.8% for Q2 and 2.9% for H1.

We have significantly enhanced our bottom line with a remarkable PBT growth of 88% in both Q2 and H1. PBT margins increased by a good 130 basis points in Q2 to 3.5%, vis-a-vis 2.2% last year and increased by 100 basis points in H1 to 3.3%, vis-a-vis 2.3% last year.

We have achieved a PAT of INR161 crores in Q2 and INR285 crores in H1. The growth in PBT and PAT continues to outpace EBITDA. We have a clear emphasis on profitable growth, not just top line expansion. Our profitable growth continues to outpace revenue growth.

In terms of order intake, we are pleased to share we have achieved a record YTD order intake of over INR16,000 crores reflecting a healthy growth of 20% Y-on-Y. Notably, a substantial 75% of this order intake has been secured by our T&D business across India and the international markets.

Additionally, we hold L1 position of INR5,000 crores, again primarily in the T&D segment. We have a well-diversified and strong order book of over INR39,000 crores as on date, including the L1 position, our order book and L1 stands at a record level of INR44,000 crores.

Coming to our debt levels, our net debt including acceptances stands at INR6,480 crores as on 30th September vis-a-vis INR5,265 in the previous September. The increase in debt level is on account of strong revenue growth, increase in strategic inventory due to benign commodity prices, delayed release of payments in water projects and spillover of certain large collections, which happened in the subsequent months. We expect the debt levels to normalize going forward.

Coming to our specific businesses. Our T&D business continues to be the key growth engine in this quarter, delivering revenues of INR4,080 crores, a remarkable growth of 44%. This stellar performance reflects our strong execution capabilities across multiple geographies. That business continues to maintain in its profitability momentum with double-digit EBITDA margins.

On the order intake front, the business secured orders of INR12,000 crores across India, Middle East, CIS and the Americas. The T&D business has expanded its geographical footprint by securing its marine order in a new country in the CIS. The business has also secured two landmark orders in the Middle East which includes our largest ever EPC order of over INR3,100 crores in the UAE, our largest ever substation order of over INR1,000 crores in Saudi Arabia.

These prestigious orders in the Middle East have widened our portfolio and client base and further solidified our leadership in the region. In India, the business has secured multiple orders from various clients. We continue to build a strong presence in the promising HVDC segment, having backed another significant order this quarter from a private developer.

We are currently executing 5 HVDC projects, including a major converter station project spread across three locations and four transmission line projects. We have significantly increased the share of private sector orders in our India T&D order intake this year.

It gives me a great pleasure to share that this year marks a significant milestone and we celebrate 15 years of SAE acquisition, a journey that has redefined our global footprint and set new benchmarks in the transmission industry.

Over the years, SAE has grown not only in scale, but also in capability, innovation and operational excellence. I'm delighted to share that SAE continues to perform strongly with revenues of INR429 crores for the quarter, reflecting a robust 35% growth.

In Brazil, we continue to witness good traction in hardware orders. We have further strengthened our operational capabilities through the installation of new robotic equipment at our manufacturing facility, which will enhance production capacity and improve efficiency.

In Mexico, the business continues to experience steady order momentum supported by a positive outlook in the North American T&D market, further aided by the US tariff and the rest of the

world. Overall, SAE continues to deliver steady profitable growth backed by healthy order inflow and a robust order book plus L1 position of over INR2,300 crores.

We are making notable progress with expanding our tower manufacturing facilities. Following successful capacity enhancements at our plants in Dubai, Jaipur and Jabalpur. The expansion of our Butibori facility in Nagpur is underway and is expected to be completed by this year-end. This positions us well to meet the increasing demand for transmission infrastructure in both the domestic and international markets.

The overall tender pipeline in T&D continues to be healthy in both domestic and international markets. In India, the government thrust on renewable evacuation corridors, green energy transmission and intraregional interconnections is creating a robust pipeline of opportunities.

Several large intrastate projects earlier executed by state utilities have now transitioned to the TBCB route, attracting considerable interest from private developers and utilities. This shift is opening up a new and promising market for us.

On the international front, the market outlook remains highly promising. The Middle East continues to be a key growth engine with major transmission initiatives underway in Saudi Arabia, UAE and Oman.

Additionally, we are pursuing opportunities across Americas, CIS and Africa. With a record order book and L1 in T&D of almost INR29,000 crores, we are confident of delivering significant growth in this business.

In Civil, we delivered revenues of INR968 crores for the quarter. The revenues could have been higher, but for the prolonged monsoon in certain regions, labor shortages and delayed payments in the water segment.

While the labor situation is gradually improving, it remains below desired levels. We continue to adopt a calibrated approach to the execution in water projects given the current payment scenario in this segment. The business continues to strengthen its order book with multiple orders of INR3,000 crores in the Buildings and Factories vertical from reputed clients.

In a key strategic achievement, we have further expanded our presence in the factory segment by securing an order for civil and structural works for a thermal power plant and thereby widened our customer base with the addition of a marquee client.

The business also strengthened its footprint in the residential building segment with a repeat order from an existing marquee client. With a gradual improvement in the labor situation, steady collections from water projects and a large order book and L1 of over INR10,000 crores, we are confident in the Civil business will see good growth in the coming quarters.

The Transportation business recorded revenues of INR425 crores for the quarter. The focus remained on timely execution of new orders and completion of ongoing projects. The quarter was marked by two landmark projects inaugurated by the Honorable Prime Minister, the

Beleghata-Hemanta metro station in Kolkata and The Vanchi Maniyachchi-Nagercoil railway doubling in Tamil Nadu, where KEC played a key role in the successful execution.

The business has secured two more orders for the TCAS under KAVACH in partnership with our JV partner. The business has successfully implemented KAVACH across 482 kilometers and is currently deploying the, KAVACH system on additional 2,000 route kilometers of rail network.

The advanced rail protection system will significantly enhance the safety, reliability and speed of railway operations. We expect to secure additional orders in this segment. We are actively pursuing international opportunities.

With an order book and L1 of over INR3,000 crores in railways, our strategic priorities remain clear. Fast track completion of existing projects, optimize working capital and selectively bid for high-quality margin accretive opportunities in both domestic and international markets.

Our Cables business has achieved healthy revenues of INR524 crores, a solid growth of 19% year-on-year. The profitability of this business is also witnessing a gradual improvement driven by better product mix and cost optimization.

Our capital investment for E-Beam and Elastomeric cables is progressing as planned, and we expect commercial production to commence by the end of this year. This plant will cater to high-performance applications across defence, automotive and railway sectors where superior durability and thermal resistance are critical.

Our renewable business has achieved revenues of INR190 crores. We are currently executing two large solar projects in Karnataka and Rajasthan. The 500 megawatts solar project to Karnataka is scheduled for completion this quarter and the 500 megawatts solar in Rajasthan is expected to be complete early next year.

We continue to bid for select opportunities in solar, wind and BESS. The oil and gas pipeline business is well placed to secure its 3rd international order for a pipeline laying project in the Middle East. Following sustained efforts, the business has secured prequalification from a leading Middle East utility or pipeline projects. A key milestone in our international growth journey for this business.

Given the subdued domestic tender pipeline and the heightened competition, the business continues to strategically focus on expanding its global footprint. Overall, we are pleased with our consistent revenue growth, improving trajectory of our profitability and momentum in order intake.

With a strong focus on execution, expanding capacity, a robust and diversified order book and L1 of over INR44,000 crores and the current tender pipeline of over INR1,80,000 crores, particularly in T&D and Civil, we are well positioned to deliver sustained profitable growth in the coming quarters. Thank you so much. We are now open to take questions.

Moderator:

Our first question comes from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar:

Congrats on a decent set of numbers. My first question is, sir, of course, the domestic T&D order has been pretty strong in the first half. But are you seeing the domestic T&D order prospect declining because the tariff-based competitive bidding has been lukewarm in the fiscal? Or is the opportunity remains strong because the bidding activity happened in the last couple of years and the ordering is still to be done?

Vimal Kejriwal:

I think, Mohit, you have hit the nail. Clearly, I think in the first quarter, the ordering was low. Second quarter, the ordering has picked up, okay? And we are seeing some interesting orders, which we got in the last, I'll say, a month or 2.

And also, we are now seeing some ordering -- some, I'll say, finalization happening towards the South side, Kakinada and Tuticorin and all those of these things. And the other piece which I earlier -- which I mentioned in my speech is on the intrastate where many orders -- many projects which would have otherwise been executed by the state utilities have moved to TBCB.

In fact, we are L1 in one of them in the recent one. And that's an area where we were not there because I would not have typically bid for intrastate projects. So more than intrastate, I think intrastate is also an interesting area. So I don't think we should see a major, I'll say, downside in ordering.

Other thing is that the major orders which have been awarded, TBCB, which have been won, let's say, an HVDC in Gujarat and others, and there are large orders coming in from some private clients which are outside TBCB.

We announced one of them some time back, are also due for finalization now. So I think in this quarter, you see a lot of finalization happening on TBCB plus intrastate. So I don't think we are worried or concerned about domestic order going down. No.

Mohit Kumar:

Understood. My second question is on the Water segment. What is the Water segment dues at the end of September '25? If I remember the number correctly, at the end of March '25, it was INR1,000 crores odd, right? And are we still executing on the projects or the progress has been pretty slow?

Vimal Kejriwal:

So Mohit, I don't have the exact number, but I think our dues are around INR850 crores or around INR900 crores, INR875 crores. Yes. So our dues are around INR875 crores and they have generally been constant. Even in March also, they were INR850 crores, INR825 crores.

So they would have gone up by INR40 crores, INR50 crores generally, which I think we should be getting it now. With the policy which we have been following is that it's almost like cash and carry. Whatever money we get, we reinvest and execute the projects.

So we are not increasing the exposure in any significant manner, marginal exposures may go up or down. And we are in 2 states, Madhya Pradesh and Orissa. Madhya Pradesh is virtually, I'll say, online on all the payments. Orissa has been slow. We -- but we did start getting some payments from there for a long time. So I think we are -- are we happy? We're not happy with it.

In fact, that's one the reasons why the Civil revenues have gone low or lower than the last year because we did slow down. We're expecting it to pick up. But let's see, the discussions with the Jal Jeevan mission in both center and the states has been slightly more positive than it was before, and we are seeing some trickle happening even in Orissa.

Moderator: Our next question comes from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Congratulations on a decent quarter. Sir, my first question is on the comment which you made earlier in the call that T&D business is tracking double-digit margin. So if I look at the numbers, so double-digit margin, the H1 revenue contribution, so EBITDA would have been about INR722 crores from the T&D business, even at 10%.

That means rest of the business has just delivered an EBITDA of INR58 crores, which is 1.5% EBITDA margin. I'm assuming that Cables and Civil would be doing much better. So where are the major losses coming on the margin side, sir, if you can help us understand that?

Vimal Kejriwal: I don't have the exact numbers, but you are more or less on track, okay? I think the problem which we had is more on the Civil side also because of the heavy rainfall and slowdown in some of the projects. And also, we have factored in a little bit more of water. So Civil is at significantly lower single-digit margins.

So it's a combination of Civil and Railways. Cables, I don't have the exact number, but it would be more than -- it could be higher single digit, I will say, maybe 6% or something like that would be the margins. So the net margin from non-T&D would be, I don't know, close to 1% or 1.5% overall. That's the way the numbers stack up.

Parikshit Kandpal: How does it improve from here, sir? I mean, is it just the legacy orders which are running down the profitability and now with the mix improving towards better margins? So when do we see this thing changing because at the headline level, the margins are not improving, and we are still -- looks like we are still behind the trajectory of moving towards that 8% to 9% corridor and double digits to look too far away from here now?

Vimal Kejriwal: So, Parikshit, the headline numbers are improving. We said from 6.2%, we have gone up to 7.1%. And we are still looking at reaching our 8% for the year, which means around 8.8% to 8.9% for the balance H2. We still have almost 60% of our revenues coming in.

What is changing is that we have discussed it earlier that metros, especially the Delhi Metro had been a problem with us. Those projects have been completed. One of them is awaiting Prime Minister's inauguration, which is also a reason why I have a cash flow issue because a lot of money is tied up to the formal inauguration of the line.

The second one also is very close to inauguration. Once that happens, those cash flows will also come in. But the negative, which was coming from them is now getting stopped, which will add to the non-T&D margins.

Also, on the Civil side, if you notice that we have announced pretty large orders, and these are at a significantly better margins and the execution from them is starting now. So clearly, we will

see a bump up happening on the Civil margins. One is on the percentage margin. Also, the leverage benefit will come in because the revenues will go up, okay?

So I think that is what will -- this also from cables, we do expect that there will be some improvement in the cable margin also. I think all of that put together should help us in increasing our non-T&D. Also, as you rightly said that we have legacy orders and all those orders are getting closed.

Like in H1, I think we closed 7 or 8 orders in -- 7 orders in the Transportation business. So the negative from those orders beyond what we had factored is getting closed. So we do expect that we should have a better overall numbers coming in, in H2.

Parikshit Kandpal:

Okay. My second question is on net working capital now, sir. I mean we have a very high share of international, now almost 36% contribution coming from international revenues, which typically have low working capital. So despite that, why is the net working capital getting still elevated?

And we have seen peers who have high international order book, there has been contraction in NWC days. But in our case, order book is also at 45% international. So we would have received some advances. So despite that, why NWC seems to be so high?

Vimal Kejriwal:

So, Parikshit, a large amount of advances is yet to come in, okay? We have announced some very large orders in the last 2 months, and those advances will come in now. And the impact of that would be clearly visible in the Q3 numbers.

I think the difference is that if you compare the major competitors and all that, most of them have done very poorly in Middle East, okay? We have a very large order book and a large revenue coming out of Saudi, where unfortunately, there is a 20% retention, okay? And these orders had come in from the last 2, I think, 2 years or 2.5 years.

And now we have started heading for completion of many of these orders. So from now onwards, you will see a sort of a cyclical thing where advances will come in, old orders retentions will get paid, new order retentions will keep on happening.

So we do expect that with the closure of the current lot of projects, I think 7 or 8 projects we are planning to complete and close this financial year in Saudi, that will release a lot of retention. So that's -- so that is why we are slightly different from other people in the international piece. Obviously, the margins in Saudi are better, which is why we are talking about overall double-digit margin in T&D.

The second piece, I already talked about a little bit of -- on the water side. Third piece, which has not got covered is also I did allude to it in a benign commodity prices, especially in our Cable business as well as in our Transmission business.

The steel prices, especially steel has been at a lower level, INR4,000 to INR5,000 below what we had factored in earlier, which has resulted in keeping some stock with us, and it has paid us up well. So our inventories for the year would have gone up by INR250 crores, INR300 crores

as compared to what was there, and it is a very conscious decision. So that is something which has added to the net working.

And I think the last point which we have been discussing has been that if you look at our last Q4 revenues, and there was a significant increase in that revenue. So typically, most of our purchase at 180 days. And so a large amount of liabilities got paid off in around August, September.

So when you look at the net working capital, what has happened is that at some places, the AR has gone up. In other places, the payables have come down actually. So it has been a sort of, I'll say, a double whammy, if you can use that word, where AR is going up and APs have been coming down, which will get normalized.

So are we worried? Yes, we are worried that the number is beyond what we had expected. We still wanted to go to 5,000. But the good part of it, Parikshit, is if you have seen our interest numbers, our interest cost has gone down by 50 basis points where the entire benefit of leverage of 19% revenue increase has come in.

So if you even look at the 19% increase and with a typical 140 days or 130 days of net working capital, so some part of the working capital increase is also attributed to the higher revenue. I hope I have clarified it.

Parikshit Kandpal:

Just last question, sir. So now we are almost near the lifetime high debt. And also, I've seen in your cash flows, there are some entries on bad debts of INR93 crores and forex gains of INR83 crores. So just a clarification on this too. And whether -- how does one look at debt from now from here on? Is it the peak we have reached and that will directionally go down or like still there's headroom before we correct the debt?

Vimal Kejriwal:

I don't think we are looking at increasing our debt beyond this, not in our list. And as far as -- I don't know what -- Rajeev, you have bad debt? Anyway, I think just to clarify that I think we have had a significant ECL provision, okay, during the quarter as well as H1.

In fact, our overall ECL provision is now at almost a lifetime of INR475 crores, okay? That's an expected credit loss provision, which we are providing as per agreed format with our auditors and which is that number which you are looking at. We hardly have any significant bad debt write-off, okay?

Parikshit Kandpal:

I was referring to cash flow, sir. It was INR92 crores for the half year. But I think there was -- I think this was the ECL provisioning only and INR83 crores of forex gains was showcased so...

Vimal Kejriwal:

Maybe you may like to check with Abhishek on much more details, but I think that...

Parikshit Kandpal:

But on the debt, you are now sure that is the peak debt. I mean now you're not looking at like going ahead.

Vimal Kejriwal:

We expect that to be our peak debt. I think it started to come down. In the three or four larger -- large payments, which we had been discussing. Afghanistan, we have received a large money, but there was some chunk which was supposed to come from one of the lenders, which we were

hoping and there was discussion that should come in. But I think it has got delayed by some reasons.

So I think now they have moved it to Q4. So Q4, a large chunk would come in from there. I think -- plus we have got some very large advances on the order releases, which we announced, which will also come in hopefully within this month.

And there are some other payments, as I said, from Saudi retention, etcetera. So I think the debts will -- debt will come in control. Plus I talked about DMRC commissioning. So that will release a lot of cash for us.

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

Sumit Kishore: It's a very strong performance in T&D, but once again, non-T&D led by Civil has been weak. You have mentioned some of the explanations. With a decline of 14% in revenues from Civil in the first half, how should we look at this settling on a full year basis?

So how is second half going to be? That is the first question. And just a follow-up from the previous question. from 138 days of net working capital where you are now, how do you see this normalizing by the end of the fiscal in terms of number of days of sale?

Vimal Kejriwal: So, Sumit, as far as Civil is concerned, we do expect that there will be a growth of overall 10% to 12%, 15% maybe for the year. We did around INR4,400 crores last year. So we should be around INR5,000 crores hopefully for the year, okay?

And as I said earlier, the negative has basically happened because there's a very, very poor -- I'll say, not poor. We did not take any new orders on the infra side. So the entire metro revenues is now not there. Out of four projects, three have been completed.

So the revenue flow has come down. But we have announced some very large B&F orders and those orders execution has started now. So we are clear that we will be able to make up for this shortfall. And I think we are around INR1,800 crores to INR1,900 crores of revenue for the first half. So second half, we will be able to easily reach close to INR5,000 crores.

Sumit Kishore: But that would mean that you would do nearly INR3,000 crores of revenue in Civil in the second half and which would be a steep growth on a year-on-year basis. And given the margin profile of Civil is meaningfully lower, is it going to hurt your prospects of crossing 8.5% margin in second half, which is required to get to even 8% on a full year basis?

Vimal Kejriwal: Yes. So Sumit, what is also happening is that in the last 6 months, as I said, the metro projects have got almost closed where the margin profile was very poor relatively, okay? That's one thing. Also, some of the older projects have been getting closed and the newer projects with an order book what we have, the quality of margins in the newer projects is much higher -- so much higher, sorry.

So what will happen is that whatever revenues we now start getting into Civil would be at an enhanced margin levels, which is why we have been talking about overall at least 8% margin for

the full year for the entire business. Otherwise, I already mentioned that T&D is more than double digits. So we are factoring in the lower margins from these businesses when we talk about an 8% number.

Sumit Kishore: Yes, this is very clear. Net working capital, 138 days, would it go below last year on normalizing? Or would it still be on the higher side?

Vimal Kejriwal: I think, we do expect them to be at a similar level, 118, 120. Yes. So, I think we should be at least at that level. That's what we are expecting, yes.

Sumit Kishore: Sir, just one bookkeeping question. when you give the T&D order book and the fiscal year-to-date inflow, could you just give us an indication of the split between international and domestic for T&D? So that we understand how much is domestic?

Vimal Kejriwal: I don't know the exact numbers, but I think it was around INR12,000 crores and INR4,000 crores, roughly. I don't know the exact, maybe Abhishek can give you later on, but I think it was almost INR16,000 crores for the year order intake. So broadly around INR12,000 crores international and INR4,000 crores India.

Sumit Kishore: So that is very clear, but in the INR12,000 crores within T&D, would international be also largely coming from -- how much would be T&D international?

Vimal Kejriwal: That is international T&D only, INR16,000 crores. when I say INR12,000 crores, that's international T&D.

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

Vaibhav Shah: Sir, you mentioned on the Afghanistan payment, you have received some part and the major part to come in 4Q. So could you elaborate on the value?

Vimal Kejriwal: Yes, Rajeev.

Rajeev Agarwal: So that was basically out of the Afghanistan payment, there were 3 institutions which were involved in total funding of 5 projects. So 3 have been more or less closed. World Bank and USAID has paid us some money.

So far, we have already recovered close to about INR450 crores. ADB payments are pending. The projects have been canceled and bank guarantees have been returned to us. They are processing our payment. Total payment outstanding with ADB is roughly about \$30 million.

So we expect a majority chunk should get in the quarter 4, as Vimal mentioned. Although actually, we were expecting that payment to come in Q2 or Q3, but for some reason, it has been delayed.

We expect this payment to come in Q4. But there is no doubt in terms of the payment recovery. ADB has confirmed in writing that they are processing the payment and they will release the payment shortly.

- Vaibhav Shah:** So apart from ADB, there are no pending receivables from Afghanistan?
- Rajeev Agarwal:** Afghanistan, There is no other payment other than ADB, except that now we have started the project with the World Bank, so that payment will also start flowing in regularly.
- Vaibhav Shah:** Okay. Sir, secondly, what would be your capex for '26 and '27?
- Vimal Kejriwal:** So typically, we have been spending around INR250 crores, INR300 crores of capex. So I think that's where we should be. This year, it may be higher than that because of our cable expansion and the factory expansion. This year, maybe with all the three factory expansions and the cable, this year we may touch around INR400 crores. Okay. Typically, otherwise, we have normally been spending around INR250 crores, INR300 crores.
- Vaibhav Shah:** Okay. Sir, lastly, our interest cost is around INR170-odd crores for Q2. So can we see a reduction in terms of actual interest costs in second half? Or it would be at similar levels on a quarterly basis?
- Rajeev Agarwal:** There should be some reduction, maybe INR20 crores, INR25 crores in quarter 2 -- sorry, quarter 3 and quarter 4. So we are expecting the total interest cost that we are expecting, as we guided earlier, is roughly about 2.5% of our revenues. So we continue to maintain a guidance of 2.5% of our revenue. So we can see a reduction of maybe INR25 crores, INR30-odd crores. The overall interest cost that we paid last year.
- Vaibhav Shah:** And sir, on the Civil business, as you mentioned that certain higher-margin orders are coming in the execution, and we will see a sharp uptick in the second half. So that momentum will continue in '27, '28 as well and margins also should improve from current 5%-odd levels?
- Vimal Kejriwal:** I think they should definitely improve. I think we are very confident about next year, etcetera, because see 2, 3 things have changed. One is we have generally stepped out of some of the infra projects where we are seeing historically now margins being low.
- Secondly, we have basically increased the minimum size of our order intake. So overheads are getting better. So if you look at the last 4 or 5 orders on Civil, almost all of them are at least INR400 crores each. So -- and they are definitely at a better margin. Also, I think the other piece is the capability build has been significant in the Civil business.
- So we do expect better execution and hence, maintaining margins at the quoted levels. So we do expect that next year, the Civil business will grow by at least 15% to 20%, okay? And at I'll say, higher single-digit margins.
- Vaibhav Shah:** Sir, which are the main 2 or 3 verticals which you are targeting in, sir?
- Vimal Kejriwal:** Civil, basically, one is obviously residential, which is now becoming a very large number for us. Second is factories. Third would be data centers. And fourth would be also -- and fourth would be water pipelines outside India.
- Vaibhav Shah:** So no metro for now, largely?

- Vimal Kejriwal:** Metro, let me put it this way, nothing aggressive, okay? We have not bid any metro for a long time. We may just bid in for the shape of being in the market for some time, nothing -- not at normal margins, okay? Also, we have been looking at underground. We're still looking at it. Okay? It's still far away, but that's an area where the margins have been better in, but obviously, there's a huge amount of capex. So we are still thinking of what needs to be done on the underground piece of it.
- Vaibhav Shah:** Okay. And sir, one last data point, what would be our JJM order backlog right now?
- Vimal Kejriwal:** Yes. INR1,600 crores. But largely in Orissa, I think, INR1,000 crores in Orissa and INR600 crores would be in MP.
- Moderator:** Our next question comes from the line of Subramaniam Yadav from SBI Life Insurance.
- Subramaniam Yadav:** Sir, just wanted to understand what would be your debt by end of this year?
- Vimal Kejriwal:** We are expecting it to be around INR5,000 crores.
- Subramaniam Yadav:** INR5,000 crores. And sir, you have mentioned that there has been some delay in collection in Q2 and we have received that in October. If you can highlight what was the amount and which sector does it belong to?
- Vimal Kejriwal:** I don't have the exact number, but some payments were they instead of coming in the September end, they came in the first quarter week of October. So those are happening. But it's not significant, but yes, there was overflow, I'll say almost INR400 crores, INR500 crores, which happened in the first -- second week of October.
- Subramaniam Yadav:** Okay. So we can see some reduction in Q3 because of this collection?
- Vimal Kejriwal:** Yes. Definitely, there will be some reduction in Q3 and balance in Q4. When I say INR5,000 crores, it will be done that way.
- Subramaniam Yadav:** Okay. And sir, apart from this water collection, which we are looking at, because that stays roughly around INR870-odd crores, which is more or less similar if you look at from the start of the year. Which other sector is contributing to this pain, apart from water?
- Vimal Kejriwal:** I think, the major sector would be the metro sector in Civil, okay, where considering the past performance of earlier contractors, the significant back ending of payments is there. And as I said, out of our 4 projects, 3 are completed. One is ready for commissioning any day. The second one also is 75% ready for commissioning. So -- and the third one should get commissioned, the Chennai one in January.
- So those are very large back-ended payments. So once they get commissioned, you do receive a large amount of money, almost INR200 crores, INR300 crores of cash flow would flow in from the commercialization of these projects or ROD, as you call them, okay? And then we had announced some very large projects, order intake in Saudi. So those cash flows would also come in and from retention in Saudi.

- Moderator:** Our next question comes from the line of Harshad Kapadia from Elara Capital.
- Harshad Kapadia:** Congrats for a very strong performance on T&D, sir. Just wanted to check with you on the order pipeline of INR1,80,000 crores. Could you give a breakup on T&D and non-T&D. And within T&D, what would be the international and what would be the India project?
- Vimal Kejriwal:** So broadly, T&D is around INR60,000 crores, INR65,000 crores. And out of that, India is roughly around -- between INR22,000 crores, INR23,000 crores is India pipeline.
- Harshad Kapadia:** Okay. And within the international, the geographies would be mainly Middle East?
- Vimal Kejriwal:** It is Middle East and also Africa and CIS, plus a little bit is coming from the America Tower supply.
- Harshad Kapadia:** Okay. And within the, let's say, INR1,20,000 crores, how would be break up into railway and civil sir -- railway, civil, solar?
- Vimal Kejriwal:** So Civil would be half of it broadly, and the rest would be divided between renewables and railways.
- Harshad Kapadia:** Okay. And sir, just wanted to check, there are some news reports which are going that because of PPAs not being signed in a lot of renewable projects, there is a possibility of a slowdown on the renewable tenders coming out. Are you seeing any kind of a trend like that, sir?
- Vimal Kejriwal:** Not yet. In fact, in the last 1 month, we have bid for -- we have had reverse auctions of, I think, 19 tenders in NTPC in the last month or including current month, in fact, last 30 days. So we are still not seeing a significant slowdown in the tenders of what had been announced, okay? Let's see how it pans out.
- Harshad Kapadia:** Okay. Fair enough, sir. And on the T&D growth which you have reported in this Q2, how have been the mix of domestic and international?
- Rajeev Agarwal:** So domestic growth has been higher than international, slightly higher, okay? But on an average asset, I'll say they would be similar, okay? But domestic is slightly higher despite the rains and all that.
- Moderator:** Our next question comes from the line of Teena Virmani from Motilal Oswal Financials.
- Teena Virmani:** Congratulations for a good set of numbers.
- Vimal Kejriwal:** Hi, Teena.
- Teena Virmani:** Sir, -- yes. Sir, my question is related to the other segments beyond T&D. T&D has done pretty well from last few quarters. Railway business, when we see the run rate in the revenue, it seems to be relatively lower, and you had always mentioned that because of payment-related issues you have been going through. But how do we see this business going forward?

Because historically, it used to be a very high-growth segment earlier. And from last 3, 4 years, it has been continuously declining. So where do we see it bottoming out and growing from there on? When we look at first half run rate, it is around INR900 crores of revenue, which we have seen in railway segment. That's my first question, and then I'll ask the second.

Vimal Kejriwal:

So, Teena, we expect to do around INR2,000 crores and odd in railways for the year -- this year. We have an order book of roughly around INR3,000 crores today. So if you take out the next INR1,000 crores for H2, I think we are at least having an order book of doing another INR2,000 crores next year also.

What we have done is that we have relooked at the entire structure of the railway ordering, etcetera. And we have got out of many, let's say, segments like pure play civil, you know, where we had a major competition from road players because NHAI was not giving them orders. So they all came into the railway and you know how the competition among gross players is.

So I think that's one of the reasons why you are seeing a lower order intake. Plus our major focus now has been on -- a little bit more on the technology side, that's why I said TCAS signaling, BLT. So many of our orders are now from the Metro segment. We are already executing one project in Bangladesh, and we have bid for quite a few projects in Middle East.

So I think you will see a sea change in the segment-wise numbers in railways. While saying that, I think let me also say that at a Board level, we are pretty positive about the railway business growing in the next few years or so. So you may still see a flattish or a downward for next year. But after that, we do expect that the railway business with whatever consolidation we are doing will definitely pick up.

So it's not a business which we are writing off. We are very clear that there is huge potential in this business. It's a matter of time that we have had some wrong calls and wrong projects and execution got delayed for maybe some our fault and maybe the clients' fault.

But I think we are getting over it. And maybe we'll take another 6 months or a year to completely consolidate properly and come back. But I think as a whole, we are still very positive on the business in the long-term.

Teena Virmani:

Okay. Okay. And in this business, with the kind of change that you are having in the project mix. Can margins improve going forward?

Vimal Kejriwal:

Margins have to improve. Otherwise, the business will have to shut down. We are very clear that unless the business reaches a margin level what we are looking for, okay, there's no fun in doing it. So if in the long-term, we don't see margins improving, we will take our calls. And I think our calls are very clear.

Teena Virmani:

So maybe a 7%, 8% kind of margin range can still be possible going forward for Railways division?

Vimal Kejriwal:

Actually we will never quote below that.

- Teena Virmani:** Got it. Got it. And same thing on the Civil business, sir, for this year, you mentioned some of the challenges in some of the projects. Where do we see this Civil business settling in this financial year, for FY '26? Going ahead you mentioned about 15%, 20% growth rate, but...
- Vimal Kejriwal:** Yes. So as I said, Teena, we expect that business to do around INR5,000 crores from -- up from INR4,400 crores for the last year. Margin should be, I'll say, mid-single digit for this year, okay? But then we do expect that from next year onwards, it will start inching to higher single digit.
- The target again is that how soon we can reach 9%, 10% margin. I don't think we'll be able to do that next year, but the year after, definitely. And next year, we are clearly looking at least 15%, 20% growth, almost, let's say, INR6,500 crores or so revenue from the INR5,000 crores which we expect this year.
- Teena Virmani:** So all the slow-moving projects would be over by end of this year or maybe early beginning of next year?
- Vimal Kejriwal:** I think, Civil, most of them are already over, okay? So I don't think we have got too many slow-moving projects, very, very few, in fact.
- Moderator:** Our next question comes from the line of Balasubramanian from Arihant Capital.
- Balasubramanian:** But sir, on the renewable side, we have ambition to make at least INR3,000 crores to INR4,000 crores kind of revenue over the next 2 to 3 years. But currently, it contributes only 4% to 5% kind of revenue. What are the key bottlenecks?
- Is it the margin pressure and land issues in India? Or is there any module supply risk in the Middle East side? And like what kind of working capital requirement compared to other projects? And how do you look at in this business over the next 3 to 4 years' time frame?
- Vimal Kejriwal:** So typically, the working capital here is much more benign than what you've seen in other industries -- other segments. So from working capital angle, I think we are pretty okay. Generally, if you look at YTD project till date, most of the projects are positive if you look at the entire project that way. So I don't think working capital is a concern here.
- Margin, yes, there has been a lot of pressure on margins in the new tenders, primarily because all the players want to go for IPOs. So if you look at the last 3, 4 months or 6 months, the number of IPOs which have come from the solar companies have been phenomenal.
- And these are the players who have gone for a significant, I'll say, competitive intensity increase, okay? We are slowly seeing that dying down now. People have realized that they are killing themselves by doing it. So that's number one.
- There are a lot of projects which are coming up in private sector, which are more like captives. There are at least 3 or 4 large groups which are setting up large projects for the captive use of their own sister concerns, whether it in metals or anywhere else, there are enough names available.

And I think we are talking with them -- targeting with them because for them, quality matters, not just pricing. Third is that we have started bidding for wind also. So I think it's a matter of time. And we had said earlier that this year, we should announce our first wind EPC also.

Fourth, I will say is that with the experience of now implementing these 2 large projects of almost 1 gigawatt, we have also developed significant capability in terms of cost optimization and team build also. We now have a proper team in place. So I think that gives us a lot more confidence.

And fifth is that with our backward integration with cables and our substation knowledge, etcetera, I think we can add a lot of value in terms of cost for these projects going forward, which is why we have been talking about INR3,000 crores to INR4,000 crores not next year, but a year after and all that how do we reach INR3,000 crores, INR4,000 crores. I think we are pretty positive about achieving that.

I'll say the last point would be international. We have till now not been focusing on international because we wanted to complete these two projects. Now that these projects are nearing completion, that adds a lot of confidence and also gives a lot of confidence to the clients with whom we are talking saying, have you done large projects?

And if you go back and say that I have done 1 gigawatt, very few people apart from 1 or 2 of our competitors have done that sort of large projects. So international is something which we have now started looking at. So maybe not this year, but next year, we'll definitely have a few international projects, not the mega sized ones which others are doing, but maybe 300, 400 or maybe 500 megawatts. Yes.

Balasubramanian:

Okay, sir. Sir, on the Saudi Arabia side for large T&D orders, the competitive intensity have been reduced earlier, but currently it's been reduced to 3 to 4 bidders. What has driven these consolidations? Is this a permanent structural shift or a temporary phase? And how do you look at in this market in terms of competitive intensity? And is there any concerning project executions maybe in coming years?

Vimal Kejriwal:

Let me put it this way, there is no reduction in the number of competitors or there's no consolidation in competitors, okay? The reason why you see a lower number of bids coming in is because of the size of the market.

So unlike other clients, in Saudi, the bidding is by invitation, okay? So what also happens is when the client floats a tender, he looks at what is happening, what is your status, how many projects you have got, what is your capability? We are having a lot of background noise.

So I think what is happening is that the client looks at who has got the capability to do work. And accordingly, they invite people for bidding. It's not an automatic that any Tom, Dick and Harry can come in and bid in Saudi which is what is happening where they see that, okay, let's say, contractor A has got too much work and he doesn't have capability, then he may not invite us.

That's why in some tenders and projects which have very critical importance, they have been inviting lesser number of people to come and bid, which is why in some tenders, we have been seeing 4 or 5 or 3 only.

And we still see in some tenders 7 or 8, which are not very critical where they are okay to invite the whole Janta, if I can call it. That's the way it is. So difficult to say that there's consolidation. But yes, competitive intensity in large and critical projects has come down significantly because the client is not asking others to come in.

Moderator: Our next question comes from the line of Ashwani Sharma from Emkay Global Financial Services Limited.

Ashwani Sharma: Congrats for a good set of numbers, sir. Sir, first question is that I wanted to check on the tender pipeline in data center within the Civil business?

Vimal Kejriwal: So data centers, I think today, the number which we have is roughly around INR2,000 crores and odd, but this is only the civil part of it, okay? We have started bidding for the MEP piece also. So what has happened was that I think last 2 quarters, I'll say, Q4 and Q1, very few data centers were announced.

Q2 onwards, we've again started seeing some movement happening because I think somewhere the DeepSeek and others played some role and people went slow on their data center plans. But now we are seeing that people have again dusted up whatever they had done earlier and now they're coming back.

So we do expect that there will be a lot more data center inquiries now, okay? It was low in Q1 and even Q4 last year. But Q2 onwards, we have started getting some inquiries, and I think it's improving.

Ashwani Sharma: Okay. Secondly, sir, in the T&D, especially on the domestic side, are we facing any ROW issues, which a lot of news flows has been there on the ROW side. What's your sense on that, sir?

Vimal Kejriwal: There is clearly ROW issue. There's no question about it. And earlier, someone asked about transmission bottlenecks and all that. So it's not that the transmission lines are not being built. The problem is that they're not getting completed because of ROW. So ROW is definitely there.

Some months back, Ministry of Power has again announced a revised guideline for significantly higher compensation, but it is still voluntary for the states to implement it. Some states have implemented. So whenever it has been implemented, I think the ROW problem is getting -- I'll say better. I'll not say it is fully resolved.

And the problem is also more in places like Gujarat, Rajasthan, etcetera, where a lot of solar development is happening because what happens is the guy whose land is taken over by solar guy gets paid fully. Where the transmission gets set up is only -- you get a right to pay, right to use pay. So the payments are lower.

So there's a lot of, I'll say, hard burning between various landowners, etcetera, which is now getting resolved with the increase in the compensation. So hopefully, we think that there should be a better situation on ROW. But as of now, it's not good, I'll say.

Ashwani Sharma: Sir, lastly, one bookkeeping question. How much is the retention money in the book as of now?

Vimal Kejriwal: I don't have an exact number. It will be at least 20%, 25% of our AR. Maybe you can speak to Abhishek later on.

Moderator: The next question comes from the line of Saket Kapoor from Kapoor & Company.

Vimal Kejriwal: Namaskar, Kapoor sir.

Saket Kapoor: Sir, traditionally, we have seen that H2, our execution is much higher than how -- in the way H1 behaves. So on a conservative also way, what should we look at H2 in terms of the revenue execution? And how should then the margin profile look for the entity as a whole?

Vimal Kejriwal: So Saket ji, normally what happens is that H2 is around 60%, typically, 60-40 is always the ratio of H2, H1 particular years may vary. But this year it will be the same. 15% guidance is also going on, so I think it should be done.

Saket Kapoor: And sir, for the margin?

Vimal Kejriwal: Margins we are at 7%. Our guidance is around 8%. So obviously, H2 will have to be higher than 8.5% to meet the guidance. That's the way we are looking at it.

Saket Kapoor: So we are in line to achieve that?

Vimal Kejriwal: Yes, yes. Yes.

Saket Kapoor: Sir, for the Cable segment, whatever capex we have put, when will that get commissioned and what is the outlook for the contribution from the Cable segment? And thirdly, how has our subsidiary Spur performed in terms of this pipeline project, which you were talking about?

Vimal Kejriwal: So, Spur has performed badly, if I can use that word, because we have a tender in oil and gas. We have got some projects in international market, but they are in the name of KEC because KEC an entity is qualified, not KEC Spur. International, we have got a large qualification in KEC Spur, so we do expect that KEC Spur will start picking up as an entity, okay? What was your first question?

Saket Kapoor: About Cable segment.

Vimal Kejriwal: In cables, our first investment, which was in an aluminium conductor, that is already fully commissioned and we have already started getting full revenue. Out of that, we were expecting INR500 crores-INR600 crores. So let's see where we touch, but we should be close to those numbers in terms of revenue in the conductor.

On the elastomeric cable and E-Beam, what I said was that we will commission the first -- the elastomeric part should be commissioned in the Q4 and E-Beam, which requires a lot more approval because of its radioactivity, etcetera, that will get commissioned in Q1 of next year. So, its revenue, some revenue will come in Q4 and some revenue will come in Q1. So, Q2 onwards, I think we should start getting full revenue of that expansion also.

Saket Kapoor: Okay. So sir, we have the solar E-Beam also in our product profile along with the EHV cable segment?

Vimal Kejriwal: We are still selling solar completely. Once you install the E-Beam, the material cost and all will get optimized. So the margins on the solar can improve, obviously, because once you treat by E-Beam, the quality of the cable becomes better, the raw material consumption comes down. So that will definitely have a positive impact on our margins from Q2 onwards next year.

Saket Kapoor: And for the EHV segment, extra high voltage?

Vimal Kejriwal: We are not doing anything in EHV. We already have a full-fledged line of CCV. So, that is going on. Now, if the price of copper is high, then people are going to aluminium instead of copper. So, there could be a revenue impact slightly here and there, but the line is full. We are completely booked.

Saket Kapoor: Okay, sir. I hope the payment issues get resolved. The entire industry is getting stuck up in the receivable segment, sir.

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

Amit Anwani: Hi, sir. First question, sir, you did highlight in your opening remarks about the demand in US and tariffs. Just wanted to understand any implication on your Mexico, Brazilian facility supplies to US? And what is your understanding on the demand in the US for these subsidiaries? Any impact of tariff you're seeing by any chance on these subsidiaries? That is the first question.

Vimal Kejriwal: So, Amit, what is happening is that with a tariff of 50% on steel, tower exports to US are getting, I'll say, not impacted because every country has the same tariff. However, for Mexico, under the USMCA, there is a relaxation where if you use US steel, then the products go tariff-free into the US market from our Mexico factory.

So what was happening was with the steel pricing, which was there in US and Mexico, the India, Turkish and Chinese steel was much cheaper when supplied to US. Now with 50% duty, we are finding that the Mexican steel, even with US -- Mexican towers, even with US steel is becoming competitive.

So the US market has actually opened up for Mexico for the US tower supplies, okay, when you look at the earlier situation. Not that it was a large market for us, but the larger market was from India and for the Mexico plant was Mexico itself. That's -- so that is one impact which is positive for Mexico as far as tariffs are concerned, okay?

The second piece, although you're not asking me is that there is a significant piece which is happening in Mexico itself for the demand. So right now, if I look at my Mexico factory, probably 60%, 70% of my production is for the local Mexican market, okay? So we have clearly seen an uptick happening with the -- see, if you look at the President, Sheinbaum, she is an environmental engineer.

So what has happened is that she has pushed a lot on the renewable side, unlike the other President and because of which we are seeing a lot more demand coming up in Mexico itself. As far as Brazil is concerned, Brazil was hardly catering to US, except for some small hardware products, which they are still doing it. But Brazil, as far as our product is concerned, is not impacted in any way by the tariffs.

Amit Anwani:

That's very clear. Sir, second question on the margins. So you did guide that full year now we are targeting 8%. I recollect, I think you were giving some 8%, 8.5%. So now we're firmly saying 8%. Is there any downside risk to 8% also?

And second, which segment where we're seeing some drag and not able to meet what we are expecting? Any color on that? And second part to this question is seeing your current order book with you, and you said that there was a double-digit margin in T&D. How much more is left? Are we eyeing mid-teen, early teens in T&D, seeing the current order book scenario, which is there with you?

Vimal Kejriwal:

Yes, I don't think we can increase the margin beyond a particular level in T&D. However, there are individual projects where the margins are significantly higher than the numbers which you're talking about, okay? So I have always been mentioning that let's take a market like Saudi. We have projects at 7%, 8% margins. We have projects at 20% plus also. And same thing applies in India also incidentally, okay?

In India also, we have done projects at a lower margin. I have done projects at 20% plus also. So margins in EPC business are determined more by the complexity, by the expected competition in particular projects, okay? Can the margin go up? Maybe 50 basis points here and there can go up in the T&D market.

Overall, I think you're right, we have been talking about 8% to 8.5%. We are not talking about more on the lower band at 8% because whatever has happened on the delays in civil, etcetera, and all that, that may or may not lead to a little bit of a margin erosion.

In many cases, we are in discussion with the clients, etcetera, saying this is what has happened and the clients need to pay up. But unless and until they pay up, that's why we have become a little bit more conservative and said that we should be closer to 8%.

I don't think we are seeing too much of risk to the numbers unless and until, let's say, the steel and cement prices spike up suddenly or something, which we are not seeing that happening at all. So I don't think we are seeing any significant risk to what we are talking, no.

Amit Anwani:

Understood, sir. Sir, lastly, on labor shortage, you have been highlighting labor shortage from quite some time and our order books are growing. We are growing overall seeing an up cycle

with very strong growth expected in forward years. So how are you dealing with this situation as I think this being the key concern and you have been highlighting in this thing from, I think, almost 2, 3 years.

Just wanted to understand, will this be achieved with some mix change or naturally since T&D is increasing, we'll be able to deal with this situation. Just wanted to have more color on the situation and going forward, how are we dealing it?

Vimal Kejriwal:

So I think, Amit, you're absolutely right. I've been talking about it for some time. Even today, I mentioned it. One thing is that if you heard my order intake breakup, almost 12,000 out of the numbers come from international. And we have generally not faced any significant labor issue in the international market.

We have been hiring from India. We've been hiring from other countries. We've been hiring from Egypt. Then there are many other countries from Africa, we are not now taking labor and all that. So internationally, I think we are pretty insulated from the labor problem.

As far as India is concerned, our requirement was around 30,000 earlier. We had 17,000. Now we are already at 24,000 sort available. The number keeps on going up and down. We have elections. Now again, they'll start coming back from tomorrow. First set election some people from those areas have already come back.

So there is definitely a shortage and also shortage could be on specific pieces like in T&D, I don't have a shortage on civil or on stringing, but the shortage is on erection. So I think those are getting addressed. The other thing what we are trying to do is we are trying to increase our mechanization quotient significantly.

Like India, we were never doing erection by cranes or towers. Now we have started doing a lot of erection by crane, which we used to do in Middle East earlier. Or if you take Civil, you know, you had fitters coming and cutting in and you know, bar bending, now we are using automatic bar bending machines, we have set up bar bending plants in some of our projects.

Also, we are talking with Tata's and all that, we are actually buying mesh steel, etcetera, directly. So what you're trying to do is how do you reduce the requirement of labor or work with them to increase productivity by using a lot more mechanization, okay? Like we are now doing plastering by drones, for example.

So, a lot of things are being used so how do you reduce the requirement of masons? So, individual category of, you know, workers are being addressed one by one. But yes, the problem still continues. I could have definitely done at least INR200 crores, INR300 crores more. I'm telling you in civil, had we had a full contingent of 30,000 people with us.

Okay, but now it's already reaching a better number. So hopefully, that's one of the reasons why we are saying we'll do better in civil. Plus now next 3, 4 months, we don't see any festival till the next Holi. So hopefully, the labor will continue where they are. I hope I answered your question, Amit.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I now would like to hand the conference over to Mr. Vimal Kejriwal for the closing comments. Thank you, and over to you, sir.

Vimal Kejriwal: Thank you, Danish, and thank you, everyone, for your continued interest in KEC. Thank you so much.

Moderator: Thank you, sir. On behalf of KEC International Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.