

Company Name: K2 Infragen Ltd.

Management Participants:

- Mr. Pankaj Sharma: Founder & MD
- Mr. Vineet Sharma: Head Business Strategy & Corporate Affairs
- Mrs. Priyanka Pareek: Chief Financial Officer

11th Annual Valorem Conference Highlights:

- Strong order book visibility (INR 460 Cr as of Feb'25) driven by continuous order inflows, development of multiple 220 KV transmission lines and establishing 2x20 MVA 110/11 KV substations in Karnataka.
- Diversified project pipeline across key infra segments railways, power T&D, roads water and renewable energy – reducing sector concentration risk and ensuring stable execution flow.
- Active expansion into high-growth verticals, especially power transmission & renewable energy, with strategic intent to scale in T&D and Solar Power Generation segments.
- Healthy execution momentum across ongoing projects, with multiple projects under execution across India supporting consistent revenue growth trajectory.
- Improving financial and operational efficiency, with disciplined project selection and cost control helping maintain profitability despite rising input costs.
- Scalable growth pipeline and bidding strategy, with focus on expanding order inflows across NHAI, railways, and power infrastructure projects while focusing on profitability.
- Secured a marquee INR 262 crore railway electrification order from Indian Railways (North Western Railway), marking one of the largest orders in the company's history.
- Consistent geographic expansion strategy, with growing footprint across North, Central, and now entry into South India (Karnataka) through recent project wins.
- Strategic shift towards independent contracting, moving away from back-to-back execution to direct bidding and project ownership, enhancing margins, strengthening client relationships, and establishing K2 Infragen as a standalone EPC player with full execution control.

Key Questions & Answers discussed during the Conference:

- **What are the company's key focus segments going forward?** We are focusing on power transmission and railways, aligning with the government's strong push in these sectors, including initiatives like dedicated freight corridors. We also have strong expertise in overhead electrification, which positions us well to capture these opportunities.
- **What is the current interest cost for the company?** Our average interest cost is around 8–8.5%, which reflects a relatively efficient borrowing profile. This is supported by our healthy balance sheet, improving credit profile, and strong banking relationships. We continue to focus on optimizing our cost of funds through better working capital management and access to competitive financing, helping us maintain stability in finance costs as we scale.

- **What has been the impact of the increase in bitumen prices on the company's operations?** Bitumen prices have increased by around 50%, which has put some pressure on input costs, particularly in road projects. However, the overall impact has been manageable for us. We are mitigating this through cost optimization, efficient procurement, and diversification of our project mix. Going forward, we expect the impact to remain contained without materially affecting our execution or profitability.
- **How should investors look at the company from a valuation perspective?** The company believes the current valuation does not fully reflect its strong balance sheet. With INR 45+ crore in fixed deposits against a market cap of INR 60 crore, nearly two-thirds of the valuation is backed by cash and liquid investments. Adjusted for this, the implied value of the core business remains modest. This offers a margin of safety while providing flexibility to fund future growth, and the valuation is expected to better reflect fundamentals as the business scales.
- **What is the company's order book target going forward?** We are targeting to scale our order book to around INR 1,000 crore over the coming years, driven by strong inflows across railways, power, and broader infrastructure segments.
- **What are the company's sustainable margin levels?** We expect our sustainable EBIDTA margins to remain around 11-13%, in line with industry standards, supported by a balanced project mix and efficient execution.
- **What is the company's bid win ratio?** Our bid win ratio is in the range of 26–30%, reflecting our disciplined bidding approach and strong execution track record.
- **How should investors think about the move towards independent contracting and its impact on margins?** The company is increasing its focus on independent contracting, which is more margin-accretive than subcontracting due to better control over execution, costs, and timelines. While some projects will be executed through ~50% joint ventures, these still offer better economics than subcontracting. Overall, this shift is expected to drive higher margins and improve scalability over the long term.

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