

ANANDRATHI

**“J. Kumar Infraprojects Limited Q2FY15 Earnings
Conference Call”**

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Moderator Ladies and gentlemen, good day and welcome to the J. Kumar Infraprojects Limited Q2FY15 Results Conference Call hosted by Anand Rathi. As a reminder, all participants' 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 this conference please signal an operator by entering '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Valecha from Anand Rathi. Please go ahead.

Manish Valecha Thank you Melissa Good evening, ladies and gentlemen. I welcome you all to the 2Q FY15 results conference call of J. Kumar Infraprojects Limited. We have with us from the management Mr. Jagdish Kumar Gupta -- the Executive Chairman; Mr. Kamal Gupta-- the Managing Director; Mr. Nalin Gupta -- the Managing Director and Mr. Arvind Gupta -- CFO. I would without wasting much time would like to hand over the call to the Mr. Kamal and Mr. Nalin to given the opening remarks. Over to you, sir.

Nalin Gupta: Good afternoon everybody. This is Nalin Gupta. Well to take you through brief of J. Kumar Infraprojects Q2 results. J. Kumar has made a turnover of 300 crores for the quarter ended 30th September 2014, where in the EBITDA and the turnover as compared to 2013 has shoot up by around 27% and the EBITDA margin which is not 65 crores has again gone up by around 44%. The PAT margin for the current quarter of Q2 is 20 crores which as a upward shift of 15.16% and with a comparison to the half yearly results as on 30th September J. Kumar has achieved a financial turnover of 636 crores as against 459 crores in H1 2013 having a upward shift of close to 40% with an EBITDA of 128 crores for the current quarter for the current half yearly results taking the results of EBITDA up by 50% as compared to the last year. And the PAT has come to 43.16 crores which is again 30% hike. So that is the financial position with regards to order book the order book of J. Kumar is as on 30th September 2014 stands at 3,100 crores followed by an addition of L1 which is close to 1100 crores.

The current order book for current order in this quarter that J. Kumar has bagged is to the tune of 294 crores. And the L1 of 1100 crores. That is all from my side for the quarterly result and then we can go in for the question and answers or whatever you would like to ask.

Moderator Thank you. Ladies and gentlemen we will now begin with question-and-answer session. The first question is from Nitin Arora from MK Global. Please go ahead.

Nitin Arora: Sir just first question basically on the tax outgo, why it has been so higher for this quarter and if you can also explain the EBITDA margin increase was it just because the employee cost and the other expenditure came down or is it something that the TBM work the revenue recognition has start and that is why we are seeing that efficiency coming in?

Nalin Gupta: Well Nitin you have actually answered the question as well very nicely with regards to the EBITDA going up it is basically a combination of these two, three factors where in the employee cost has slightly gone down for the projects which has been completed so there some of the staff has been reduced and also the main reason behind the EBITDA margin going up is

the timing of the depreciation system where in the TBM has been introduced very, the timing of the depreciation factor where in you can see the difference in the EBITDA margin but as an overall per annum scenario if you see, you will have a same EBITDA of around close to 17% for the current year as well.

Nitin Arora: Sir there is no one off as far as the EBITDA margin are concerned you are saying it's the timing in terms of the revenue recognition.

Nalin Gupta: No. It was regarding the machinery part the timing that I am telling you about. And right now the work which is going on is more of like there are some period of the project where in it is more capital oriented and the labor cost is there and in certain months the labor cost, the work which is happening like I will put you with a small example to clarify, if you are talking of a tunneling work, like if you take the same project of Delhi metro of 1500 crores. There are two type of work going on in the project, where in partly 50% revenue comes in from tunnel and 50% comes in from stations, when you talk about station it is more of labor oriented job and the revenue earned is comparatively less but in case of tunneling work it is more of machinery oriented. So the amount of in terms of labor or staff required in tunneling is much-much less as compared to the stations, so that time the machinery cost which is already been deployed on the project shows better margins because the revenue earned is more in terms of cash flow.

Nitin Arora: Sir incrementally how much work is left from the DMRC part will be more and secondly it will be more from the TBM side?

Nalin Gupta: Well I would say it is more or less say balanced figure as of now, from the DMRC project it is around 11 crores close to value which is still pending to be done and which will be done over a period spanning over two years and as an overall order book if you see it is around 30-33% because order book is 3100 crores and L1 is, the balance work from Delhi metro is around 1100 crores.

Nitin Arora: And that is balance 50-50% both for?

Nalin Gupta: Yes.

Nitin Arora: Sir can you give us clarity in terms of your Mumbai metro project what is the sales right now because the brief qualification has already been done?

Nalin Gupta: Kamal will reply to it.

Kamal Gupta: We have already been prequalified there are only nine bidders for seven packages, each package is around 1500 to 2000 crores. And we are already prequalified they are coming up with the financial bids by next week positively I am expecting by coming Wednesday the bid will be out, financial bid. And we will get two and a half months times for bidding and then the results will be there.

- Nitin Arora:** Sir, just I will squeeze one more question here. Let say that we get this project in so the TBM which we have in Delhi right now, we will be able to finish the work in DMRC and we will be able to transfer that over here
- Kamal Gupta:** Very much, very much Nitin because our TBM work will be over by coming May 2015 and if we get the work orders we will be done by about February or March of 2015. So after the work order it takes around 10 months' time to start the TBM work minimum, 10 to 12 months. So this will be perfect combination for us. For using this machine of Delhi metro.
- Nitin Arora:** Sir last question I am so sorry, I will just squeeze one more, just last thing. Sir on the balance sheet size just one question I had, that the 150 crores money which we raised if you can give us a breakup of that where the utilization went and second that sir in the non-current asset I have seen 70 crores increase there, so if you can highlight why the number has increased there and what kind of a number is there?
- Nalin Gupta:** Well in this case there are two points, one is the it is not 150 crores it is 136 crores that we have raised through QIP, out of which 13 crores has been put in form of CAPEX and 80 crores has been utilized for working capital with regards to your answer of non-current assets which you are seeing an upward shift is basically because of the 60 crores of TBM that has been shifted, the SD of 60 crores which has been utilized for EMD has been added there for some newly submitted projects.
- Nitin Arora:** Sir SD you mean to say the bank guarantee?
- Nalin Gupta:** No. Security deposit which is in cash.
- Nitin Arora:** Okay. For the upcoming projects.
- Nalin Gupta:** Yes. 1% of the tender cost is supposed to be submitted in the form of security deposit or EMD whatever you can say.
- Nitin Arora:** So what would be the total project size would be that here what we have given this 60 crores.
- Nalin Gupta:** around 2000 crores
- Moderator** Thank you. The next question is from Adhidev Chattopadhyay from HDFC Securities. Please go ahead.
- Adhidev Chattopadhyay:** I have got a few questions. Firstly just wanted to know why the tax rate is higher for the quarter?
- Nalin Gupta:** This is mainly because of the deferred tax that the taxation has gone up this quarter.

Adhidev Chattopadhyay: Okay, fine. And sir just to understand now we are going around over 19% EBITDA margin in the first half of this year. So are you sticking with the guidance of 17% for the full year or do we see it again remaining in this range for this year?

Nalin Gupta: We are expecting in share of maintaining a margin of EBITDA is around 17% for the year ending 2015.

Adhidev Chattopadhyay: So does that mean like you are expecting the certain margins weaken the second half. implies like we will be doing 15% in the second half.

Nalin Gupta: Beginning of the margins it is basically because of the deferred taxation system that we are seeing, machinery taxations and the second point about the cash flow that we have mentioned that the labor cost right now is less because it is more of machinery oriented work and later on the work of, it is not only the tunneling work going on, in certain quarters you will see more of tunneling work and less of station work so right now in this quarter the tunneling work has gone up because of which the labor cost debited on the project is less so the margins are comparatively higher. Which will be balanced off by the end of the year when the station cut and cover works are also increasing to the same respect.

Adhidev Chattopadhyay: Okay. Got that and secondly sir what is our CAPEX incurred totally in first half and how much balance is left for this year?

Nalin Gupta: We do not have any big CAPEX plan for the current year because already the projects which are in hand and the geographical spread also that we have we are not expanding geographically as of now because there is ample amount of scope available for working in the available states. So there is not going to be any upward shifting CAPEX as of into that. And only the things are about the TBM and certain major component like which were in capital work in progress have been shifted to tangible assets.

Adhidev Chattopadhyay: Okay. And sir last question I had was on the depreciation so do we see trending in the similar age around 12 crores per quarter going in or we see it going up further?

Nalin Gupta: More or less the same because now mainly the shifts that you are seeing was because of the TBM which were like two TBM which has been capitalized this quarter because of which there was a little shift but as of now means, all the machines have been capitalized so you will not see any major change into that, it will be the same.

Adhidev Chattopadhyay: Okay. And just one last housekeeping question I would like to squeeze in, what is the cost of borrowing right now the interest cost?

Nalin Gupta: It is average 12%.

Adhidev Chattopadhyay: Sir chance of it going down further within this year through some refinancing or some other?

- Nalin Gupta:** More or less the finance goes on from 10% to 13% depending on the situation, average borrowing rate is 11 to 12% so unless and if the bank rate goes down of course the cost will come down. But otherwise there is no refinancing stuff or something like that.
- Adhidev Chattopadhyay:** Okay, this is very helpful. Thank you.
- Moderator** Thank you. The next question is from Jeevan Patwa from CandyFloss Advisor. Please go ahead.
- Jeevan Patwa:** Two questions, one is if I look at the quarterly numbers and typically your June quarter is the weakest quarter, September is little better, December is much better and March would be the best quarter.
- Nalin Gupta:** Correct.
- Jeevan Patwa:** If I see the trend this year your June quarter was 330 crores of top line and September quarter has given 300 crores of top line so was it there any kind of revenue which has not been booked this quarter and get shifted to the next quarter?
- Nalin Gupta:** The first and the second quarter if you see is more or less is not on a very great difference.
- Jeevan Patwa:** Yes, but typically September if you see either it will be flat or little better than the first quarter.
- Kamal Gupta:** No, usually because second quarter you have monsoon period Mr. Jeevan. So it usually comes down because of the rain the works slow down.
- Nalin Gupta:** But this time it is basically because of the tunneling while you can see little better in terms of that.
- Jeevan Patwa:** But if I look at the past history for last two to three years history, September quarter is little bit better than the June quarter or it will be flat?
- Nalin Gupta:** It is flat, it is 336 crores versus 300 crores so it is not almost, see 25-30 crores here and there it depends on what work you are doing and sometimes you get more payment and sometime less, but otherwise more or less it is getting.
- Jeevan Patwa:** It is getting shifted or it is differed to the next quarter or just wanted to understand that?
- Nalin Gupta:** No big any shift or anything, nothing substantial to mention.
- Jeevan Patwa:** Okay. The second question we actually raised around more than 150 crores this quarter from QIP but your finance cost still remains the same as the last quarter so any reason on that?
- Nalin Gupta:** Basically my finance I do not think should reduce because it is not that we have taken this money and we have repaid it to somebody to cut down the finance cost. This money is

basically been used for the additional prosperity and progress of the company for bidding in new jobs.

Jeevan Patwa: But there has to be some income or yield on that additional income so where has that been reflected in the?

Kamal Gupta: That you will see in the due course of time, my dear it is just to mention that the QIP was done somewhere between July and not we are talking of first week of November. So it is two to three months and capital used there is do not know if you have some good machine where you can churn this money and make profits in two months.

Jeevan Patwa: No, I am not saying making profit, what I am saying is the yield on that extra cash that you have received that yield somewhere in the P&L has to reflect either in the other income or financial.

Kamal Gupta: we have showed this in other incomes my dear.

Jeevan Patwa: Other income looks like same as the last quarter it was 2.5cr last.

Kamal Gupta: Within three months with the QIP proceeds follow up and getting transfer to our bank account other than margin there is already as I mentioned that 93 crores we have utilized it already. In CAPEX and in terms of the working capital so there is nothing that you can yield on that because either you have put it on to working capital, means the process of the projects, ongoing projects, bidding for new projects. So it does not give you any additional

Jeevan Patwa: Working capital for this quarter?

Kamal Gupta: Bottom line.

Jeevan Patwa: Is there any increase in the working capital of this quarter?

Nalin Gupta: No, there is no increase in the working capital at all.

Jeevan Patwa: Okay, the last question is there any kind of guidance you would like to give for this particular year on the top line?

Nalin Gupta: We are expecting a top line close to around between 1300 to 1400 crores for the current year which you can see like because already we have done 636 so another with around close to 700 crores that is 350 and 400 of CC that is 750 so we expect a top line close to 1400 crores for the current year.

Kamal Gupta: 1400 in fact is the conservative figure because if you see like last six months we have done 720 crores so this will be more than that. So we always talk conservative, it will be around 14 to 1500.

- Moderator** Thank you. The next question is from Vishal Biraia from MK Global. Please go ahead.
- Vishal Biraia:** Sir apart from the Mumbai tunneling project and the water front project what are the other projects that you are targeting or have you bid for projects and what is the total amount of project that at this net worth you can bag, there are two questions.
- Kamal Gupta:** See like as much heard from the new government that any city with a population of more than 10 lakh are coming with metro so of course J. Kumar thrust will be on metro no doubt, because Nagpur is coming up with a metro, Pune is coming up with metro apart from Bombay line three there are another three lines in Bombay- New Bombay and Thane, the new Bombay CIDCO is coming with a metro so there are lot of metro work, one part. We are also bidding for highways, NH highway which are on EPC basis cash contract plus other departments, flyovers cum road work. Coming to the net worth of the company with a current net worth we can bid for 20-25,000 crores worth that is not a problem.
- Vishal Biraia:** 2000-2500 crores?
- Kamal Gupta:** No. You are talking about maintaining the top line of the company or bidding the company?
- Vishal Biraia:** Top line.
- Nalin Gupta:** See bidding process, Vishal if you see here that net worth is one of the criteria to support the bidding process but right now like we are already bidding means bidding to the tune of 10 to 15,000 crores easily with the net worth that we have is good enough for.
- Vishal Biraia:** 20 to 25,000 crores is what you can bid based on the net worth?
- Nalin Gupta:** Yes. You can say that, there are various criteria but you can say that broadly on a broader prospect and also one point I would like to add here is that even metro which is the core area where the government is going to focus being a mass transport system and also there are lot of costal road projects, DMC road works which is last six months back they had come up with 3000 crores again we have bided 2000 crores worth project for Bombay municipal corporation Thane municipal corporation Pune municipal corporations so there is so much amount of work available in the space that now the contractors should learn to have patients and you will get as much as work as you want and comparatively better rates as to what you could see in the past.
- Vishal Biraia:** Okay, sir one question regarding the NHAI EPC contracts by when do you see award of these contracts from NHAI?
- Nalin Gupta:** Net six months you will be seeing some light on these projects as NHAI after Mr. Gadkari taking over you can see some all the BOT projects are not going down and the EPC are getting converted into EPC like recently today we have submitted two projects one is of Nagpur and one of Gujarat, so we are already cash contracts have started to come in which was totally stopped from past couple of years if you would see.

- Vishal Biraia:** Okay. And sir regarding the Nagpur and Pune metro, sir have the designs and everything been frozen there?
- Kamal Gupta:** No, right now it is into DPR stage.
- Vishal Biraia:** Okay, DPR stage so that will take time.
- Kamal Gupta:** Yes, it would take some time but already discussions are been on at Delhi while the Pune municipal corporation and the Nagpur people. So the work for these places also you should see within a year time some moment on to it.
- Vishal Biraia:** Okay, so we will bid for Ahmedabad metro and Lucknow metro?
- Kamal Gupta:** We have already submitted the prequalification there, that has been scraped and not it will be redone and J. Kumar is already established in Ahmedabad where the Ahmedabad metro is coming up. So surely we will be big participant in that metro as well.
- Moderator** Thank you. The next question is from Subramaniam Yadav from Sukam Ventures. Please go ahead.
- Subramaniam Yadav:** Sir we have L1 of 1100 crores out of this around 700 crores is from the marine project in jetty project.
- Nalin Gupta:** Can you speak a bit louder?
- Subramaniam Yadav:** Sir out of the L1 of 1100 crores, we have around 700 crores of the jetty project right?
- Kamal Gupta:** Yes, that is true.
- Subramaniam Yadav:** Sir what is the status on that?
- Nalin Gupta:** That is right now under process because the last moment it didn't clear, it is already cleared by the board or the agency which is executing it, the parent department is transport department so it is done with them also so CM has to clear it now, so in the couple of coming months it should be through mostly.
- Subramaniam Yadav:** Okay. Apart from that what are the other orders we are L1?
- Nalin Gupta:** We have got a work apart from this passenger water transport one is the concretization of roads at Thane by Thane municipal corporation costing 215 crores. The other one is precast bridge we are constructing three precast bridge wherein we are L1 this work is for CIDCO at new Bombay costing 75 crores and one more is a flower work at Thane at Menatai chowk by TMC Thane municipal corporation costing 75 crores.
- Subramaniam Yadav:** So when are theses likely to converted?

- Nalin Gupta:** In a month's time.
- Subramaniam Yadav:** And what is the inflow target for this year?
- Nalin Gupta:** This year we are targeting around 1400 crores.
- Moderator:** Thank you. The next question is from Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir just want to get a sense on the debt numbers though we have maintained our debts numbers from FY14 and also it does not increase. Sir in the end of the year is there any plan to do some reduction on the debt part?
- Nalin Gupta:** More or less the debt part is same as compared to the last year, there is no substantial increase in it and secondly with regards to reduction in it will basically I think we cannot promise as such any reduction also in that, because the works are in progress so the debts will be more or less the same.
- Kamal Gupta:** The debt will reduce because of the repayment of the TBM so the debt will be around 450 to 500 crores by year end.
- Nitin Arora:** Sir just a question which my colleague asked on the highway segment, sir we saw good amount of work which came into tenders after a long time on EPC on NHAI website.
- Nalin Gupta:** That is true.
- Nitin Arora:** Sir just wanted to get your sense that how you are seeing the intensity in terms of the competition because what we hear is there about 26-27 players who are bidding for these all projects so is it some region specific bidding all contractors are looking at to do let say in North, MP Maharashtra the contractors over there are situation so they would be bidding for the Maharashtra, MP project, some region specific bidding which is going, that can save margins?
- Kamal Gupta:** Since Nalin told you before that right now NHAI is coming with all EPC contracts in duty so they are changing the model and they are getting some time for the PBR but there will be enough work for everybody in fact the situation will be what we foresight is there will be less contractors than work. But that will take six months of time to get it implemented and region specific like they will work for every state this is what we are fore sighting because there are lot of DPR works going on for every state but J. Kumar is fore sighting like some specific state where we are already working or we have a presence like Maharashtra, Gujarat, MP, Rajasthan and Delhi.
- Nalin Gupta:** Well, here one thing I would like to add is that what I understand with your question what that you wanted to ask about the contractors whether it is region based or something. My point is that in that areas it depends basically on the nature of the work like if it is a road work you have specific people working in Andhra, certain people working in West, East, and North. So

that is a different category but if you talk about J. Kumar's core area of competence where we are into like transportation sector. So we are focusing always the premium sectors of like flyovers, river bridges, railway over bridges, metro, mono these type of project all over the country there are 7 to 8 bidders not more than 10 who bids all across the country. So that area the competition is usually between because it is a very high value job and highly technical job. So there you will find usually the 8 to 10 same bidders bidding with different joint ventures with foreign companies.

Nitin Arora: Sir just last question. On the Lucknow and Ahmedabad metro what are you, we have already submitted there the bids, so when are you expecting that the bids to get open in both Lucknow and Ahmedabad?

Nalin Gupta: Ahmedabad right now it is in firstly in PQ stage, number one and the prequalification done by Mr. Sanjay Gupta who was the MD of Mega has been scrapped totally by the new government. The new people who are office bearers have now called in for new set of prequalifications and the first set of 215 crores tender has already been floated by them. Which is for elevated metro and the second thing is about the Lucknow metro only one package of 500 crores had come up but J. Kumar we believe working in a controlled manner instead of going hay. So J. Kumar have been operating in Maharashtra, Gujarat, Rajasthan and Delhi, we did not opt to bid for Lucknow metro because it was a single package of 500 crores and immediately you do not have much packages coming up at Lucknow. So that is why we did not bid for it so there is no question of opening of that bid so for the information it has been opened and taken by L&T that 500 crores job.

Moderator Thank you. The next question is from Arun Jain from Infina Finance. Please go ahead.

Arun Jain: Just want to clarify, you said that you are expecting total inflow for the year is 1400 crores. So now you have already 300 crores kind of order book as on the date or second quarter whatever number you have disclosed and then 1100 crores is L1 so you mean to say that now you will not announce any kind of order you are not expecting any order?

Nalin Gupta: No, we did not I think there is some confusion 1400 crores that we have mentioned is with regards to the top line of the company for the current year and with regards to the order book we have already like 300 crores order has been declared it is 294 to be more precise in this quarter and 1100 crores is L1 for which of course the new order would be declared very shortly by the next quarter when we are coming to you with your results and again there are lot of amount of work close to around 2000 crores which are in pipeline into bidding stage which we have already bided in fact.

Arun Jain: No. Same thing I want to understand that you said that L1 will be officially announced may be next month or after two months but what I am saying that beyond this L1 is there any announcement you are expecting or it may be FY16 kind of announcement if it comes actually?

- Nalin Gupta:** No. This 1100 crores is already L1, this will be announced within one month, two months, three months depending on the item which project it is, other than that we have bid for 2000 crores odd job in Maharashtra that work we will declare the orders I am saying over and above the 1100 crores which has already been declared by us.
- Arun Jain:** Okay, so this basically 1400 is a very conservative estimate whatever you can seek right now is it?
- Nalin Gupta:** Yes. That is with regard to top line.
- Arun Jain:** And total inflow, please correct me if I am wrong, if you said that total inflow you are expecting for the FY15 is close to 1400 crores.
- Nalin Gupta:** No, it was the topline it was just a slip of tongue, it was 1400 crores inflow in terms of the topline of the company for the current year. It is not with the inflow of order book, sometimes you slip for something.
- Arun Jain:** Okay. And second sir once you, because last two to three years your working capital cycle has moved up if I look it on a broad including your loans and advances so that has moved up to close to from 80-70 days to 115 days. So where you see that working capital cycle again coming back to same level or it will remain (+100) days if you include loans and advances as well.
- Kamal Gupta:** It is just a momentary thing which is again happening because of Delhi metros payment schedule system wherein in tunneling if we mention tunneling item which is 42 to 50% of the project cost, in that we have to cast the tunnel segments the tunnel lining the precast tunnel segments are casted in the factory well in advance because the production rate is 16 ring per day and the consumption per day goes up till 45 to 50, so we have to have a sufficient backup, a sufficient buffer of these rings which has to be kept at that side, it depends it keeps on fluctuating. So as an average over the period it has to come down, right now you are seeing it up, it is mainly because of work done and not measure that is work in progress.
- Arun Jain:** Okay. And third part of your balance sheet if I look at your FY14 annual report where the breakup of your debt suggest that you have a certain ECB as well. Now if I calculate on an average basis like it is like that interest divided by your debt, your interest cost seems to be very high for FY13 and '14 which is like 20%, 14% on an average and normal basis it seems like 23 or 24% so does it include FOREX element of that amount or something else you have paid on that?
- Nalin Gupta:** As an impact in terms of ECB we have a lower interest rate that is because we have quoted the tenders in terms of dollar component as well. So because of that my borrowing cost reduces substantially so it is not because of that, it is also because of the other financial cost, like bank guaranty charges, commission on the commission, margin money and other LC charges. All the foreign component and the engine products both.

- Arun Jain:** Sorry to interrupt you, so how much bank guarantee or other financial charge apart from interest you are paying or is it vary because it simply vary from company to company so what is your charges?
- Nalin Gupta:** Bank commission charges if you see it is hardly 1% in our case, it is ranging from 0.7 to 1. So it is not high but the requirement of this bank guarantee are pretty high. Because when you are bidding for a job after award of it we require bank guarantees to the tune of 15% to 20%. So because of that the interest cost and the margin commission and commission charges that is why we see a shift in it. Again we have to give bank guarantee for converting our security deposits many a times there is a provision where 5% of the amount is usually withheld by them as a security deposit.
- Arun Jain:** Okay. So therefore your other financial charges are pretty high so your overall interest cost seems to be high in terms of whatever debt you have is it?
- Nalin Gupta:** Yes.
- Arun Jain:** Okay. I joined little late so what is the current order book we have and what is the average age or execution period of that order book?
- Nalin Gupta:** It is 3100 crores as of 30th September 2014 with a L1 of 1100 crores addition to it, that is taking it to 42 but this 3100 crores if we talk of which is in the hands of J. Kumar for execution would be span over a period of two to two and a half years.
- Moderator** Thank you. The next question is from Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** Sir just a clarity on the order inflow target because you said around because Arun has also asked that 1400 crores thing. So already we in the first quarter got around 400 crores of order plus this quarter around 300 so it is already 700 right?
- Nalin Gupta:** Yes.
- Subramaniam Yadav:** And L1 of around 250 likely in next one month something like that.
- Nalin Gupta:** That is right.
- Subramaniam Yadav:** So around 1000 crores we already got so, what is our actual inflow target what we are targeting internally.
- Nalin Gupta:** As of now if you see around 2000 crores we can say because around 300 crores that we have already declared and followed by 300 crores which are expected wherein L1 will get converted into the orders which will be taking it to 700 and another around 1300 crores in addition we are expecting by the end of this financial year.

- Subramaniam Yadav:** Okay. And sir what will be the margin profile in this because currently we are doing around 17% that is majorly because of metro thing if I am not wrong, so how much would be margin profile in this order?
- Nalin Gupta:** Basically if you see the margins do not come only because of metro jobs it is also because J. Kumar control style of working wherein till 2010 we were working only in Maharashtra now we opened up our operations in Maharashtra, Gujarat, Rajasthan, and Delhi. And now also these new orders coming in will be from the same sector from the same geographical area so the amount of addition in terms of CAPEX or establishment cost will be very-very marginal. So the margins that J. Kumar is making to the tune of around 17% EBITDA shall be maintained easily by us.
- Subramaniam Yadav:** Okay. Irrespective of any metro work or not?
- Nalin Gupta:** Yes, because it is always a blend of things, sometimes if you take the work that is comparatively tighter margins somewhere you get a comfort zone addition so more or less we have a style that unless J. Kumar makes a EBITDA of 15 to 17% we are do not usually try to become more and more bullish about taking the jobs. And that is why you do not see orders like flowing it like 5000 crores, 20,000 crores in J. Kumar because we believe in quality more than quantity.
- Subramaniam Yadav:** Okay. And second thing sir you mentioned that you have submitted some security deposit of 60 crores for one project for bidding.
- Nalin Gupta:** It is not one project it is a combination of projects, there are around 15 to 20 projects for which combined it is 60 crores.
- Subramaniam Yadav:** Okay 15-20 crores falling in the Maharashtra, Gujarat area?
- Nalin Gupta:** Yes, it is mainly in Maharashtra.
- Subramaniam Yadav:** Okay. And sir second thing in the metro RFQ thing, you said already we are nine player qualified so, what is this round of qualification I did not understand that thing.
- Nalin Gupta:** That was a technical and financial prequalification, 15-16 people have submitted the bids but only 9 are being prequalified as per the terms and conditions, so now 9 can bid for the financial bidding of this seven projects.
- Subramaniam Yadav:** Okay. 9 players for seven packages?
- Nalin Gupta:** Yes, 9 people are allowed to bid for the seven packages and out of this also like there are two or three people who are allowed to bid only for some particular packages because of their credentials and J. Kumar can bid for all the seven packages and we can take maximum two packages. Mainly one package. Some of them can take only one package.

- Subramaniam Yadav:** Okay. And sir so we will be submitting the financial bid starting tomorrow because tomorrow is the last date if I am not wrong?
- Kamal Gupta:** Who told you tomorrow is the last date.
- Subramaniam Yadav:** The RFQ thing?
- Kamal Gupta:** No, RFQ is already done, request for qualification is already done, now it will be RFP that is request for financial bidding proposal. So that will be like next week by Wednesday we are hoping that they will issue us the tender for financial bidding and that will take around two to two and half months for submission.
- Subramaniam Yadav:** And after that the awarding will start?
- Nalin Gupta:** Yes.
- Moderator:** Thank you. The next question is from Kishan Gupta from CDA Research Private Limited. Please go ahead.
- Kishan Gupta:** What would be the effective tax rate for the full year?
- Nalin Gupta:** We are into flat tax rate system of 33 full tax system.
- Kishan Gupta:** So basically this 42 or 43% this time tax rate is a one-off, I mean will it normalize as we go ahead?
- Kamal Gupta:** No, actually the tax rate comes 42% basically from the current tax and plus the deferred tax actually, differed tax we have already provided for 3 crores. The tax rate is 42% is the gross tax, if we calculate on the basis of gross tax it is a 42%.
- Kishan Gupta:** I know but that deferred tax is also a part of that effective tax rate calculation which is 33% right?
- Kamal Gupta:** Correct.
- Kishan Gupta:** So what I am saying is your current tax plus deferred tax for full year would be what, 33% of your PBT?
- Nalin Gupta:** No, it is around 40%.
- Kishan Gupta:** It will be 40% you are saying?
- Nalin Gupta:** Yes.
- Kishan Gupta:** For full year you are saying?

- Nalin Gupta:** Full year.
- Kishan Gupta:** And this deferred tax is in account of what?
- Nalin Gupta:** Deferred tax basically it is the difference between the income tax depreciation and company's tax depreciation.
- Kishan Gupta:** Right. But it should not push your total ETR higher right?
- Nalin Gupta:** Sorry?
- Kishan Gupta:** Effective tax rate, despite that deferred tax thing it should not push your overall tax rates higher.
- Nalin Gupta:** Correct.
- Kishan Gupta:** So why is it higher this time for 40% or 42% whatever?
- Nalin Gupta:** Actually we have capitalized the TBM in the current year actually, the depreciation for the income tax point of view is higher as compared to Companies Act, so now the depreciation has been for this year under the Companies Act the difference between the depreciation of these two assets.
- Kishan Gupta:** Okay. And what about do you think that election in Delhi would help have any effect on execution of Delhi metro orders?
- Kamal Gupta:** No. There won't be any effect as such on now, on ongoing work there won't be any problems here.
- Nalin Gupta:** With the new government coming up you will find new works coming up because already right now Phase III is under execution and Phase IV for which already DPR has been under processed they will be trying to push it hard because it had to come one year earlier actually, but because already so many projects close to around 25, 30,000 crores which are already ongoing in Delhi, because of which Delhi Metro is not coming up with the Phase IV projects, so it will be coming up very soon. Within a year's time you will see more amount of works coming in that area.
- Moderator:** Thank you. The next question is from Arun Jain from Infina Finance. Please go ahead.
- Arun Jain:** Sir just wanted to understand little broader questions like your current core competencies basically a transportation which include everything related to transportation so when the economy will open up would you like to bid for something else where you can have some kind of risk mitigation where transportation and plus some other segment of infrastructure development.

Kamal Gupta: Transportation is our core competency no doubt, but if you see transportation is itself very vast, where in like you have flyovers, bridges, there are lot of types or variety of flyovers it covers your road, highway, metros, mono's underground railway, overhead railway so it itself is a very vast subject. Apart from this we are also doing different types of work like we are constructing an ESIC Hospital building in Rajasthan costing around 750 crores so even that is a new big vertical like multispecialty hospital and colleges. So if we get a good opportunity in that also we will go in that sector.

Arun Jain: Therefore I am asking this kind of question because this lot of smart city related investment is about to come. So this kind of big buildings where other people make more money in terms of the ROE and in terms of the working capital requirement is also little bit lower. Where you required some kind of capability rather than the financial muscle actually. So just wanted to understand because that can also give you some kind of volume or may be the sales growth which may not be possible of obviously this will be possible for that but in terms of the risk mitigation just wanted to understand so basically you are looking to that sector.

Nalin Gupta: Yes, because the new government has given lot of emphasis on health issue so there are lot of healthy projects like hospital, medical college in pipeline. So we have an eye on that as well Arun. So mix of project as per the risk mitigation also it will be a good thing.

Arun Jain: Sir what else apart from that, or this is one of the focus where you will concentrate first?

Nalin Gupta: Transportation is the area where we will focus Arun, it is civil construction and these areas, these are of course because J. Kumar qualifies for all these segments, J. Kumar has been executed this ESIC hospital project which is already value of more than 400 crores we have executed with entitled us to any other building work coming up in the country to be bagged easily. But transportation sector if you see this sector itself is so huge and vast that forget J. Kumar, even companies like L&T, HCC, NCC, J. Kumar, you name then, these group of 8 to 10 companies also, the majority players also cannot handle the amount of work that are going to come up. It is around 3 lakh crores is supposed to be spend on national highway, metro jobs each place wherever metro comes up it ranges from 10,000 crores to 30,000 crores each phase. So as I had mentioned that these metro jobs which is again one of the major focus because as many roads and flyovers you build basically it does not solve the traffic problems in the city. So they have to go in for the mass transport system which is in the form of BRTS, which is the form of metro and government understanding that is pushing for metro projects in each and every city. As of now 14 cities metro projects has been planned out of which around 7 to 8 cities metro is under full-fledged execution. So there is ample amount of food on the platter for the contractors to have it and work easily. In fact this will be a very-very golden period of infrastructure to enjoy the, means having sufficient work and comparatively better margin.

Arun Jain: Okay, how your words result some good thing for all the investors who have lost so much money in this infrastructure investment since last three to four years. Thanks a lot sir.

- Kamal Gupta:** And one thing my dear in this last point which you have added as a light thing I would like to add that people who have investment in J. Kumar right from 2008 since we got listed in a six years spanning time the investors had made three times. The only point which comes into the picture is the stability, we always believe that need to select a company or we are also very particular and we always try to focus on the investors who believe in the company as a long term. Sometimes I may wonderful results and sometimes suddenly I will show you a big dip so that is not important the consistency is important for which people have appreciated and the stock price of J. Kumar you all have taken to Rs.330 which was 110 so it is almost 3x in six years.
- Moderator** Thank you. Mr. Valecha would you like to go ahead with your question in the mean while?
- Manish Valecha:** Yes, sir just to understand with the new government in Maharashtra what do you think is the growth area of focus area of the new government likely to be, will they be doing more on the irrigation side or will urban infra will be the main focus for them?
- Nalin Gupta:** Urban infra of course is the main focus, irrigation the important projects will be taken not like the previous thing which was on, but like they are yet to come with the exact time because new CM he was recently joined, he is taking up review with all the department and he is chalking out a plan like what are the important project you just push so he is already pushing this Bombay MTHAL, the metro line, the coastal roads so that things are already on. So we will come to know in another 15 days' time like what are project keys he is trying for.
- Manish Valecha** And sir one book keeping question what would be the breakup of interest of this 17.6 crores into actual interest cost and the financial charges if you would have that?
- Nalin Gupta:** Total cost is 17 so out of that 2.5 crores is the bank charges and 15 crores is around the interest charges.
- Manish Valecha** Okay, sir I think that is it from my side. Melissa if we have any questions we can take it otherwise we can close the call.
- Moderator** As we have no further questions I would like to hand the floor back to Mr. Valecha for closing comments. Please go ahead.
- Manish Valecha** Thank you. We would like to thank the management of J. Kumar for taking out time for this call, we would also like to thank all the participants for attending the call. May be sir you would like to give some closing comments.
- Nalin Gupta:** Thank you so much Manish and thank you everybody here. We would also like if there is any other questions or queries you can come back to us or you can mail us to Arvind and we will be glad to reply that. And we have your support always like what we have been having and we will see that we will see that we give you consistent results what we are giving you till now.

Moderator: Thank you gentlemen of the management and Mr. Valecha. Ladies and gentlemen on behalf Anand Rathi that concludes this conference call. Thank you for joining us and you may now disconnect your lines.