

ANANDRATHI

“J. Kumar Infraprojects Limited Q4 FY-'15 Results
Conference Call”

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MODERATOR: **MR. MANISH VALECHA – ANAND RATHI SHARES & STOCK BROKERS**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the J. Kumar Infraprojects Q4 FY-'15 Results Conference Call hosted by Anand Rathi Shares & Stock Brokers. As a reminder, all participant lines will be in the listen-only mode, 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Valecha from Anand Rathi Shares & Stock Brokers. Thank you and over to you Mr. Valecha.

Manish Valecha: On behalf of Anand Rathi Shares & Stock Brokers I welcome you all to the 4Q FY-'15 Results Conference Call of J. Kumar Infraprojects Limited. From the management we have with us Mr. Jagdish Kumar Gupta — Executive Chairman; Mr. Kamal Gupta — Managing Director and Mr. Arvind Gupta — CFO. I would now like to hand over the call to Mr. Kamal Gupta for his opening remarks. Over to you, sir.

Kamal Gupta: Yes, Hi! Good Afternoon to all, this is Kamal Gupta from J. Kumar Infraprojects. Looking for your last quarter results of March '15 the company has done the turnover of Rs.403 crores with a PAT of Rs.27.33 crores, and as you are aware like coming to the 12-months financial year figure, the top line of the company has shot up by 13.2% that is Rs.1,343 crores instead of Rs.1,186 crores last year. The EBITDA has gone up by 21.6% to Rs.263.6 crores as compared to Rs.216 crores last year. The company has made net profit of Rs.94.4 crores as compared to Rs.84 crores which is a jump of 12.3% as compared to last year. The work orders position the work-in hand stands on Rs.4,150 crores with around Rs.1,100 crores of L1 Projects. This is the highlights of the financial year 14-'15. So Yes, please go ahead with any questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session.

Manish Valecha: As we are all aware that the bid for the Mumbai Metro-III has been placed. So can you give us more color on how is the project scope and what are the timeline in terms of when the L1 will be announced or the award will happen and eventually the work will begin?

Kamal Gupta: Manish, we already bided for the Mumbai Metro Line-III which is Rs.32.5 Kms underground, there are seven packages for the whole line, and the evaluation has already started we are expecting by like today this is June- July-August 3-months, by August they should declare the financial thing because they are already pre-qualified bidder so they do not have to check much on the pre-qualification front but

some technical and financial things has to be done, so after the technical evaluation, they will open the financial bid after 2-2.5 months, so by August end we should come to know about the results of this and we have quoted very aggressively in this. So we are hopeful about to get some part of it and the time limit of the project is 54-months.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Sir, just wanted to understand that why Q4 has been the way we were going in the first 3-months it seems like that you will reach about Rs.1300-1400 crores of revenue. Can you explain what led to lower the billing side in the revenue part?

Kamal Gupta: If you see the overall performance of the whole financial year, we had a growth of more than 14%, basically there is one main reason, where you see the figures a bit low in the 4th quarter because our (DMRC) Delhi Metro Rail Corporation we have a joint venture with CRTG there, so we have done in this financial year Rs.438 crores of turnover from that project, but in the books of J.Kumar we have taken only Rs.215 crores because of the DMRC rule, subcontract from the JV can go only 48-49%, so around Rs.223 crores is not added up in our top line, otherwise the top line would have grown by 32%.

Nitin Arora: This Rs.223 crores will come in next year in the first quarter itself or how it gets...?

Kamal Gupta: It would not come at all, this will be remaining in the JV only, from this year onwards the government has allowed to take in our books like initially till March 2015, the portion of that Rs.223 crores was not allowed to be taken in J.Kumar's books, the consolidation was not allowed, so whatever is balance figure, from this year onwards will come into our books.

Nitin Arora: That means Rs.223 crores will also come in...?

Kamal Gupta: No, Rs.223 crores would not come, what is done till March '15 would not come.

Nitin Arora: How much we are left to execute the Delhi Metro Project?

Kamal Gupta: I think around Rs.400 crores.

Nitin Arora: This Rs.400 crores will get fully reflected in FY16?

Kamal Gupta: Rs.400 crores plus is the total, putting all the projects together of DMRC is around Rs.727-730 crores.

- Nitin Arora:** What sort of revenue target we have in mind for FY16 because I think the whole DMRC project we have to finish it by FY16 end, correct me if I am wrong?
- Kamal Gupta:** Delhi Metro out of Rs.730-740 crores I think we will do Rs.450 crores in the coming financial year, the overall top line should go around Rs.1700 crores.
- Nitin Arora:** What led to the sudden increase in the interest cost because what I understood that the debt has come down to about Rs.515 crores?
- Kamal Gupta:** This is basically because if you see a lot of projects of J. Kumar has been completed and handed over for public use, if you see the Kherwadi Flyover in Bandra, the Eastern Freeway project of Panjrapole has been completed and people are using it, Kapurbawdi Flyover in Thane, in the Sion Panvel Flyover Road Work, some BRTS work in Ahmedabad, all these projects are completed. And secondly, a lot of new projects are starting, now like the Thane Flyover Project we have started, Gansuli Flyover was Rs.450 crores is started, the BKC Connector which recently J. Kumar got has been started, the Ahmedabad Metro Line which is the first project in Ahmedabad, that is also started by J. Kumar. So all these new projects have already taken off now. So in all these projects we have already started investing in working capital and capital book. The revenues starts coming only after 6-months of the project start. This is the reason if you see there is slight hike in the interest cost for this quarter.
- Nitin Arora:** You mean to say that the mobilization advances being taken where the revenue will get recognized over the next 6-months?
- Kamal Gupta:** No-no, we have not got mobilization advances, we have started investing in this project, the revenue starts coming only after some work has been done.
- Nitin Arora:** So working capital limit has been utilized?
- Kamal Gupta:** Yes exactly.
- Nitin Arora:** Our net order book stands at around how much at this point in the Q4 end?
- Kamal Gupta:** Including L1 is Rs.4,153 crores.
- Moderator:** Thank you. The next question is from the line of Charanjeet Singh from Axis Capital. Please go ahead.

- Charanjeet Singh:** You mention about this Mumbai Metro Phase-III order. In this order, we are hearing that there has been some change in the specifications for the Tunnel Boring Machines. Can you please highlight like what is the change and how it could impact us?
- Kamal Gupta:** Initially, they have increased the diameter of tunnel machine, but now they have again changed it before the tender submission, so the latest is this there is no change in the TBM diameter, so like even our Delhi TBMs will be utilized here.
- Charanjeet Singh:** We will have to buy additional TBMs to meet any kind of prequalification requirements for this particular tender?
- Kamal Gupta:** There is no pre-qualification requirement boss, of course, there is a mandatory requirement that you should have one new TBM for each project, so like if we get two projects we may require to buy two, if we get one project we may require to buy one new machine, and the rest of the machines will be utilized from a Delhi base.
- Charanjeet Singh:** You talked about we being L1 in around Rs.1100 crores worth of projects. If you could highlight which kind of projects are these where we are into the last stages?
- Kamal Gupta:** Yes, like there is Rs.670 crores of projects we are still awaiting the order of Mumbai Passenger Water Transport and rest of the projects are like this one project in Thane that is construction of UTWT, there is a specialized concrete road at Majiwada and Manpada from TMC that is costing around Rs.215 crores and we are L1 in Meenatai Thakre Flyover in Thane, that is around Rs.80 crores and we have already received some of the orders after the financial year around Rs.100 crores that is some road works in BMC that put together resurfacing is Rs.1,100 crore projects L1, these are the breakup.
- Charanjeet Singh:** Sir, in the last concall, we have talked about Rs.5,000-6,000 crores worth of orders which are there in the pipeline from the Mumbai Municipal Corporation for various Flyovers and all. So, out of that a large proportion, when do you expect that to be ordered out?
- Kamal Gupta:** J. Kumar has already received orders of around Rs.600 crores from BMC last financial year including these 2-months also, where we were L1, is already converted into orders.
- Charanjeet Singh:** I am talking about the pipeline, you mention about Rs.5,000-6,000 crores new announcements which were there and which were going to be in the project pipeline?

- Kamal Gupta:** Mumbai Metro Line III we have bided, so if we get we may get around Rs.5,000 to Rs.6,000 crores worth of project from that only itself, plus also in the Coastal Road Project which is yet to come, we will be bidding for that.
- Charanjeet Singh:** How do you expect the working capital cycle to pan out going forward with this new Mumbai Metro Project if this comes through we will be seeing increased working capital requirements?
- Kamal Gupta:** Working capital cycle it should be comfortable; it is around 90 to 100-days maximum.
- Moderator:** Thank you. The next question is from the line of Adidev Chattopadhyaya from Elara Capital. Please go ahead.
- Adidev Chattopadhyaya:** Again, my question is on Mumbai Metro. Again, there was some news that a part of is going to be underground or do you think it is going to be above the ground in many sections, so does that change the scope and cost for the project drastically and would that affect the bidding conditions just for our understanding?
- Kamal Gupta:** What you are saying is partly right because what you are saying is regarding the rest of the Metro Lines which are yet to pick up that is a line-2 and line-4 which was initially they were planning underground, they are now thinking of doing it mostly elevated, but this is not in any way concerned about the line-3... line 3 is already bided and like there is no change about the underground in that, 32.5 Kms is entirely underground in line-3.
- Adidev Chattopadhyaya:** If I look at the fresh order inflow, would you like to share some guidance for next year excluding Mumbai Metro you are looking at additionally... I know that is a large order which may come in, excluding that?
- Kamal Gupta:** We are bidding for a lot of other projects like Bombay itself like MCGM a lot of projects are coming up, so we hope to get a good chunk out of that as well, the extended MUIP lot of Road Works are coming, we are also quoting for this JNPT Road Works of (NH) National Highway, we are also quoting some projects in Maharashtra for a National Highway, so we are expecting some projects from NH as well as its extended MUIP and MCGM works apart from the Mumbai Metro.
- Adidev Chattopadhyaya:** Outside of Mumbai, where do we see the majority like the potential of order wins to come in the next year?

- Kamal Gupta:** Work wise inflow every state has major work they are taking out, but we are concentrating in some limited states like Maharashtra, Gujarat, Rajasthan and Delhi, so we do not want to scatter because there are a lot of work in each state itself,, so every state is coming out with lot of works whether it is like Chhattisgarh or Andhra Pradesh, but we are concentrating Maharashtra, Gujarat... Gujarat, the first line of Metro, the first package had come and we took it, so there are a lot of projects further lines which are coming up from same line, so we are positive of getting more packages out of that. So Gujarat we are targeting, Maharashtra we are targeting in a big way.
- Adidev Chattopadhyaya:** On debtors, we expect this to come off again in the first half around Rs.200 crores of debtors which we have sitting on our balance sheet?
- Kamal Gupta:** We already received that.
- Moderator:** Thank you. The next question is from the line of Jaspreet Arora from Systematix Shares. Please go ahead.
- Jaspreet Arora:** Continuing on the Mumbai Metro 32.5 Kms, what is the EPC size here that we are talking of?
- Kamal Gupta:** EPC side will be around putting all the seven packages together something like Rs.17,000 to 20,000 crores.
- Jaspreet Arora:** This comprises of 7 packages?
- Kamal Gupta:** 7 packages, each package will be around Rs.2500 to 3000 crores.
- Jaspreet Arora:** You expect this to be out by August sometime?
- Kamal Gupta:** August Yes.
- Jaspreet Arora:** Moving beyond Phase-III, I know there are a lot of news appearing in media on a daily basis on line-4 and line-5 and line-6, the Thane and Charcoal and what not, what is your sense – when could that be awarded on a practical basis?
- Kamal Gupta:** Once this line-3 takes off, Jaspreet, immediately those guys will take out the bid for other lines, so I think by another 6-months or so they should take out bid for additional line.
- Jaspreet Arora:** The financing, the back end work and all that is already going on for that?

- Kamal Gupta:** Yes very much, in advanced stage.
- Jaspreet Arora:** A clarification there; you mention 48% was not built to our books because of being in a JV. So just is the other operating income including the income from that or it will only be reflected in the consol or?
- Kamal Gupta:** No, it is not including that, that is there in JV only.
- Jaspreet Arora:** So you are saying FY16 which is current financial year we should start seeing the numbers from there?
- Kamal Gupta:** Absolutely, that will add up to this number though.
- Jaspreet Arora:** And going forward, let us say even in the Mumbai Line-3, it is again a JV, so would that and similar Mall projects as and when we get it, would that get reflected in our books or again this is the same?
- Kamal Gupta:** Because they have allowed consolidation of JV part now.
- Jaspreet Arora:** Authority like DMC, right?
- Kamal Gupta:** This is through the Income Tax Department, they were not allowing this so are allowing consolidation now.
- Jaspreet Arora:** In terms of the order book flow, you mentioned the couple of L1 projects that we have, out of this just wanted to get a clarity on the Water Transport project since that has been hanging for too long, is there any concrete action that is happening there or it is going to be a case again where it will go for rebidding or project may get shelved?
- Kamal Gupta:** Yet not gone for re-bidding, Jaspreet, so we are hoping for all good very frankly, because like there were some merging some BPT work with that, like they wanted to combine some line of (BPT) Bombay Port Transport. So that talks are on with like. So they want to do it but they are taking some time of course, so we are also hoping like it will be done like in this coming 2-months or 1-month.
- Jaspreet Arora:** Within the MMR region, what are the reasonably big ticket projects that you see coming out over the next year, year-and-a half, let us say this calendar year and next calendar year which could add up substantially to our order book in the lines of Mumbai Metro?

- Kamal Gupta:** Like MCGM is coming up with this Coastal Road Project as you are aware, they are very aggressive for this, so that will be again itself costing around Rs.12,000 crores, MCGM is coming up for another Rs.400 crores of Flyover work in Western Suburbs, they are coming with this big project size ticket is Ghatgopar to Mulund JMLR elevated that is costing around Rs.1,300 crores and the extended MUIP of MMRDA, they are coming with around Rs.3,700 crores of various projects where is Roads and Flyover Bridges and your MTHL will from Sewri-Nhava Sheva that will again be on EPC costing around Rs.10,000 crores. So, a lot of this big ticket size projects are there apart from that many more small ones. New Bombay CIDCO will be coming, New Mumbai Airport will be coming up, but that is all VOT airport one, but like of course we will be looking for some good EPC contractors.
- Jaspreet Arora:** You also mention the Goregaon-Mulund Freeway, right?
- Kamal Gupta:** Yes elevated.
- Jaspreet Arora:** Which is the RA Colony one?
- Kamal Gupta:** It is not exactly RA, from Dindoshi if you go straight it is Film City and from there it is taken.
- Jaspreet Arora:** Within this you mention the Trans Harbor, the kind of preparation that is happening at the government level, because again this is a very big ticket project, but again in limbo for quite some time?
- Kamal Gupta:** Yes, they are taking up this project on EPC basis now because BOT they have taken it up before but it was not successful, so EPC is there so it is good for us.
- Jaspreet Arora:** Would it again be in like small parcels in the lines of...?
- Kamal Gupta:** Like two to three packages, one bigger package of Rs.6,000 crores and another Rs.2,000 to Rs.3,000 crores of smaller packages.
- Participant:** So again we will be choosing our relevant portion out of it?
- Kamal Gupta:** Yes, correct.
- Jaspreet Arora:** Again, we will be requiring a JV partner?
- Kamal Gupta:** It depends like what size and what exactly qualification that takes out.

- Jaspreet Arora:** On the CAPEX, if you can highlight, you mention that the Mumbai Metro requires there is a qualification of one new machine for every new project, so can we safely assume we will have to spend at least Rs.60-70 crores p.a. for next two years just on this TBM?
- Kamal Gupta:** If this Mumbai Metro is there, of course, because there will be 2 machines usually for one package they require around three machines, if there are two packages we may require 5 to 6 machines, so the 4 machines of our Delhi Metro will be utilized and 2 additional will be bought in, so our capacity is limited to 1/4th of what will be required by others. So this will be around Rs.150 crores for both the machines, around Rs.70 crores p.a. what you say is right, on the TBM machines, TBM will be around Rs.60 crores, so 120 plus Rs.30-40 crores of additional, I am putting all together at Rs.150 crores.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** What has been the debt reduction during this year?
- Kamal Gupta:** Debt reduction is around Rs.115 crores.
- Parikshit Kandpal:** Whatever the orders which were awarded by MCGM, what is our market share of wallet in that?
- Kamal Gupta:** Around 15%.
- Parikshit Kandpal:** There is a huge opportunity which is on the ordering side. So what is the limiting factor in our balance sheet, how much is the capacity we have to take new orders, what kind of annual inflows will basically fill up our capacity of execution annually?
- Kamal Gupta:** Our execution capability going forward like departmentally easily Rs.3,000 crores p.a., that is not an issue Mr. Parikshit, but we are not going each and everywhere, we are looking for the right client where money should not be a problem, so J. Kumar is always being conservative about the client, we select the clients very cautiously because there should be cash rich clients. If you see our debtors' cycle and also it is 45-days, we have very good clients and we intend to keep the same going forward also. So execution capability wise we can of course do Rs.3,000 crores p.a. easily, that is not a problem, and if this Mumbai Metro Line-3 comes up and plus some additional works also is extended MUIP and MCGM so this will take up like another 2-years or so, our turnover can go to Rs.2,500 crores.

- Parikshit Kandpal:** Last year FY15 how much was the order intake?
- Kamal Gupta:** Around Rs.1300 crores.
- Parikshit Kandpal:** With all these opportunities present, so what kind of order intake with the limited capacity we have in terms of gross block, how much can we intake annually?
- Kamal Gupta:** We can intake about Rs.3000 to Rs.4000 crores of the projects, that is not a problem at all, but any big ticket size again if you have quoted for this Mumbai Metro, suddenly big chunk will come in, so if once the big project is there, so we go slow in other projects...
- Parikshit Kandpal:** This Metro Project by the time the winners are announced, the financial bids get opened, so what is the ideal timeframe, there will be ground-breaking, and execution really starts?
- Kamal Gupta:** The orders and all it will be I think September-October, so our actual work on ground will be seen only by December or Jan end of this year or probably start of the next year.
- Parikshit Kandpal:** And then five-years from there to basically complete?
- Kamal Gupta:** Yes.
- Parikshit Kandpal:** Till they have to iron out issues like land acquisition and other things, so it will take quite a while before they really break the ground?
- Kamal Gupta:** Very frankly, Parikshit, there is not much issues of land acquisition, because most of it is underground, so do not have to acquire land.
- Parikshit Kandpal:** But societies have to basically give their consent and...
- Kamal Gupta:** One particular package or Package-2 that is Girgaon and Kalbadevi apart from that there is no acquisition in any other packages.
- Parikshit Kandpal:** Main issue is in Package-2?
- Kamal Gupta:** Package-2, yes.
- Parikshit Kandpal:** But we have bid for all the seven packages or how is it?
- Kamal Gupta:** Yes, we have bid for six packages.

- Parikshit Kandpal:** How much a maximum can a bidder get in these?
- Kamal Gupta:** 4-5 of us can get two packages, rest all are limited to 1 package.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Karvy Stock Broking. Please go ahead.
- Shravan Shah:** Just wanted to know in terms of order inflow for this quarter was how much?
- Kamal Gupta:** Was Rs.450 crores.
- Shravan Shah:** Current maturities of long-term debt is how much?
- Kamal Gupta:** Rs.53 crores is the long-term debt.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch Private Limited. Please go ahead.
- Kishan Gupta:** You said 6 packages you have bid for. What is the worth value?
- Kamal Gupta:** I cannot disclose you that value because it is a lump sum project, but as I told you putting all the 7 packages, it will be around Rs.17,000 to Rs.20,000 crores so you can reduce by Rs.2,500-2,000 crores so say Rs.17,000 to Rs.18,000 crores we have bided.
- Kishan Gupta:** How much is the L1 now? You said Rs.4150 crores is the total order booking including L1, right?
- Kamal Gupta:** Rs.1,100 crores is L1 as of 31st March.
- Kishan Gupta:** What is the current one?
- Kamal Gupta:** L1 Current around Rs.1,000 crores.
- Kishan Gupta:** In terms of order execution, you said that Rs.220-230 crores will add up to the Rs.1320 crores we did this year, right...?
- Kamal Gupta:** I said Rs.223 crores could not be added
- Kishan Gupta:** Now, it will get added, right, almost Rs.200-220 crores?

- Kamal Gupta:** Added up now also, first till March 2015 that was not allowed, consolidation is allowed from 1st April 2015. So whatever we execute in '15-'16 the whole thing will come in J. Kumar's book.
- Kishan Gupta:** You are estimating an increase of almost Rs.400 crores in revenue this year, right? You said Rs.1700 crores is your revenue assumption, right?
- Kamal Gupta:** Yes.
- Kishan Gupta:** So you expect Rs.223 crores from this project. So what is your assumption? Will there not be ramp up in other projects because you added almost Rs.150 crores of incremental revenues last year?
- Kamal Gupta:** No, there will be boss, a lot of projects are completed, so revenue would not come out of that, but a lot of projects which have started now like as I told you the Ahmedabad Metro, the Thane Flyover Project, the BKC Connector, Ghansoli Flyover, the Road Works from MCGM, all this will add up to the revenue.
- Kishan Gupta:** But what I wanted to understand is like you said Rs.220-225 crores incremental will come from this DMRC, which you could not book last year, now it will get in. And then you are estimating an incremental revenue of almost Rs.150-160 crores this year which is the same as what you did last year incremental basis. So just want to understand, will there be any ramp up or it would be at the same pace as last year's?
- Kamal Gupta:** These all are conservative figures, if you see Mr. Kishan, so yes, we should be much ahead of this.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir, touching a base on Mumbai Metro, you require about 3 TBMs in 1 package, so the total Metro will require about 21 TBMs. Now, sir, if we have to take 1 new TBM, I just want to understand that in Delhi we have a majority like soft soil nature in the underground of Delhi Metro. So do we have to modify the horsepower also for the TBMs and it requires incremental CAPEX for the existing ones to be used in Mumbai as it is more rocky?
- Kamal Gupta:** You are right, Nitin, like our Delhi machines are for soft as well as for hard, so out of four of the machines two of the machines are rock machines there and two machines we have to do some incremental modification ramp up, so that will cost me around Rs.6 crores per machine, so may be if I am taking around Rs.12 crores I have to put

addition to make it a rough machine. But Bombay also has your soft soil, the major alignment is under rock, but some of the packages are having about 4 to 5 Kms of soft soil. So in that we will be using that machine.

Nitin Arora: Sir, there is no problem as far as modifying the horsepower of TBM, it can be done?

Kamal Gupta: Yes, it can be done.

Nitin Arora: In terms of this project only, let us say if we win Rs.3,000 crores of package, I get a 10% advance against it, so incrementally from the internal accruals I would not be putting majority of the CAPEX, it will be done from the mobilization advances, is that a correct understanding?

Kamal Gupta: You are right, Nitin.

Nitin Arora: Any which ways our leverage will not go higher that much?

Kamal Gupta: Exactly, you are right.

Nitin Arora: In terms of debt, I just heard that you have reduced the debt by Rs.115 crores for the year. If I look at we ended last year about Rs.555 crores and the incremental debt reduction is including the current maturity I think we ended at Rs.515 crores?

Management: Nitin, this is Rs.100 crores decline will be long term debt actually, some added in the working capital, so net effect comes to near about Rs.50 to 60 crores.

Nitin Arora: Your inventory days have come down in FY15 to about 150-days from 170-days. Do you see that going down as we were doing more billing in the DMRC?

Kamal Gupta: We are expecting it around 100 days, so it will further go down in FY16.

Nitin Arora: In terms of the revenue guidance, I know you gave a number of about Rs.1700 crores which implies about 29% growth, but the majority has to come only from the DMRC's project and as well as what you said the newer project which will take off?

Kamal Gupta: Yes, I am combining all the projects, not only DMRC.

Moderator: Thank you. The next question is from the line of Chintan Seth from SKS Capital & Research. Please go ahead.

- Chintan Seth:** Just wanted an update...when you say that on your Mumbai Project, you have bided aggressively and there are seven packages overall and when we say that we are eligible for at least two packages out of the seven packages and we make a bid for six packages. In terms of aggression, it will be on margin front, we will have some hit because it is a bigger project and then we have done in terms of value wherein our current order book is Rs.4,000 odd crores and the project size will be around Rs.18,000 odd crores of the two packages it will be around Rs.5,000 to Rs.6,000 odd crores. So it will be a bigger chunk of projects. So it will have an implication that the margin on those packages will be little off what we are doing currently?
- Kamal Gupta:** Chintan, when I spoke about aggressively I did not mean about cutting down the margin, J. Kumar does not work without bottom line boss, we believe in a profitable growth and not only growth, so there is no absolutely compromise in the margin, the margins will be much better than what we are enjoying today probably, the only thing is we are better placed here since our other equipments for Delhi DMRC will be free at the right time and we will be utilizing, we have already discounted that here. So our niche over others will be much better here. So this was the reason like I was telling they have much chances of us for getting this project.
- Chintan Seth:** When you say that we have utilized higher working capital to start investing under newer projects, which we have won recently, and at the same time we have reduced our long term debt significantly to improve our balance sheet. So what I am trying to understand is whether we are planning further increase in working capital because of a few more projects kicking or if any of the projects we win henceforth we will get some mobilization funds which will be utilized in overall picture basically?
- Kamal Gupta:** The working capital can marginally go up, it would not go up a lot, because we will also be eligible for getting mobilization advances in the newer projects, so we have not yet got so that will help. So I do not foresee working capital to go up much.
- Chintan Seth:** What kind of interest rate we are paying?
- Kamal Gupta:** 12% all put together, Chintan.
- Chintan Seth:** That is blended – LT and working capital put together?
- Kamal Gupta:** Blended, Yes.
- Chintan Seth:** We do not have much CAPEX as you mention Rs.150 crores for the equipments, the newer wins for next 2-years combined, right?

- Kamal Gupta:** True.
- Chintan Seth:** We are not making any other CAPEX apart from those?
- Kamal Gupta:** No.
- Chintan Seth:** So not much capital requirement also, so no further equity or any kind of fund raising ...?
- Kamal Gupta:** No, it does not look like, Chintan.
- Chintan Seth:** Any interest in the BOT projects, you mention something but we will focus more on EPC and ...?
- Kamal Gupta:** We have not quoted any BOT projects since last 4-years and in last 2-years the project inflow was very less, now the EPC project inflow is so high, so why should we think of also for BOT, no reason we should think.
- Chintan Seth:** On the P&L when we see that on a YoY basis, we had inventory gain last year versus we have some inventory increase or decrease this quarter basically. So, how ...?
- Management:** Chintan, if we see the work-in progress in this year it is near about Rs.40 to 50 crores has been decreased, converted into the work actually.
- Chintan Seth:** One more clarity on the JV part; you said when we are able to book it in our books, how the profit will be look like – that will be charge in minority interest below the bottom line?
- Kamal Gupta:** We will check that.
- Chintan Seth:** There will be bump up in revenue because we can book the JV portion in our books also, but ...
- Kamal Gupta:** Exactly, so that will take your top line up.
- Chintan Seth:** But bottom line will be shared...?
- Kamal Gupta:** Bottom line will be increased.
- Moderator:** Thank you. The next question is from the line of Charanjeet Singh from Axis Capital. Please go ahead.

- Charanjeet Singh:** If you can help us understand the margin trajectory going forward, do you expect with the execution of these larger metro projects, how does our margin will behave?
- Kamal Gupta:** As we have seen like our PBT is 10% and EBITDA are around 18% to 19% like we have quoted even this project considering the same margins, nothing less, and it should be better not less than this, my dear.
- Charanjeet Singh:** In the Mumbai Metro project or the Metro projects, what is the percentage of advance we are getting and is this an interest bearing advance or not?
- Kamal Gupta:** No, we are getting interest free mobilization advance of 10%.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** I just wanted to understand, when you give a guidance of around Rs.1700 crores of revenue for next year, am I correct in understanding that next year we would not be expecting any significant or not to mention any revenue from the Mumbai Metro Project, so this will entirely be non-Mumbai Metro Project revenue next year right?
- Kamal Gupta:** Yes, mostly, you are right.
- Vibhor Singhal:** So the Mumbai Metro Project would only be contributing from FY17 onwards?
- Kamal Gupta:** Yes mostly because if at all there is, there will be very minor chunk in the last quarter.
- Vibhor Singhal:** If we take a look at the Mumbai Metro Project itself, any impact that you see on the working capital of the company overall in terms of we have higher inventory days because of that project?
- Kamal Gupta:** No, we do not see any higher inventory days because of that.
- Vibhor Singhal:** The debtor collection period also will be similar of what is the company standard right now?
- Kamal Gupta:** Yes.
- Moderator:** Thank you. The next question is a follow up question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

- Parikshit Kandpal:** In this FY15, what is the current maturity of long-term debt in other current liability?
- Management:** Current maturity is Rs.81 crores.
- Parikshit Kandpal:** What was the number last year?
- Management:** Last year near about Rs.115 crores.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** If you can share your guidance apart from Rs.1700 crores top line, what is the margin and overall guidance on that in order book?
- Kamal Gupta:** If you see our present operating margins is around 18-19% EBITDA, so we have quoted nothing less, in fact, better this year, so we expect similar margins in operating and bottom line for Mumbai Metro.
- Amber Singhania:** Basically, I just wanted to understand, given the competition intensity is increasing as we hear in the market overall and also lots of players are now bidding aggressively apart from the larger project, definitely I understand Mumbai Metro, you are the very few companies who are bidding, but for the normal projects, there are a lot of bidders who are under cutting in terms of pricing also, so is it really feasible to maintain this kind of margins in the long term or do we see the stable margin on the longer-term should be somewhere around 15-16% as such?
- Kamal Gupta:** What you say to some extent is right my dear, because right now JK Kumar does everything departmentally, we do not sublet any work, neither do we take any equipments on hire, this adds up to our operating margin. So going forward, after probably achieving a top line of Rs.3,000 crores, we may sublet some of the work, so the operating margin can go to 15% is what you are saying but not for this coming two years minimum.
- Amber Singhania:** Would it be fair to assume that when Mumbai Metro will be ramped up significantly, in that case we can see that margins coming to around 15-16% odd?
- Kamal Gupta:** No, it is not Mumbai Metro, because Mumbai Metro as it is the competition is less, we are better placed, so we are expecting better margins from them.
- Amber Singhania:** Secondly, we have a significantly higher order book currently compared to our historical averages and now we are bidding for Mumbai Metro, on a positive case if

we win two of these packages, which is cumulatively around Rs.5,000 crores of additional order book, over and above were Rs.4,000 crores now and regular orders which we win around Rs.1,500 crores odd. So, in that case given that order book size of Rs.7,000-8,000 crores plus, how do we see ourselves placed in terms of organization bandwidth to execute these projects and what kind of challenges you can foresee that come in our way and how we are placed to factoring in those?

Kamal Gupta: We are very much prepared and placed and positioning to take up this opportunity, as I told you before, we can easily execute Rs.3,000 crores worth of projects annually and so we got all the required equipments, machinery and manpower in order to take up such size of projects. So I do not foresee any much problems in this because most of the equipments and CAPEX had already gone in. So apart from some mandatory requirements everything is in place my dear.

Amber Singhania: Also in terms of manpower bandwidth we are fairly placed on that?

Kamal Gupta: Yes, manpower, of course, we need to appoint some more but that is already lined up, so should not be a big problem.

Moderator: Thank you. The next question is from the line of Sameer Palod from AUM Advisors. Please go ahead.

Sameer Palod: Some confusion in my mind, the Delhi TBMs, you already have four TBMs, right?

Kamal Gupta: Yes.

Sameer Palod: If you were to win the Mumbai packages let us say the best case would be you would win two packages, you will need a total of six?

Kamal Gupta: Five to six.

Sameer Palod: So that is the guidance where you will need to spend the balance Rs.150 crores that you mention?

Kamal Gupta: Yes, that is also one of the reasons but there is a mandatory condition with the contract document that for every package, every bidder has to buy one new equipment.

Sameer Palod: So in any case you needed one and if you get both, then...?

Kamal Gupta: Yes, it will be optimum utilization.

- Sameer Palod:** But if you get only one, you still have to buy one...?
- Kamal Gupta:** I have to buy one and probably used to of my other equipments for this project, you are right.
- Moderator:** Thank you. The next question is from the line of Subramanium Yadav from Subhkam Ventures. Please go ahead.
- Subramanium Yadav:** Just wanted to know the competition intensity in the Mumbai Metro. For average package, how much did we receive?
- Kamal Gupta:** All put together 7 packages they have received around 32 bids, so here L&T has bided for all the 7 packages and JK Kumar second has bided for 6 packages, other people have bided for 5, 4, 3, 2, that way.
- Subramanium Yadav:** How is the ESIC Hospital Project in Alwar?
- Kamal Gupta:** That is going on very well and we expect it to complete it by this year end, project cost has gone up there so by another Rs.100 crores.
- Subramanium Yadav:** There is no problem in terms of margin or anything?
- Kamal Gupta:** Absolutely no issue.
- Subramanium Yadav:** Any more project we are looking in the Building segment?
- Kamal Gupta:** We are looking for some more hospital institute projects, central government work, so we are already quoting for some Rajasthan hospital projects and all that, that are in pipeline for bidding.
- Subramanium Yadav:** But are we not looking aggressively this segment, because there are a lot of orders coming from NBCC or like private players and all, so...?
- Kamal Gupta:** No, we will be quoting this such work keeping our margins.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Valecha for closing comments. Over to you, sir.
- Manish Valecha:** Thank you, Ladies and Gentlemen, as well as the management for taking out time for this call. Any closing comments, Mr. Gupta?

Kamal Gupta: Manish, I would like to add up here because I was just reading that Economic Times today the government has increased their spending on infrastructure. We foresee it a very robust inflow and I strongly again believe like people who are really having in-house execution capabilities can do wonders this time. So we are hoping for the best and I think there will be much better results, everybody will be able to see coming year forward.

Manish Valecha: Great, sir. Thank you and all the best. We can close the call, moderator.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Anand Rathi Shares and Stock Brokers, that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.