

ANANDRATHI

“J. Kumar Infraprojects Ltd. Q1 FY-'16 Results Conference Call”

**July 28, 2015**



**J. Kumar Infraprojects Ltd.**

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**MANAGEMENT:** **MR. JAGDISHKUMAR GUPTA – EXECUTIVE CHAIRMAN,  
J.KUMAR INFRAPROJECTS LTD  
MR. KAMAL GUPTA – MANAGING DIRECTOR, J. KUMAR  
INFRAPROJECTS LTD  
MR. NALIN GUPTA - MANAGING DIRECTOR, J. KUMAR  
INFRAPROJECTS LTD  
MR. ARVIND GUPTA – CHIEF FINANCIAL OFFICER, J.  
KUMAR INFRAPROJECTS LTD**

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

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the J. Kumar Infra Earnings Conference Call hosted by Anand Rathi Shares & Stock Brokers. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' 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. Thank you and over to you, sir.

**Manish Valecha:** Thank you. Good day ladies and gentlemen. We welcome you all to the 1Q FY-'16 Results Conference Call of J. Kumar Infraprojects Ltd.. We have with us from the management Mr. Jagdishkumar Gupta — Executive Chairman; Mr. Kamal Gupta — Managing Director and Mr. Nalin Gupta — Managing Director and Mr. Arvind Gupta — CFO. Without wasting much time, I would now like to hand over the call to Mr. Kamal Gupta for his opening remarks. Over to you, sir.

**Kamal Gupta:** Hi! Good Afternoon to all, this is Kamal Gupta. Well taking you for the Q1 results for '15-'16 as compared to the last Q1 of '14-'15. The top line for first quarter has gone up by 8% to 363 crores as compare to 336 crores. There is a jump in operating margins by 11.14% to 70 crores and also the net profit has gone up by 13% to 25.9 crores as compared to 2.93 crores.

Also coming to the order book position of J. Kumar we as on stand at 4,312 crores which includes 2,885 crores of work in progress and 1,425 crores of L1 position. In the last quarter Q1 we have bagged or received 373 crores and we have bid for more than 15,000 crore project already and now the projects are in pipeline. Yes, Manish.

**Manish Valecha:** Moderator, we can start with the question and answer session.

**Moderator:** Thank you very much, sir. We will now begin with the Question-and-Answer Session. First question is from the line of Pranav Gokhle from Religare Invesco Asset Management. Please go ahead.

**Pranav Gokhle:** Just wanted to check you said your bidding for projects was 15,000 crores but you got only orders as of now worth 373 crores. So where is the disconnect are you not I mean are the people bidding very aggressively or the tenders are not being opened? Could you please just elaborate us to I mean how....

**Management:** Okay, Mr. Gokhle. Absolutely we are not bidding very aggressively, we are bidding comfortably and I am saying like we already bid for 15,000 crore project that means like we bid for around 12,000 crore project of Mumbai Metro Line-III, some JNPT projects of 2,000 crores, some Ahmedabad project, some BMC project of Bombay and some MUT of MMRDA, okay. So these are the projects we have bid and I told you we have got projects worth 373 crores in the last quarter, last three month. So there is no dearth of projects. There are ample of projects coming in huge projects coming in is like we are becoming choosy to take the project. So there is no problem of project coming in.

- Pranav Gokhle:** So have you seen any kind of aggressive bidding in maybe not your sector directly but in many other construction sectors and has that actually played out? The people have actually gone and bided in aggressively in many projects.
- Management:** Of course their aggressive bidding was there since last two years - three years, but the situation has improved now Mr. Gokhle. As you must have seen like by doing aggressive and wrong number bidding people are lining at nowhere now. So I think people have learned the lesson and then people are quoting reasonably well now.
- Pranav Gokhle:** Okay. And now on Mumbai Metro what are the timelines like when are the tenders expected to be open and could you please help us with...
- Management:** The tenders to be open in September and the project will start by December.
- Pranav Gokhle:** Okay. And when you are talking about you have bided project takes amount in Mumbai Metro that is based in the JV right that is what the value of the JV bid is?
- Management:** Yes, this Mumbai Metro project is under JV wherein, we are 74% share and 26% is CRTG. It is a China, China Railway Group.
- Pranav Gokhle:** Yes. And the work done will also be in that ratio in investment ratio?
- Management:** Your voice is not audible Mr. Gokhle.
- Pranav Gokhle:** Sir, the value of work done. Will it be in the same ratio as you are holding or will it be slightly different?
- Management:** The value of...?
- Pranav Gokhle:** Work to be executed when you win an order.
- Management:** Yes, of course it will be in this proportion.
- Moderator:** Thank you. Next question is from the line of Anand Vyas from Bajaj FinServ. Please go ahead.
- Anand Vyas:** Sir, this 1,425 crore L1 orders, can you just break-up it how many orders are there, which are these orders are?
- Management :** L1, there is 650 crores of water transport project which are of course not converted yet we expect to convert it in the coming quarter and there is 215 crore of a concretization of road projecting Thane by TMC. There is one project of 504 crore project we have recently got last year in JNPT by NHAI wherein our share is 327 crores in JV and there is one more project of Six Lane Bridge across Ulhas Creek in Maharashtra under extended MUIP by MMRDA which is costing 225 crores wherein JV power shell 136 crores.

- Anand Vyas:** Okay. And sir, in that you tell that 650 crore is a water transport. I think this project is more than one year old now in your books, right. So is there any chance of cancellation or rebid on this?
- Management:** Frankly, we are still hopeful because it would be cancel they would have announced it to be cancel now. But like this coming quarter it will be materialized.
- Anand Vyas:** Because it is already more than one year and normally after one year projects get rebidded or something like that sort of.
- Management:** Yes. But they have asked us to extend our validity so we have already extended our bid validity.
- Management2:** What happens is there is a change in the government. Time for the new government to come in really appreciate the projects that are there. So if they would have to cancel they would have cancelled it long back. They would not have asked us to increase the validity for it.
- Moderator:** Thank you. The next question is from line of Adhidev Chatopadhyay from CLSA. Please go ahead.
- Adhidev Chatopadhyay:** Sir, just a couple of questions. Firstly on the Ahmedabad Metro if you just elaborate how much work we have started and by when do we over what tenure we see the Phase-I work getting over?
- Kamal Gupta:** Which one Ahmedabad Metro?
- Adhidev Chatopadhyay:** Yes, which you had last quarter the 250 crores order just if you could...
- Kamal Gupta:** Yes, it is 280 crores.
- Adhidev Chatopadhyay:** 280 crores, Yes.
- Nalin Gupta:** Well this is Nalin Gupta here. Ahmedabad Metro project has already been taken off and already the preliminary activities of survey, soil investigation, test files is already been done and we have already completed around four foundations for the main metro and already the casting bed for pre-cast yard where this whole elevated super structure is constructed is already in pipeline. So the work has already started and we have already done a bidding of 5 crores to them. And now the work is totally gearing up. So this financial year in the next three quarters we should see a substantial amount coming in from that work again.
- Adhidev Chatopadhyay:** Okay, sir. Sir, and for the balance in Ahmedabad Metro when do you see the bids being what is the status of the bidding over there right now?

- Kamal Gupta:** Only Ahmedabad Metro has come up with jobs of elevated stations, depo jobs and again 370 crore elevated metro job. This what J. Kumar is being executing is the east-west corridor and now we have come up with a north-west corridor again north-south corridor also. So that package actually is schedule to be submitted in the month of August end or first week of September.
- Management:** And even Nagpur Metro has come up to the tune of around 400 crore elevated project is already there and day after tomorrow is the **PD 9.19** meeting for it. So I means there are a lot of opportunities into metro itself you see it is a very huge opportunity and there are a lot of jobs available I in this segment.
- Adhidev Chatopadhyay:** Right, sir. Sir, just final question excluding if I exclude this Mumbai Metro whatever order we can win, what is the sort of order info you are targeting for the rest of the year excluding the Mumbai Metro?
- Kamal Gupta:** Around 3,000 crore to 4,000 crore is what we are anticipating that at least we should try to back that order because continuously there are means small and big jobs that we are bidding and there are lot of everywhere there are work. So I do not think means 2,000 crores - 3,000 crore is a very very comfortable figure which we should be able to bag it by the end of this financial year.
- Adhidev Chatopadhyay:** Okay. Sir then broadly whatever jobs you are bidding for like how many bidders would be there? Normally a four-five bidders in each project or more than that, just on an overall?
- Kamal Gupta:** Six to seven bidders averagely you can see are there for all these packages because if we look at the ticket size that J. Kumar is bidding, we are bidding for average jobs costing around 200 crore plus. So in such segment there are infrastructures because J. Kumar is mainly into specialized jobs of flyovers, metros, ROVs, so these type of all the packages of roads again for if you talk of packages like JNPT. So again the road jobs are like 400 crore - 500 crore in that segment people getting qualified is quite...there are 10% to 15% people in the entire country level who are in a specific state if you see. There are not more than 10 to 15 bidders who actually come in from bids out of which the people who are really interested or due to reason who bid for the jobs are six to seven. So that is not like that is an average percent we can say.
- 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 get a sense I think I am just repeating this question.
- Kamal Gupta:** Could you speak louder please?
- Nitin Arora:** Yes, sir. I am just repeating this question. You said that, excluding the Mumbai Metro I will be targeting 2,000 crores to 3,000 crores of order intake, is that correct?

- Management:** Yes, around, Yes.
- Nitin Arora:** Okay. And sir, the JNPT order which is the EPC package you have won in L1. What was the benchmark cost and where we have got the order? What was the NHAI benchmark cost and where we have bided? I think we took it at 327 crores.
- Management:** No, we took it at 504 crores and estimated cost of NHAI was 505 crores so, it is at par.
- Nitin Arora:** And who is the JV partner there sir?
- Management:** The JV partner is J.M. Mhatre, who is a local very strong player there in JNPT.
- Nitin Arora:** Sir, would it possible to give a break-up of this 15,000 crore breaking into JNPT and Mumbai Metro we know but just a broad break-up of this bid pipeline?
- Management:** Okay. If you like to know around 12,000 odd crores - 12,500 crores is from Mumbai Metro Line-III. 2,100 crores is JNPT by NHAI four packages of around 500 crores and some another 50 crores are some Bombay Municipal Corporation's job.
- Nitin Arora:** Okay. So sir, if I conclude the maths I mean even we won Mumbai Metro that is a 2,500 crores of package. Rest then I have already won one project NHAI so, three more left. We are targeting all there here.
- Management:** Okay. No, we never know like we may get only one or we may all the four. We already received one but we will be getting minimum one more.
- Nitin Arora:** Okay. Sir, in terms of the revenue part, do you still maintain that 1,600 crores of revenue guidance for FY-16 or is there any change in plan in terms of revenue parse?
- Management:** Hopeful for that figures.
- Nitin Arora:** Sorry, sir.
- Management:** We are hopeful for that figure, Nitin.
- Nitin Arora:** Sir what would be our debt number for Q1 FY-16?
- Management:** Our debt is 533 crores as on 30<sup>th</sup> June, 2015.
- Nitin Arora:** Sir, in the last quarter we utilize the working capital limits due to which the interest cost jumped-up and again in this quarter it has come down sequentially. Any particular reason you want to highlight for that?

- Management:** Last quarter in fact like we had some bank charges to be done so that was the reason it was up because we have quoted for some projects of this Mumbai Metro and JNPT. So that is the reason it was 23 crores - 24 crores now, it is 19 crores, Yes.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, my question was on the margin front. So this quarter we have seen margins of around 18.5% at the EBITDA level I mean that is basically I mean if you look at last quarter or if the same quarter last year also they have jumped up significantly. So what is the kind of sustainable level of margins that you think we will be able to do for let's say this year? And what will those margins be let's say when once we start executing the I mean if an when we win the Mumbai Metro project will there be any dilution of those margin that you expect from that?
- Management:** No, I think Mr. Singhal, we expect a 17% to 19% sustainable easily of EBITDA margins but in some of the projects Mumbai Metro and all I think the margins should go up.
- Vibhor Singhal:** Okay. So you expect the Mumbai Metro project would be actually margin accretive?
- Management:** Yes, it should go up not come down.
- Vibhor Singhal:** Okay. And how much would they be I mean a broad number 100 basis points - 200 basis points or whatever?
- Management:** If you look at that it is average J. Kumar will be bidding same thing because 2% plus and minus you can say always which cannot be really because it is not thing that it is prefabricated. So never know 1% or 2% margin shifting be here but more or less these margins are sustainable because J. Kumar has already bided for this 3,000 crore I mean it is having an L1 I mean order book of 3,000 crore with an L1 position of 1,400. So this 4,500 orders that J. Kumar has bided is already with that similar margins. So for the next two years to three years the similar sort of margins you will be seeing for the coming year.
- Vibhor Singhal:** Great. Also sir, my last question would be any development that you have seen on the Mumbai Trans Harbor Link project?
- Management:** It is already in pipeline and it was on BOT which is now again they are coming up with EPC project because they have already tried two times for coming up with PPP model and BOT but did not sail through. So now again they are coming up with an EPC module and I think this time it should go through because it is basically people are less interested in BOT as of now.
- Vibhor Singhal:** So have they called for EPC bids or nothing as of now?
- Management:** It is in pipeline.

**Moderator:** Thank you. The next question is from the line of Manish Agarwal from Barclays. Please go ahead.

**Manish Agarwal:** My first question was on metro lines. The Ahmedabad Metro and Mumbai Metro Phase-III, what are the opportunities do you see for yourself in the next three years?

**Management:** If you look at metro segment itself J. Kumar is very-very strong in this entire metro corridor right from Delhi, Nagpur, Gujarat, Mumbai, Pune, all this places where we are operating. There are a lot of opportunities in this segment and we are doing all the kind of jobs that is there is in metro job right from depo where the trains get maintained and cleaned and all the stuff, again there are elevated stations and elevated metro corridor like a flyover what we can see in Mumbai. Again there are underground metro's which are constructed by cutting cover tunnel by NATM and by tunneling TBMs to be used. So we are doing each and every component of that including elevated metro, elevated station, underground metro, underground stations, and depots. So there is no component of metro which J. Kumar is not executing and all the a substantial portion of this jobs are already completed let it be tunneling let it be underground stations, elevated stations, elevated metro. Recently on 3rd of July the entire 5 kilometer corridor with three elevated station had been put into the trial run by the managing director of DMRC which was successfully operated. So if you look at the J. Kumar's portfolio where we are already executing this job it puts us in a very good position and strong position to back the similar type of orders and the size of orders is coming in from these segments are so huge that I think they will not be good amount of contracts to execute this job. There will be so much of work available in the market and which will eventually also reduce the competition level also taking the margins to a better positions.

**Management:** Manish, some of the projects to mention is like as we told we are also bidding for the Nagpur metro, Ahmedabad in Phase-I other projects are also coming up so, we are quoting there and we told we are the Delhi metro, we are doing the Ahmedabad Metro, we are doing the new Mumbai Metro, we already quoted for the Bombay Metro Line-III. There are also other projects in Bombay elevated as well underground, Line-II and Line-IV which is coming up. So in other three months - four months it should come up so we will be quoting for that as well so huge opportunity is there.

**Manish Agarwal:** Okay, sir. Sir, can we know this in Mumbai recently this Coastal Roads were approved recently. What is the progress there and will it be on EPC basis or BOT basis and when do we expect them to be ordered?

**Management:** Which?

**Manish Agarwal:** The Coastal Road that were approved recently.

**Management:** It is around 9,000 crores to 10,000 crores total project size will be around that and these projects are already conceptualized everything is done and now recently it has been executed by BombayMunicipal Corporation as of now it will be in entire EPC module job and there is a



company from Netherlands which has been appointed for primarily designing and the detailing part of it. So another six months down the line we should be expecting this tender will floated into actual execution there.

- Manish Agarwal:** Sir, will that tender be in parts or you expect one single tender for the entire?
- Management:** No, it will be in two pieces. It will be in packages like any other work. It will be like coming up in phases, Phase-I, Phase-II and Phase-III and each phase would be like it depend upon the government but the average ticket sizes should be around 500 crores is what we are expecting. So around 500 crore to 1,000 crores would be value of the job that they will come out with.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, just wanted to know on your debt, you said, this quarter gross debt is 533 crores. So how much was that last quarter sir, 4Q?
- Management:** Last quarter was 515 I think.
- Parikshit Kandpal:** And how much is the cash on books cash of now?
- Management:** Cash on the books is 200 crores.
- Parikshit Kandpal:** Okay, 200 crores. So sir why do not you pay off your debt I mean we have so much of cash on books.
- Management:** Pardon?
- Parikshit Kandpal:** Sir, why do not you pay off your debt when you have so much of cash on books?
- Management:** That is in FDR form because we need to queue margin for the bank guarantees and other things.
- Parikshit Kandpal:** Okay. And sir, just on your water project which you have 50 crores since, nothing has moved in the last one year. Is there any cost overrun which has already happened and will you get compensated for that once you start executing these projects?
- Management:** Yes, of course like the cost overrun will be there but this all is fully compensated by way of price escalation clause. So the contract itself is covered with price variation clause. It will be compensated for any increase in the labor wages or cement, steel, oil or whatever so that is not a problem.
- Parikshit Kandpal:** Okay. Off late we have hearing that some of your competition in Delhi Metro facing serious issues on cost over runs and the margins are actually compressed or contracted in the past few

quarter. So how are we positioned there I mean how is the project doing for us and how are the margins in that project for us?

**Management:**

Well if you look at those jobs basically there is time over run of around only one year and not any big substantial shift in the date of completion and that to it had happened in the initial stage of the work. So that time itself we had not deployed the full resources which was required for the project. So looking at the availability of the work the people will be deployed and the resources have been brought to site and so as such there are not big effect on the margins that we have bided for and the already 60% of the job has been completed. And now the tunneling work is also starting for the last corridor for the last four tunnels which are there they have already been started three TBMs have started rolling on and now the fourth one is about to start in next 10 days - 15 days. So there is no such big hit on the margins as such on that project.

**Parikshit Kandpal:**

Okay. So it won't be damper in the subsequent quarters.

**Management:**

Because already if you look at the, the work is already been into execution for more than two years - two and half years now. So that work also has a contribution in terms of top-line and bottom-line so, it would have to have effects it would have shown in the past two years eight quarters that that has already passed.

**Parikshit Kandpal:**

Will we periodically provide for any cost over I mean we smoothen it over the quarters right? We do not keep it towards the end of the project?

**Management:**

No, because these are all EPC jobs so there is an incoming and outgoing which is happening time to time so because of that if there are any hit on the margins or something it has to be reflected from time to time it cannot be booked on at the end.

**Management:**

AS 7 accounting practice that has been followed.

**Parikshit Kandpal:**

Okay, sir. And sir, just on the NHAI EPC project so what will be your strategy outside Maharashtra with regards to the EPC projects they are being awarded by NHAI.

**Management:**

See outside Maharashtra also projects are there but we are focusing right now in Maharashtra, Gujarat, Rajasthan and Delhi only because we foresee sufficient working coming in these areas itself. Maharashtra and Mumbai in and around also there are huge projects coming. So we are not diverting our self in other state right now.

**Parikshit Kandpal:**

Okay. And sir, this order inflow of 4,000 crores which you said which you guided for this financial year so, how soon do you expect to complete this I mean within next month or it will take full year and once you achieve that then what will be the outlook beyond that?

- Management:** 4,000 crore will also include the Mumbai Metro because they should come by October so, if it is not there the other project will be around 2,000-2,500 to 2,000 crores so, that should also be materializing in another three months this quarter by end of this year.
- Parikshit Kandpal:** In next six months you will have enough visibility on this order book so beyond that what happens I mean on the new order bidding?
- Management:** Absolutely.
- Parikshit Kandpal:** So we will be bidding beyond that also like we will just stop bidding after this.
- Management:** No, we will be continuing bidding. See now we are becoming choosy as Parikshit you must aware there is huge project coming so we believe that in coming future there will be no people to do the work at good rates also. We are positioned and our balance sheet fully supports us and since we do not have dependency like we work with our own equipments manpower and everything so we will be very well positioned to take up this opportunity and we will take up this opportunity in very good numbers.
- Parikshit Kandpal:** But beyond 4,000 crores how much can you grow your order book that is what I want to know so by the end of the financial year so within your ambit of your gross block so how much what you can intake as a peak order book something like that?
- Management:** We can go till 10,000 crores there is absolutely no problem.
- Parikshit Kandpal:** 10,000 crores of inflows you are saying?
- Management:** Yes, we can do it. Like if we get a good number we would not take anything with aggressive numbers we will be waiting for the right opportunity it is a good number. And we can grow at 25% easily if the project had good number.
- Parikshit Kandpal:** Okay. And sir, we maintain our annual guidance on the revenue?
- Management:** Yes, of course.
- Parikshit Kandpal:** I mean we will be able to exceed that so, I just want to...
- Management:** Pardon. Can you be a little louder actually you are not much audible.
- Parikshit Kandpal:** Sir, I was saying we can I think now with this orders inflows I think we can at least for next year we can at least exceed this guidance?
- Management:** Yes, of 10% you are saying?
- Parikshit Kandpal:** Yes, so are we revising it or still going with that number?

- Management:** We will currently go with the same number.
- Parikshit Kandpal:** Yes, this should go up like you know it will be more clear in this coming two quarters/
- Moderator:** Thank you. The next question is from the line of Misal Singh from Religare Capital Markets. Please go ahead.
- Misal Singh:** So I wanted to understand in terms of your order inflows the guidance that you have given. So how should that impact your capital employed and how should the balance sheet look as the execution of those orders begins sometime next year. So how would your capital employed and all of that move along with that execution?
- Management:** Well as we told we are confident of maintaining the top-line by at least 15% year-on-year and our internal accruals are there sufficient to take care of the cash outflow for the current projects which are in hand. So I think there will be sufficient development.
- Management:** Yes, debt equity ratio of 0.65. So in this situation like taking money from in form of debts and with the internal cash accruals we shall be very well comfortable to handle these requirements.
- Misal Singh:** Sir and what would be the fixed asset investment to execute this order book assuming that you get about 3,000 crores of order inflows this year?
- Management:** It basically depends upon what is the nature of the job, like in case bag like orders example like I would Bombay Metro so again that would be a capital oriented these are highly capital oriented work so in that sort of condition we have to get some tunnel boring machines and stuff like that which will be addition to what we have because there is a condition of having at least one new tunnel boring machine per package. So that our averagely 40 crores to 50 crores get infused into the new projects of Bombay Metro in case we get that. But other that if you look at the similar type of works like flyovers, elevated metros, roads and all this type of work which J. Kumar is already being executing. Then it will be an incremental CAPEX to the tune of around 20 crores - 25 crores per annum which will be for maintenance cost or for part replacement of the existing machineries or small add-ons. But there would be a big shift in the CAPEX unless we get some jobs in some different states which we are currently not looking at. So I do not see any major requirement in terms of CAPEX as such from the 3,000 crore orders that we are expecting for this current year.
- Misal Singh:** Okay. And sir anything on the working capital in terms of the profile of these orders anything on the working capital anything which is changing there I mean higher working capital or a lower working capital in some of these. For example, this Mumbai Metro is a large order so, on the working capital will it be higher kind of working capital returns or lower working returns how should that evolve?
- Management:** See again in case we get Mumbai Metro again that would be a high capital oriented work as I have mentioned so, there will be a requirement of CC limits or bank guarantee limits in terms

of working capital requirement but in case of regular work that we are already doing which are like elevated metros or flyovers and roads there would not be any major requirement of any capital requirement which can surely taken care with our existing arrangement of banking and debts whatever we are doing.

**Misal Singh:** Okay. And sir one final question, could you please repeat the order book that you have at the end of quarter one?

**Management:** At the end of this quarter we stand at an order book of 2,900 crores approx as bulk order with around 1,400 crores as the L1 position, their order book will be around 4,300 crores to 4,400 crores.

**Moderator:** Thank you. The next question is from the line of Jaspreet Singh Arora from Systematix Shares & Stocks. Please go ahead.

**Jaspreet Singh Arora:** Sir, on the other segments besides metro let's say on the housing and civil construction let's say what we are doing in Rajasthan. What is the opportunity you are seeing their directly from the state bodies or through agencies like NBCC?

**Management:** There are a lot of projects coming-in in medical sector also Jaspreet so, medical and some IT institutes are coming up. So we are just watching that and looking for the right opportunity to strike on that. So of course since we have a team of for doing this 1,800 crore project and our credentials have become very strong in this sector we will be also bidding for such similar projects.

**Jaspreet Singh Arora:** These would typically be government funded projects, right?

**Management:** We bid 100% government funded projects we do not bid for any private project, Jaspreet.

**Management:** In the past three decades you will not see a single private job as such we are basically infra company focusing only into the government sector.

**Jaspreet Singh Arora:** Sure. And the other space was obviously the roads which is seeing quite a bit of media bite these days where NHAI seems to be doing a lot more versus what they have done in the past. So what is your sense would this kind of run-rate be maintained and what is our target share in terms of the EPC projects that are being given out?

**Management:** See Jaspreet, we are like as our thrust basically is on transportation engineering. We are bidding for all sort of metros and everywhere we are getting a good size of kick out of all of it. Now, we also entered like this highway in a big way, correct. So we have completed this 500 crores of this Sion-Panvel Highway and we already got one project of 500 crores of this JNPT form NH work. And we also bided for this Nagpur Road project of 400 crores by NHAI we are in process of bidding. We are doing a lot of MCGM Bombay work of concretization of roads and

we already got two big projects of 400 crores and 500 crores project and part of it is already been completed. So J. Kumar has also entered big way in this highways, roads, and metros.

**Jaspreet Singh Arora:** Sure. And lastly on in terms of the orders in Maharashtra and specifically Mumbai on the MMR region where we are very strong I mean it has been almost nine months or ten months that we had seen a change at the state government level. So are you really stratified with the kind of synergy that the state government is showing with regards to center or the kind of backlog that was there from the earlier government and the traction that this new government has taken up from there onwards? Are you really satisfied I think a lot needs to be done? At the end of the day we only seeing big bang projects in media but it is still sometime before anything major kicks-off.

**Management:** Yes, you are right Jaspreet and we are very much satisfied with this government as you might be aware like the CM Mr. Fadnavis has announced for more than 1 lakh crore projects in and around MMR. And I would like to share that they have created a war room in their parliament wherein like they fast track of any issues are being taken on top priority and they especially monitors himself for the project. So I think like it will be a good future for Maharashtra in coming three months - four months. As a lot of projects will take-up.

**Jaspreet Singh Arora:** Sure. So my simple point was just the way we all are familiar with the DMRC model because obviously there was a time constraint because Common Wealth Games and therefore, the metro projects Phase-I, Phase-II took off on time and it had to be completed on time but the history in Mumbai shows the kind of execution track record that Line-1 had which was pathetic so, given that now we are entering into a phase we kind of building more of the underground section and now we will be doing multiple such phases at the same time in particular years like in 2018 to 2020. So are we logistically comfortable and prepared for all those big bang projects that we are simultaneously talking about or what is your sense when you talk to people both on the agency side as well as in the execution side?

**Management:** You are right. If you see underground projects has less problems because elevated you have a lot of issues of encroachment and land acquisition. In underground you do not require this. So it will be much easier of course it is a more technically challenging job but in terms of land acquisition and timeline it can be met. So we see like lot of things to be moving very well at the near future. We are very hopeful about the future, we look it very bright.

**Management:** And more over Jaspreet what you are talking about the Line-1 execution though the PPP model which was basically the reason for the slow movement of the project because when you talk of EPC the government themselves involved in it and as soon as it becomes a PPP they go into the back foot and they feel everything has to be done by the contractor that was one of the major reason behind the set back of this project and that is the major reason why all this Line-3, Line-2, Line-4 all of them they are being converted into the EPC projects and there will be a lot of opportunities which will be going on the same line. So these projects will have much comfortable execution period as compared to the Line-1.

- Moderator:** Thank you. The next question is from the line of Amber Singhania from Amsec. Please go ahead.
- Amber Singhania:** Just a couple of question. One is on the debt front. If I am not wrong, we close the year with a debt of around 434 crore, right?
- Management:** No, 515 crores.
- Amber Singhania:** In March?
- Management:** Yes, in March.
- Amber Singhania:** Okay. And now it is at?
- Management:** 553.
- Amber Singhania:** 553. So sir is it because of the working capital has increased and what is the outlook on the working capital?
- Management:** Yes the working capital has gone up.
- Amber Singhania:** And what is the scenario now you are looking for the future in terms of working capital?
- Management:** Working capital will be same as now Mr. Amber.
- Amber Singhania:** Great. So roughly at around like 150 odd crore we will seeing the working capital?
- Management:** 1?
- Amber Singhania:** 150 odd crore, total net working capital?
- Management:** How did you arrive on this figure?
- Management:** Mr. Arvind, will speak to you Amber.
- Arvind Gupta:** The working capital right now is 415 crore including if you are talking about the debt this is including the long-term as well as the short-term. Short-term loan is 415 and long-term is 50 crore near about and then the 60 crore is the current maturity of the debt. That comes to 533 crore.
- Amber Singhania:** Okay. And in terms of sir working in terms of debtors and creditors if you can share those numbers?

- Arvind Gupta:** The debtors is right now is near about 60 days actually and the debtor is 260 crore and creditors is near about 116 crore is near about 70 days so a working capital cycle it comes to 160 days - 170 days near about.
- Amber Singhania:** Okay. And going forward we think that it will be at the sustainable level or...
- Management:** It is quite down because now stock position in near about 500 crore as compare to the 21<sup>st</sup> March is a 543 crores reduce near about 43 crore. Inventory will be down actually in the next quarter so the working capital cycle will be reduced.
- Amber Singhania:** Okay. Sir secondly, on the Mumbai Metro Phase-III side, could you share with us what is the timeline I think I missed out in the previous question. What is the exact timeline which the government has prescribed now for opening the bid and how the things will go forward on that?
- Management:** Project completion is 4.5 years and we are expecting like by September they will open bids and December we can start the work.
- Amber Singhania:** Sir, there was some media article sometime back like couple of society which has been given the notice they have gone to political parties for support and the political parties might come on a...
- Management:** Yes, near the Dadar thing that is already been sorted.
- Amber Singhania:** Okay. It has been sorted out. So we do not think any further delay happening on the...
- Management:** There was not any delay because of this till now also and further also such things will come up in Bombay when we are working in urban area this sort of things do come up but I think the government is strong enough to care of such things.
- Amber Singhania:** Okay. Sir, one more thing like we do have a very good order book and order pipeline with us in the urban infrastructure side wherein we are enjoying a very good margins and all then what is the reason we are going towards the NHAI bidding because we have not seen a people who are working with NHAI making more margin than 11%-12% hardly. So what is your thought on that what is your take on that? Why do we enter into that space where we might have some risk on the margins?
- Management:** NH work also we are taking in the area where we are already working so, this NH work what we have recently got is at JNPT new Bombay so we already have a strong presence there. We have our own quarry, own crushers, own RMC plants all set-up there. So the cost already our cost comes down as compare to others. So that helps us to bag the project at the number that we want.



**Amber Singhania:** Okay. And what is the status of this Goregaon-Mulund project which government was planning that elevated, is all the environment and other issue has been sorted out and what is the timeline on that part sir?

**Management:** It is in pipeline. The project has been now it has been shifted to Mr. Mukherjee, Additional Municipal Corporation who has taken up that post and a brainstorming is going on with because of the Aarey location that it is crossing so because of that it has been under discussion that should we make it partly underground and partly elevated that is under planning stage but it is an advance stage and I think with the next six months to eight months we should see a positive outcome from that area.

**Amber Singhania:** And how big that project could be, sir?

**Management:** As of now it is an elevated project it is costing around 1,300 crores and it is around 13 kilometers to 14 kilometers long, connecting to Goregaon to Mulund.

**Amber Singhania:** Okay, fine. Just one more thing on the order book like 2,900 crore is the firm order which we have and 1,400 crore is the L1. Could you also just share the breakup in terms of geography sir of this 2,900 crore and 1,400 crore order growth?

**Management:** Geographically if you see it is around 45%-50% is from Mumbai. It is in from in and around Mumbai and balance 50% is from the balance part of the country mainly we can say around 20% to 25% is from Delhi again around 10% is from Rajasthan and close to around again 10% to 15% from Gujarat.

**Amber Singhania:** Okay, fine. Secondly sir, when we are already talking about roughly 2,000 crores to 3,000 crores of orders apart from Mumbai Metro project and we have a potential to win up till two projects on that. For example, just on a hypothesis basis if you win two package in Mumbai Metro plus this 2,000 crore of other normal orders which we always bid that can take up our order book to 9,000 crore to 10,000 odd crore. Do we see that we require any addition in the bandwidth, are we well equipped not only from the equipment side as we mentioned but also in terms of execution capability be it man power, be it project managers and all, are we already equipped with that or are we in a process or how do we see that scenario in that way?

**Management:** Well see here means when the company is already executing the orders to the tune of 4,000 crores and if we get our order book doubled up of course there will be requirement for additional manpower and staff and machineries as we have told it depends upon the nature of work and the timing but if you look at the staff requirements even when J. Kumar was at top-line of two years back and two years to two and half years back we directly doubled up the order book to 4,000 crore after adding up our Delhi Metro. J. Kumar was very capable enough to handle that situation and take up because J. Kumar comes with a very good brand name in the market and there are people from good large cap companies who wants to be part of J. Kumar. So people are available at a price so, getting man power in terms of staff is absolutely not an issue. Again similar thing goes with unskilled labors and skilled manpower and

moreover these work like if we talk about with road jobs of JNPT like what you are trying to mentioned here of 2,000 crores or orders to the tune of 4,000 crores to 5,000 crores in case with that two orders of Bombay Metro. Both this jobs are more of mechanical so the amount of manpower require in case of these jobs are comparatively less looking at the to the ticket size of the job that we are discussing unlike a flyover job or a building job where manpower is pretty high in case of underground metro or for tunneling or for underground stations it becomes more of a mechanical jobs and similar thing is for road where we are already establish and a very part is that J. Kumar the entire order that we are discussing right now is coming up from the same state, same place so it is nothing a new establishment in case would have taken this work form states like Chennai, Calcutta or any other area it would have been a different scenario. But this is from the exiting areas where J. Kumar is operating so, absolutely we are in very-very comfortable position because the orders will be coming in from the same state and same working area for us.

**Moderator:** Thank you. The next question is from the line of Thomas Joseph from Ambit Investment Advisor. Please go ahead.

**Thomas Joseph:** Just one question here. Just wanted to understand you said that most of these issues regarding the Metro-III have been sorted out. Just wanted some clarity on the car shed issue in the Aarey Colony have we got any more clarity on we have resolution there as well?

**Management:** They have already formed a committee for that and things like there is some modification going on for reducing the size of that depot. So that is not yet finalized between the authorities and the CM Office.

**Thomas Joseph:** But do you see that as an issue which could potentially delay the project itself?

**Management:** No, should not because this is very important project for the government itself so, I do not think they will leave any stone unturned to make it through.

**Thomas Joseph:** And you in your current capacity see that Coastal Road has a high priority project as well as far as the government is concerned?

**Management:** Yes, of course Coastal Road also a very high priority project there are some road blocks but they are like solving each and everything one-by-one so even that project is going to come very soon.

**Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD EquiSearch. Please go ahead.

**Kishan Gupta:** Just want to understand do you need to forge any technical alliances for execution of the Mumbai Metro project?

- Management:** We already and we are qualified for that and now we have submitted a financial bid. The prequalification is done and they are going to open the financial bid and award the tender now. And J. Kumar is capable enough of standalone to take up this project now since we have done Delhi Metro similar project what we have bided for so, we have all the knowhow and the technical equipment and everything to take us the project of bigger size and CRTG is of course who is our joint venture partner, who are also in Delhi Metro the same partners are there for Mumbai Metro as well.
- Management:** We already have a team of around 95 expats working in our company. So they are on the payroll of the company specialized into this underground job. So J. Kumar we ourselves we are fully equipped to handle such kind of jobs.
- Kishan Gupta:** But CRTG is one of the partners, right?
- Management:** They are the partner with 26% stake and they come in with their technical knowhow being one of the largest construction company in the world. They come up with huge technical experience that the company have, they have their people who are always project which keep on monitoring the job and getting involved in technical discussion part of it.
- Kishan Gupta:** And by when do you expect to complete the Delhi Metro project?
- Management:** Delhi Metro should take another two years and two and half years max to complete the entire around 700 crores orders that is pending.
- Kishan Gupta:** Two years and two and half years?
- Management:** Yes.
- Kishan Gupta:** If I were to ask you like what is the probability to conversion of the currently outstanding L1 project of 1426crores?
- Management:** All these projects will be converted into this 40 crore work order.
- Kishan Gupta:** So there is no doubt out there.
- Management:** Yes, you are talking about the L1 position no?
- Kishan Gupta:** That is right, 1426Yes.
- Management:** More or less this Passenger Water Transport has been a very typical case where it has got delayed because of being a newtype of work which was never been done in India. Other than that if you look at all this work they have an average transmission time of close to like two months to three months max. So all this orders will get converted into work order very soon.

- Moderator:** Thank you. The next question is from the line of Amber Singhania from Amsec. Please go ahead.
- Amber Singhania:** Just one question, I wanted to get your views on that we already have an order book of 2,900 crore. 1,400 crore is there as a L1 and we have a further more visibility of large orders coming though then why are giving a guidance of just 10% growth in terms of top-line is there any conscious reason behind it or what exactly is your thoughts behind that guidance sir?
- Management:** It is like this Amber, first of all, we are giving this as a conservative figure because we always want to give a conservative figure and do more rather than saying and secondly this big project which is going to come their revenue inflow will be starting only from the next year not in this year do you understand. Yes, so the jump can be seen in 2017.
- Amber Singhania:** Okay. But even the current order book which we have does not that warrant for more than 10% growth sir?
- Management:** Yes, it can like next year also we can have more than 10% of course. But again as I am saying we are giving you the conservative figure the growth can be more.
- Moderator:** Thank you. The next question is from the line of Devang Patel from IL&FS Broking. Please go ahead.
- Devang Patel:** I had this question on the L1 project that we have on Coastal transportation. If the Coastal Road project comes up will it make this project redundant or will it still be relevant?
- Management:** No, see these are two different projects because Passenger Water Transport is also meant for ferrying the people and for the cars both arrangement that they have made. And this Coastal Road is going to take its own time. There maybe some effect in the long run that they may go but at the level where discussions have been going on there is discussion that at least one project should be taken-up as a pilot project to see the effect of Passenger Water Transport. So we are likely that this project should maybe if not full at least partly it should sail through.
- Devang Patel:** Okay. And is our bid still valid or was it time bound? Would there be any facility to...
- Management:** We have been asked to extend the validity.
- Devang Patel:** Till how long is that currently valid till?
- Management:** We extend it for every six months when the time is reached so, we extend for another six month. This time again we got it extend last two times.
- Devang Patel:** Okay. And the Mumbai Metro project how is the scope of work divided between us and the JV partner?

- Management:** We are 74% and they are 26%. So most of the projects work will be done by us there will be some technical knowhow from their side.
- Devang Patel:** Okay. So a large part of the execution will be done by us?
- Management:** Most of it, Yes.
- Moderator:** Thank you. The next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.
- Divyata Dalal:** I wanted to get clarity on inventory days. Can you spell it out how much of the days are there at the end of June quarter?
- Management:** You are asking for the working capital cycle?
- Divyata Dalal:** Yes.
- Management:** It is around 160 days - 170 days.
- Divyata Dalal:** And within that the break-up for inventory days?
- Management:** Inventory is like 65 days is debtors, 75 days are creditors, and 190 days is the inventory.
- Divyata Dalal:** So how do we plan to get it down?
- Management:** See our inventory will come down.
- Divyata Dalal:** Sir, I believe inventory is high mainly because of the DMRC order.
- Management:** It is basically because of works like Delhi Metro where we have to execute the tunnel jobs and the payment for the tunnel has been made only after the tunnel is executed so, there is an inventory of the precast segment that has already been casted and kept at the stock yard and we do not get payment against that. Only when it has been installed in the term we start getting money for it. And similarly for this underground station as well that we are constructing the payment has been divided into milestone like if you do the roof slab which is the top most slab from the ground you get certain payment, as against like if you do a Rs. 100 job you get a payment of close to Rs. 60 - Rs. 70. When we do a base slab which is the second level slab which is also called concord slab in that level you get paid-off for if you do a Rs. 100 job you get paid-off something like Rs. 110. But when you go the base slab which is the final level at the platform level which is called there we do a Rs. 100 job we get Rs. 200. So that is how the inventory automatically gets shoot up but over the period as the work is coming to competition you will find this inventory going down.

- Divyata Dalal:** Okay. So this 700 crore worth of order which is left in DMRC should get completed by the end of this year?
- Management:** No, it would take another two years from now. Most of it would be completed up in 18 months to 20 months after that there would be some petty jobs left. So another like 20 months you should be able to see maximum work being completed from there.
- Divyata Dalal:** So by the end of this year you are saying substantial portion where the inventories high should get completed and then...
- Management:** I already told you that by this project as it comes to a completion stage you will see inventory is going down because of the backward loading in the tendering that has been given the payment schedule and because of the tunnel segment and the material which is casted and money invested by us but we get the payment only on the installation partners.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir just thing one thing wanted to clarify. If you look at your order book as per last quarter your work in progress order book which was 3,024 crores, if I add back the new order intake 373 crores and execute the revenue what you have done. Our closing order book work in progress should come around 3,042 crores where...
- Management:** 124 crores gap, right?
- Nitin Arora:** Yes.
- Management:** One of our projects of Sion-Panvel has been reduced by 110 crores.
- Nitin Arora:** Okay, that is I wanted to understand, okay. Sir in terms of the guidance part of 1,600 crores do we also have included the Mumbai Metro, you mentioned about the big project I think you must be referring to Mumbai Metro so...
- Management:** We have 1,600 crore Mumbai Metro after getting also there would not be much revenue from that Nitin in this year.
- Nitin Arora:** Right, sir. But sir in this 1,600 crore you have not taken anything from the Mumbai Metro not the large part?
- Management:** No.
- Nitin Arora:** Okay. So this guidance has been largely excluding the majority part of the Mumbai Metro itself?

- Management:** Yes.
- Moderator:** Thank you. Next question is from the line of Naveen Jain from JM Financial. Please go ahead.
- Naveen Jain:** Sir, my question was again this DMRC related inventory. Can you please quantify what is the amount?
- Management:** It would be close to I should say around 100 crores to 150 crores would be in the form of inventory part of it and the other part is also work done but which is not been paid in terms of which is because of the backward loading. So another around 100 crores or we can say which goes into the backward loading.
- Naveen Jain:** Okay, sure. So I mean when I look at our inventory level it is closer to about let's say 550 odd crores and even if I remove the DMRC related inventory it is still little on the higher side. So there are like other projects where payments might be back-ended and therefore inventory levels can come down eventually or is it like normal cycle?
- Management:** See this is the normal requirement. We are executing projects to the tune of 3,000 crores so always there is steel, cement, structural steel, there are so many type of material which are required and which the inventory has to be kept in side for the future works to be carried out. So it is a normal requirement I would say.
- Naveen Jain:** Sure, got it. Secondly, on Mumbai Metro let's say if we get that package so, is there some mobilization advances that one will get? I mean is it going to be interest free and what is the kind of amount that can come?
- Management:** There is 10% interest free mobilization what we will be getting so, of course that will help us in mobilizing.
- Moderator:** Thank you. Ladies and gentlemen, that was our last question. I would now like to hand the floor back to Mr. Manish Valecha from Anand Rathi for closing comments. Thank you and over to you, sir.
- Manish Valecha:** We would like to thank the management of J. Kumar for talking out time for this call and we also like to thank the participants for attending the call. Mr. Kamal Gupta would you like to give some closing comments?
- Kamal Gupta:** Thanks to everybody. And I just like to add-up here that we see huge opportunities coming up and we are fully prepared and touchwood our balance sheet is also fully supporting us. So I think there will be wonders in coming years by J. Kumar.
- Manish Valecha:** Thank you, sir. Moderator, we can close the call now. Thank you.

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