

Conference Call Transcript

J. Kumar Infraprojects

Q4FY16 Results

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Corporate Participants

Mr. Kamal J. Gupta
Managing Director

Mr. Arvind Gupta
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY16 results conference call for J. Kumar Infraprojects hosted by Edelweiss Securities Limited. As a remainder, 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. If 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. Parvez Qazi. Thank you and over to you sir.

Parvez Qazi: On behalf of Edelweiss Securities I welcome you all to the Q4 FY16 conference call of J. Kumar Infra. We thank the management for giving us this opportunity to host the call. Today, we have with us Mr. Kamal Gupta – Managing Director and Mr. Arvind Gupta – CFO. I would now handover the call to Mr. Kamal Gupta for his opening remarks. Over to you sir.

Kamal Gupta: Hi, this is Kamal Gupta from J. Kumar, a very good afternoon and warm welcome to everybody. Coming to the Q4 figure I would like to highlight that J. Kumar has done a topline of 404 crores as compared to the Q3 of FY15-16. The PAT has gone to 28 crores as compared to 23 crores. Looking at the 12-months figures for the year ending March 2016, the topline has gone to 1408 crores as compared to 1343 of the previous year and EBITDA has gone up to 266 crores as compared to 266 crores and the PAT has gone up to 103 crores as compared to 95 crores of the previous year.

Coming to the order book position, as on 31st March 2016, the company's order book stands at 3214 crores plus we have received letter of acceptance of 815 crores and we have bid for further projects where we have learned that we are L1 in some of the projects, that may be the tune of around 1500 crores. Please go ahead with your questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Just wanted to understand why JNPT project is not being moving till last two quarters. So the order book stands as it is in last two quarters. So has the work started now and do we look forward to book any revenues during this quarter?

Kamal Gupta: Yes Parikshit. In fact, the work has been started last two months before only. But we got the appointment date, the LOA is received like 3-4 months before but we took the appointment date just 8 days before last week only. So there were some issues of utilities. In fact, we have been given additional work orders for this utilities costing around 150 crores from that around 70-75 crores work order is already sanctioned and given to us. So we are going to do that utilities, the project cost has gone up and also the

clearance is there. So that is why we have taken the appointed date and the work has already started in full swing now.

Parikshit Kandpal: And sir the second question is that media report suggesting that you are L1 in the line two, so just wanted to understand what was the difference between the L1 and L2 bidder and what is the likely project cost of the order for you in this?

Kamal Gupta: This two projects of Line 2 from Dahisar – DN Nagar West are costing around 1350 crores and I am not sure what is the L2 position of other people. But we have also learned that we are L1 in that. So there you have to get the details of the L2 and L3.

Parikshit Kandpal: But what was the project cost and how much is our bid over and above the project cost?

Kamal Gupta: It is slightly less than the estimated cost around 8%-10% lesser.

Parikshit Kandpal: I understand 1500 was the project cost; so probably less by 150 crores. So what kind of margins are we going to record in this line basically, in this package?

Kamal Gupta: Margins are similar what we quote every works, with margins of like EBITDA of 16%-18% and PAT of around 7%.

Parikshit Kandpal: Despite quoting 8%-10% below the project cost?

Kamal Gupta: Yes, that is the market price, see it's the estimate what they prepare matters, if the estimate is good the prices come below. If the estimates are bad the prices go up, it is very clear.

Parikshit Kandpal: And sir just looking at your cash position for this financial year, so you have 173 crores of cash out of which 145 crores is FDR so again the non-fund base limit. So we have an order backlog, order L1 of 50-100 crores if we consider line 3 and plus this new order of 1300 will add another 1300, so it will go to 6500 odd crores. So what kind of FDR limits will be required for getting the bank guarantees or the non-fund base limits for this L1 projects?

Kamal Gupta: Nearly 5% of this cost, is around 300 crores.

Parikshit Kandpal: So basically our investments in mutual funds will be utilized basically to provide for this FDR?

Kamal Gupta: Correct.

Parikshit Kandpal: But will it materially change our debt position. Our debt as of now is 353 crores. So what could be the stable levels we could look at debt for next one year, what will be the movement in the debt?

Kamal Gupta: See because of this the debt would not go up but when this works of Line 3 and all starts the debt will slightly rise and we expect it is right now 354 crores, so it may go max at 500 level.

Parikshit Kandpal: Okay, so next one year or next two years?



Kamal Gupta: Yes, next two years it will be around 500.

Parikshit Kandpal: And sir are we comfortable with this almost close to 10,000 crores including L1, this order book or we still have more appetite to take up new orders, I mean are we going to bid for because this Coastal road or the Trans Harbor Link, are we bidding for these projects?

Kamal Gupta: Yes, we are bidding for the Trans Harbor Link projects also. We are also bidding for some projects in Ahmedabad Metro, that will be 3 projects of 2000 crores. So projects are lot, but we take our numbers, if we get this margin what they are looking for there is no aggressive bidding required. So we will be bidding for a good margin and if we get at good margins we will take some projects further, yes.

Parikshit Kandpal: This is last question, this Coastal road, Goregaon-Mulund road and I think BMC has again called for to recall the tender and they are again going for the rebidding of the package one. So are we allowed to bid for the Coastal road projects which comes under BMC or what is the status as of now with regards to BMC?

Kamal Gupta: Parikshit as on BMC there is no concrete action as of now very frankly. There is lot of noise in the newspaper only rather. So that process is absolutely no contradiction as of now.

Parikshit Kandpal: So we can bid with further Coastal roads as well?

Kamal Gupta: Absolutely and we are bidding and the worst scenario also like BMC, very frankly let us talk about that also, so everybody knows what exactly is the worst scenario that can happen. So in BMC there is not a clause of blacklisting. BMC in worst scenario if like everything goes wrong against us only it will be like they will deregister us for a particular period.

Parikshit Kandpal: But can't we go the court and get stay?

Kamal Gupta: We can, I am talking the worst and worst scenario Parikshit. You know there is chances of not, like 0.1% but like I am talking about the worst scenario. So the legal process is already on, we have already appointed good counsels. They do not see any issues in there. If anything is there we have lot of remedies for that sir.

Parikshit Kandpal: But we have received the show cause notice after that FIR now?

Kamal Gupta: We have received the show cause notice, you are right.

Parikshit Kandpal: We are addressing that, right sir?

Kamal Gupta: We will be replying within 20-25 days, correct.

Parikshit Kandpal: And sir this Line 3 when do you expect the project award now?

Kamal Gupta: Line 3 we are expecting by 10th or 15th of June, before that.

Moderator: Thank you. Our next question is from the line of Amit Sinha from Macquarie. Please go ahead.



Inderjeet: This is Inderjeet here from Macquarie. My first question is on this Line 3, now you kind of given a date that in the next 15 days or so you expect the awards to come through. So can you just run us as to what all ground activities have been done which makes you so confident that MMRDA can now actually award the project?

Kamal Gupta: See this guys have done some negotiations with the approval of JICA. JICA is the funding agency for this MMRC 3. This is a SPV between central government and state government, MMRC 3, Line 3. So here JICA is funding around 58% of the cost. So any process they have to get vetted by or approved by JICA first. So these guys wanted to reduce the cost of the overall projects. So they have done some negotiations, in that they have done some technical changes that they have reduced the size of the stations which was previously luxury like and what is necessity they have done it now. So because of that there was some time gap, like JICA had to give the approvals and all that, but everything is in position. They have successfully completed the negotiations as well. They got a rebate of around 5% or so because of the changes and now the board has to approve it and what we have heard that first of week June the board meeting is there, of the Central UD Secretary and the State guys and as soon as the board is done it will be immediately awarded because JICA has already give their NOC and 100% consent for awarding the work.

Inderjeet: So is it safe to assume that even our project size by value would stand reduced by 5%?

Kamal Gupta: Yes, that is true.

Inderjeet: And the second thing is given now your projects are now looking to kind of start, what kind of revenue numbers we should kind of look at in targets in FY17 and potentially your kind of hint towards FY18 numbers and the related number is that when if we start to work potentially say post monsoon on this Line 3, should initially our margins come off because initial stages may be we do not see too much of margin recognition?

Kamal Gupta: Well coming to the topline figures of March 17 as we have always been saying, we will be doing a topline of 1700Crore Indrejeet, in March 2017 and March 2018 we will be looking around 2000 crores and the metro Line 3, the work will be started now but the actual onsite work will be done only after post monsoon. So that will give you a revenue of around 250-300 crores, so it is around 2000 crores with metro in March 2017 and 2500 crores with metro in March 2018.

Inderjeet: And the impacts on the margins, if the metro come. Initially is the understanding right, the initial stages will not actually book too much of margin, may be margin booking happens later in FY18 kind of from Line 3?

Kamal Gupta: Line 3 the work has started now; we are just taking 300 crores from the revenue. It is not very big as compared to 2000. It is only like only 15% of that. So here secondly the payment schedule also is not that like which was there in DMRC that was back-ended also, so in Mumbai Metro it is not back-ended, the payment milestone.



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, sorry I am just clarifying it again, you said revenue of 1700 crores ex metro for FY17?

Kamal Gupta: Excluding Line 3, you are right.

Nitin Arora: And FY 18 excluding Line 3, is 2000 crores?

Kamal Gupta: Right sir.

Nitin Arora: Okay and I just want to understand that given the JNPT mobilization has just started you do not see that risk to 1700 crores topline because we definitely would have missed some billing part in the first two months of this year?

Kamal Gupta: Yes, but as I have been telling before Nitin we have done lot of work. It is not the work was not going on. The work is already on from last two months. I told before also right. So work is going on. Work has already started in full swing. So this year we will good revenue from JNPT and one more thing we wanted to add here Nitin, the JNPT project which was 1630 crores, 65% official we were there, but now we are doing the whole work ourselves like even the 35%. So that 556 crores is the impact added to my order book.

Nitin Arora: So have we taken that in to our order book now?

Kamal Gupta: I am not sure, we will finalize with our partner. The agreement is going on and we will be closing in a week or two weeks' time, so even that will add up.

Nitin Arora: But sir it is a back to back arrangement that we have done with our partner?

Kamal Gupta: No, this was like we have taken the whole 35% of the job basket, yes.

Nitin Arora: Sir with respect to the numbers you said about 3214 crores order book as of Q4 FY16, it implies that my order intake in this quarter should be around 238 crores, is that number correct; the order intake only in Q4?

Kamal Gupta: Q4, which is done already?

Nitin Arora: Yes, sir, the order intake, newer order intake in Q4 because last quarter we closed our order book at 3,379 crores and this quarter we have done an execution of 403 crores. So it implies that my order intake has to be 238 crores then?

Kamal Gupta: It is 800 crores Nitin.

Nitin Arora: Sir only for I am saying for this quarter, I think 800 crores includes the LOA which you have received from Lucknow and the...?

Kamal Gupta: Yes, you are right because 260 crores is Lucknow and additional some BMC works are 100 and something.

Nitin Arora: Right, so in this quarter, the Jan-March quarter was the order intake 238?



Kamal Gupta: May be what you are saying is right, it is 238. I do not have exact figure but it will be around that because 800 minus 500, you are right.

Nitin Arora: Sir with respect to the margin profile if I exclude the other operating income which generally is your RMC sales and things like that, margins have been quite weak sir in this quarter, it is about 12.8%. Can you attribute 2-3 reasons as why the margins were lower in this quarter?

Kamal Gupta: Margins are not lower Nitin, you are citing which one can you tell me?

Nitin Arora: Sir if you take out the 13.4 crores number from the total revenue which is generally my other operating income which has started increasing from the September quarter onwards, if I look at the core EBITDA margin which is like 49.9 crores my margin is about 12.8%?

Management: Nitin, actually the total topline of the company is 1408 crores as compared to the last year of 1343 crores. The topline has increased by year about 60-70 crores and the EBITDA margin as against this, the last year EBITDA, absolute number of EBITDA is near about 263 crores and against for this year is 266 crores.

Nitin Arora: Sir I am talking about on a quarter perspective on the March part, March quarter. So I am saying that if we remove the other operating income which is generally we are hitting more to our EBITDA which contribution might be 90% to our EBITDA because that is generally RMC sales what we do. I am saying the core EBITDA margin is still about 49.9 crores, if I remove that 13 crores out from the 400 crores topline. So then our margins, generally we are seeing Q4 remains a little lower but this time this has been quite low at 12.8%.

Management: Nitin, understand one thing that this other operating income is not interest oriented, means they are not non-operational income. They are all RMC sales which was also expenses. So in that case also the EBITDA is almost same. So you cannot remove my other income from the EBITDA part.

Nitin Arora: No, I completely respect your view sir. My only contention was asking you that generally RMC sales have a high contribution to EBITDA. I was looking from a most perspective that if my infra margins are little lower part.

Management: I think you are confusing, if not higher than these what we are doing, it will not be possible.

Nitin Arora: And sir just one last thing, you mentioned that the line, the Dahisar east - DN Nagar, Andheri West, the two tenders which we have recently won, sir one tender cost was 776 and the other tender cost was 613, that implies that the total project cost was 1393 and you said we have won at 1350. So was the project cost revised upwards because you said about 1500 crores also, the total project cost?

Kamal Gupta: The total project cost is 776 and 613.

Nitin Arora: Yes, right, so one tender which was, because its issuer name is DMRC, one from Dahisar East - DN Nagar corridor was 776...?



Kamal Gupta: No there is something missing, I think around 1500; it is not less than that.

Moderator: Thank you. We have the next question from Alok Deorah of IIFL. Please go ahead.

Alok Deorah: I just had couple of questions. One was on the Mumbai Metro 3, you mentioned that we are likely to receive the LOA in next 15-20 days. But I think today itself there was some news article which was saying that now the MMRC and the State government they are considering the Royal Palms for the Metro depot. So any update you have on that because that might take some more time if they were to do a feasibility study for that and take that instead of the RA plot. So that could then hamper your awarding of the metro project. So any update you have on that front because it was in the news article today?

Kamal Gupta: Mr. Alok, you know this depot is not part of the 7 packages we had first, depot is awarded separately in a separate contract. The whole line of seven packages are separate and this will be going ahead, this would not hamper the start of this 7 packages. The depot portion if that is slightly shifted by a kilometer or half a kilometer it does not matter much. It is one end of a project, so that would not matter. The alignment and nothing will be changing.

Alok Deorah: But sir what indication we have been getting is that delay in the awarding of the civil work is primarily because of you know issues related to the depot. So in that context I was just asking because there was a feasibility study to be done fresh for the Royal Palms as a plot. Then it might take some more time, so that is the reason I was asking how or what needs to be done?

Kamal Gupta: There is no delay because of this depot thing Alok and you know they are taking care of that, the government with MMRC. They are doing the required needful and taking care of them.

Alok Deorah: But are they considering this shifting to this Royal Palms or is it would be at Aarey only.

Kamal Gupta: I am not very sure about that Mr. Alok very frankly but right now it is Aarey only.

Alok Deorah: And just one more thing, the margins it has been slightly continuing with the previous question of Q4 the margins have been slightly lower on a Y-o-Y basis so it is primarily relating to increase in other expenses in your personal cost. So how do you see it going forward or do you see this kind of margins going ahead?

Kamal Gupta: First of all Mr. Alok, I slightly differ that margins have not gone down at all my dear. The PAT in fact is 7.3% which is higher than the previous year and only the EBITDA has gone down by 1% as compared to the previous year.

Alok Deorah: Yes, I was talking about EBITDA only.

Kamal Gupta: I am just telling you. If you see the previous two years also it has always been 17% or so. This year also it 17.6% but as compared to last year which was 18.5%. So if you compare to this it is fine. Otherwise we were



always been talking about 16%-18% of EBITDA and we have been able to maintain that and even the PAT is very good of 7.3%, so margins have not gone down. In fact we are happy this year to celebrate like profits have gone in 3 figures of 103 crores as compared to two digits, the absolute number.

Alok Deorah: Yes, I understand that.

Kamal Gupta: And secondly coming forward like we are very sure what all projects we have secured and which defines this EBITDA and PAT of 16%-18% and 7% PAT. it is not an issue for us.

Alok Deorah: Because the reason I was asking is because the competitive intensity what we understand has increased in the EPC segment. So that is the reason I was wondering whether you are slightly taking the margin hit to bid for the projects?

Kamal Gupta: Absolutely not. We have got I think enough orders Alok and that will be before also, so we are quoting with projects with proper margins only. We do not have to go aggressive, there is no need right?

Alok Deorah: Sure.

Kamal Gupta: So even the project we are quoting further are with still better margins than this.

Alok Deorah: Sure. One last question, actually you had mentioned I think in last quarter that you will be doing around 1700 crores in FY17 but the assumption there was on the base that FY16 would be closing with around 1450-1500 kind of topline. So there we have actually come down to around 1400 for the full year of FY16. Just 1700?

Kamal Gupta: Yes Alok, you are right. We were looking for 14-15 figures and because of we could not this revenue of JNPT what we have taken into the Q4, so we have shortfall of this 50 crores. But that is not a very big thing. We are making that up in this 17.

Alok Deorah: Okay, so this 1700 very much holds. I mean you are not being sort of downside and will just come back.

Kamal Gupta: Very sure of maintaining that.

Moderator: Thank you. Our next question from the line of Rajendra Mishra of IDFC. Please go ahead.

Rajendra Mishra: Sir basically couple of things. So you give a revenue estimate for next two years, so just wanted to know how does the working capital move with the revenue? Would it be maintained at a similar level like now in terms of number of days or would it change?

Kamal Gupta: The working capital as of now is around let us say 200 days but we expect it to go down by 150 days for sure.

Rajendra Mishra: 150 days of sales even if your sale increases next two years?

Kamal Gupta: Correct.



Rajendra Mishra: Secondly on this next projects you said, you will be bidding for Mumbai Trans Harbor Link Coastal road and all that, just wanted to know on Mumbai Trans Harbor Link are we doing any technical tie up, I mean how are we rating ourselves for bidding that?

Kamal Gupta: Yes, today was the briefing meeting for that. So first the RFQ is already out and the RFP will be coming after 2-3 months of time. So in that we of course have to do some technical tie ups because there are 3 packages, one is 6000 and one is 5000 and one is 1300-1400. So in this 1300-1400 third package we qualify standalone. So the other two packages we need to have a tie up. So that we are already in talks with some of the guys. So as soon as it materializes we will let you know about it.

Rajendra Mishra: Okay, but in terms of timelines, when should we expect the bidding?

Kamal Gupta: The request for qualification is right now out Mr. Rajendra and that will take around 2-3 months of time. Then after that the financial proposal bidding will be coming. So people who are prequalified will be able to bid for the financial part, so that will be after 3 months.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Sir just wanted if I can get the numbers again, you mentioned that FY17 and '18 we are looking at top-lines of 1700 crores and 2000 crores that is excluding Mumbai Metro Line 3 and the Mumbai Metro we are expecting 250 crores in FY17 right?

Kamal Gupta: Yes, 300 crores or odd.

Vibhor Singhal: And in FY18?

Kamal Gupta: Around 500.

Vibhor Singhal: Sir also just wanted to understand you mentioned the order book is 3200 crores is 800 crores of L1 and another 1500 crores of orders which we have received, but they are not in the L1 right?

Kamal Gupta: Around 1500 we are in L1. 800 crores is what we have received the order.

Vibhor Singhal: And apart from that sir basically, this does not include Mumbai Metro Line 2, 7 or 3, right?

Kamal Gupta: The 1500 includes the Mumbai Metro Line 2.

Vibhor Singhal: So 1500 includes metro Line 2?

Kamal Gupta: Yes.

Vibhor Singhal: As well as metro Line 7 as well?

Kamal Gupta: No Line 7 comes in the 800 crores that is what we have received the orders?

Vibhor Singhal: Okay, so how much was the package for Mumbai Metro 7?



Kamal Gupta: There are two packages, that is 1350 crores that will be right?

Vibhor Singhal: Mumbai Metro 7 that is Dahisar East to Andheri East.

Kamal Gupta: Metro 7 is East, that is 360 crores of our order value which is part of 815 crores of orders which we have already booked and that is Line 2 which is the West side Dahisar – DN Nagar. We have got two packages, that will be around 1350 crores.

Vibhor Singhal: And so apart from that there is the Mumbai Metro Line 3 which we are yet to receive the LOAs?

Kamal Gupta: Correct. That is around 5000.

Vibhor Singhal: And sir do we also intend to bid for the Line 4 which is from Wadala to Thane?

Kamal Gupta: Yes of course. But we still have time for that. I think it will be another 6-8 months minimum.

Vibhor Singhal: Right. As per MMRDA plan they are planning to bid out by December what I suppose it will take a bit of more time than that but we will be bidding for that as well?

Kamal Gupta: Yes, very true.

Vibhor Singhal: So I just wanted to understand what is the kind of target that we are taking at this point of time because size including the Mumbai Metro 3 your order book is at around let us say 9000-10,000 crores, around 7-7.5x book-to-sales. I mean at this point of time not only that such, I mean if you are bidding for more projects and we get more projects not only will that require more execution capability manpower but would probably need some machinery as well. So what is the kind of target that we have in mind that we need to take our order book too?

Kamal Gupta: Well nice question. First thing is the capability of the company in execution is very high. So there is no issue about how much work we can take. Our motto and focus is always on like in profitable growth. So we look like whatever projects comes it is the margins that we are looking for anything above 16%-17% EBITDA we will go for it. And coming to like how much more, it is like even the sales are growing up. As we are looking a figure of 1700 for next year and 2000 for the coming year with metro and 2500 next year with Line 3. So even the consumption is high. So we need to take more projects, there is no choice. You understand? And I hope like now the projects will come up with further better margins looking forward because these metros we are putting in New Bombay a lot of metro projects are coming, the MTHL project is coming, the Mumbai Line 4 is coming, Mega that is Ahmedabad where we are working we are quoting another 3-4 projects. So lot of projects are in pipeline.

Vibhor Singhal: So at this point of time as our gross profit is at say 650 crores approximately and we can exclude the Mumbai Metro 3 because that will require tunnel boring machines and that will be a completely separate job that you would be doing. But how much annual topline in your opinion can this 650 crores of gross block support without we needing to go for some additional



investment in the gross block?

Kamal Gupta: I will tell you. I would like to take two minutes of yours only. We have taken this DMRC Delhi Metro underground. So which was a new vertical to us. So we took 1400 crores of project wherein we have to invest around 300 crores of capital, 250-300 crores and these 5000 crores of Mumbai Metro Line 3 will require an additional CAPEX whatever we have. So apart from that only around 300 crores. So if you see like where 1500, where is 3x the project size but CAPEX is the thing. Similarly, because since it was a new vertical the CAPEX requirement was initially as per that project. Now all these metro projects what we are taking are elevated ones wherein we already have the set up. We are already like doing this New Mumbai Metro that project is on the verge of completion. So all the LGs that is launching girders which are the basic like big item of 8-9 crores each that is why we are having in-house available for this project and also the casting beds everything, the gantry cranes all are in place. So like there will be slight incremental CAPEX requirement not like as a full-fledged new machines we have to buy. We do not foresee much like the CAPEX going to be very high because of that, no.

Vibhor Singhal: Sir last question sir how much of work is left on the DMRC project and when do we expect it to be completed?

Kamal Gupta: DMRC projects will since one station which was not handed over to us, Ashram, is now being handed over. So the finishing and all will take like next March.

Vibhor Singhal: So March '17 is what you are talking of?

Kamal Gupta: By December most of the work will be completed from finishing items, tiling graniting and all that will go on.

Moderator: Thank you. The next question from the line of Adhidev Chatopadhyay from Elara Capital. Please go ahead.

Adhidev Chatopadhyay: Just wanted to understand since expecting almost 3 of the Mumbai Metro this will start around the same time. So in terms of our labor requirement and other requirement on machinery something other than the TBMs. So do we need to subcontract something or everything will be done in-house?

Kamal Gupta: We are doing everything in-house, Mr. Adhidev.

Adhidev Chatopadhyay: So sir how do you see the employee cost moving over the next couple of years?

Kamal Gupta: Of course the employee cost will slightly go up because the sales will be going up, but approximately you can consider a similar percentage what we have now.

Adhidev Chatopadhyay: Okay and just again on the metro projects is the alignment final for all these projects and even after award can we expect some change here and there?

Kamal Gupta: No, the alignments are fixed and freezed for all the three lines.

Adhidev Chatopadhyay: Sir just to continue again Metro 3 again I think there is issue with some 17 land parcels to be handed over. So are all those issues resolved as per what you get?

Kamal Gupta: See we do not see any issues in these land parcels like you know they are in possession of most of the 90%-95% of the land in the MMRC.

Adhidev Chatopadhyay: Sir continuing on the Line 7 there was some article in the paper today that earlier there were some proposal to extend it to Kalanagar near Bandra, now this thing it will only cover to the airport. So is there any slightly delay like while they are still...?

Kamal Gupta: No there was a delay because of this, Dahisar – Goregaon, Andheri has already been awarded. If they want to extend from Andheri to Airport that can be a separate tender and they can be additional to it. So there is nothing to delay the primary project because of this.

Adhidev Chatopadhyay: And sir just wanted to touch up on this Ahmedabad metro so when are we expecting the further orders like to come in?

Kamal Gupta: Ahmedabad metro we are bidding now. The bidding stage is going on. So I think it will take another two months of the period to finalize.

Adhidev Chatopadhyay: Okay and sir this last question you are giving obviously your figures on the top-lines excluding Metro, so on PAT also expecting 7% PAT margin is what we should look at over next couple of year excluding the Metro 3?

Kamal Gupta: Yes, excluding including both we will be easily be able to achieve this figure.

Adhidev Chatopadhyay: So sir roughly if I calculate around roughly 120-125 crores of profit next year?

Kamal Gupta: Sure sir.

Moderator: Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: Sir if you can quantify the amount of work left in DMRC project?

Kamal Gupta: Amount is 380 crores to be more precise.

Subramaniam Yadav: And sir if you can also tell me that because almost we have executed major part of the DMRC order now still the inventory is high at around 486 crores this year, if you can justify that amount because this is quite high for 1400 crores of topline we have with this 500 crores of inventory because we used to have higher inventory because of the tunnel work and all but majority of work seems to be over now, so still the inventory is still high?

Kamal Gupta: It will be finished by this year end as I told you. As another 8 months to go for Delhi Metro to be finished and the inventory, I will come back to you on this inventory, I am not very clear on the inventory part of 480.

Arvind Gupta: Total WIP is as on 31st March is 341 crores 341 is total work in



progress, that is the inventory stock also. Stock is Rs. 100 crores and work in progress is 340 crores.

Moderator: Thank you. The next question is from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.

Kunal Sheth: Sir I just wanted to check you said that working capital you are planning to bring it down to 150 days from 200 days currently. So what are the timelines for that and how are we going to achieve that, any game plan, I mean what are the key factors we will concentrate on?

Kamal Gupta: We are looking this in the coming year only, the working capital to go on by 150 days and this thing the Delhi Metro projects will be over, so that will help to this.

Kunal Sheth: And sir so basically Delhi Metro is one of the key factors which we understand because the payment there is back-ended but apart from Delhi Metro where are we focusing in terms of bringing down, are we looking at bringing down inventory days or changing the creditor cycle because 50 days is a huge number?

Kamal Gupta: This quarter it was high because in the two factors – two of the payments which we were expecting in March did not come, now it has been already realized in April. So you know Delhi and like even Alwar our project of Rajasthan so we were expecting some variation. So we did not get the payments in March. So that is why the 100 crores has gone up and that is why it is looking 200 and odd. Otherwise we are expecting it to be low by another 25-30 days this time only and even the debtors if you see we have reduced their days. The WIPs have gone down, the debtors have gone down. So we could cash discount some of the purchases and we make the payment fast and that was one of the reasons like the debtors is gone down. Mobilization advances has been reduced, they are one of the reasons. Even the mobilization advances are whatever there we have all deducted now so there is no mobilization of advances.

Kunal Sheth: So this is because we are any looking at lot of orders so that will also help?

Kamal Gupta: Correct.

Kunal Sheth: Again coming back to one of the questions previously asked that we have already got lot of orders and our order book including Mumbai Metro 3 will be close to 10,000 crores and there is still huge opportunity around metros and especially in and around Mumbai like Trans Harbor Link. So what is the level, I understand as a company we will have lot of execution capabilities, but the number which you think beyond which you will not be comfortable taking the order book at this point in time?

Kamal Gupta: If the projects at proper numbers, proper margins, we are comfortable to take 15,000 crores as the topline in the order book. We do not think issues in ending the 15,000 crores projects.

Moderator: Thank you. Our next question from the line of Parikshit Kandpal



from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir have we started full consolidation of the Delhi Metro projects from this quarter?

Kamal Gupta: No this quarter has not been done, we will be doing it from next year because as per the rules I think they have deferred this consolidation what was allowed previously for this quarter is now been deferred to next year.

Parikshit Kandpal: We have residual order book of 380 crores of work in the DMRC. So that is what will come under full consolidation now?

Kamal Gupta: Correct sir. Part of it, part of it we will be....

Parikshit Kandpal: The 75% is what we are already, balance 25% will get added right?

Kamal Gupta: True.

Parikshit Kandpal: And sir this BMC again, I mean how our clients like MMRDA or other say UP Vikas Nigam, Gujarat Metro, so how they approaching this entire thing around the media in the scenario which is right now and are they waiting and watching it like still the stage it hypothetically reaches the black listing. So what kind of comfort we have from these clients in regards with this issue?

Kamal Gupta: Very we have been doing work with this people since quite long time. So they are very much happy with the type of work what we do the speed and the quality and they will do their due diligence and they will take the legal opinion, we also have approached our legal guys, so we do not see any threats, the legal guys has already cleared that there are no issues for the other projects at all and even I think even these guys have also taken their legal opinion while awarding this metro Line 7 also, this MMRDA. They already become their legal opinion while awarding metro line 7. I think this makes it very clear what is in their mind.

Parikshit Kandpal: Okay and sir lastly if I see the order book, including L1 we are somewhere around close to 7000 crores of metro projects. So does it give us an advantage versus other players in terms of getting better terms in terms of pricing for cement or other commodities?

Kamal Gupta: Of course, it will surely matter.

Parikshit Kandpal: And what will be the cement typically out of the total project cost what could be the cost because I think this will involve lot of volumes on the cement size what could be the proportion of cost which will get attributed to cement?

Kamal Gupta: Cement still may be around 50%-60%.

Moderator: Thank you. We have the next question from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani: Sorry to keep coming back to this BMC thing, just to be clear are there any contracts of any other multilateral organizations, etc., which have any clauses which effectively puts your work into some sort of a jeopardy, if



there is other contract where let us say you are delisted or blacklisted or every multilateral organization will have to follow their own process for everybody will have to follow their own process.

Kamal Gupta: First of all, Mr. Hiren, let me say you and everybody here you can ask any and every question about whether BMC or any risk whatever you see. We will be more than happy and glad to answer all the questions sir. Then coming to your point of this multilateral agencies, yet of course, the courses in the multilateral agencies is quite different and very typical to themselves. So all the multilateral agencies like JICA, World Bank, ADB all these guys have a typical standard clause in their tender which says that if any person is being blacklisted only in all these multilateral agencies then only this will be considered ineligible in their project. The projects funded by these multilateral agencies. So all these whether it is MTHL whether it is Mumbai Line 3 or the Mega projects of metro of Ahmedabad all have been funded by this multilateral agency JICA, ADB and World Bank. So it is very clear that you know in the one scenario anything happens in BMC will never matter to this project.

Hiren Dasani: And is this the first time which we have got such kind of a notice or we have also got in the past and we have kind of been able to resolve that?

Kamal Gupta: No it is first time in the history of our 35-36 years.

Hiren Dasani: Okay, so what is the next step in this one resolution now so you will reply to this show-cause notice if BMC is satisfied then it kind ends there?

Kamal Gupta: Yes, you are right.

Hiren Dasani: And if does not then it leads to some further kind of litigation or how does it work?

Kamal Gupta: Then we have to go for the legal route.

Hiren Dasani: Okay and is there any way you can kind of convince the BMC that the issue is not really material or so, I mean what is your plan of action what are you telling them?

Kamal Gupta: We are replying through our legal people to these guys that this is the scenario because what they have highlighted when they are given as notice is like you know our discrepancy in the total package of ours is around 6.5 crores wherein J. Kumar's portion is 50% which comes to like the testing done is around 2 crores. So you know our deposits are there for more than 45-50 crores. So you know in fact if you see this it is not a big thing but while we are replying this let us hope the best and prepare for the worst.

Moderator: Thank you. Our next question from the line of Ashish Agrawal from Principal India. Please go ahead.

Ashish Agrawal: I have only one question. While there has been a sharp increase in this non-current investment it is something related to your surplus funds?

Kamal Gupta: Because of the QIP intake.

Ashish Agrawal: So you are classified as non-current investments, all these



things?

Kamal Gupta: Yes.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions I would now like to hand the floor over to Mr. Parvez Qazi for the closing comments. Thanks you and over to you.

Parvez Qazi: Thank you everyone for attending this conference call and we would also thank the management of J. Kumar Infraprojects for giving us this opportunity to host the call. Good day.

Kamal Gupta: Thank you so much. Bye Bye.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference and you may now disconnect your lines.



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