



“J Kumar Infra Projects Limited Q2 FY22 & H1 FY22 Post Results Conference Call”

November 10, 2021



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MODERATOR: **MR. PREM KHURANA – ANAND RATHI SHARE AND
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Moderator: Ladies and gentlemen, good day and welcome to the J Kumar Infra Projects' Q2 FY22 earnings conference call hosted by Anand Rathi Share and 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 the operator by pressing '*' then '0' on the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prem Khurana from Anand Rathi Share and Stock Brokers. Thank you and over to you, Mr. Khurana.

Prem Khurana: Thank you, Lizann. Thank you, participants. On behalf of Anand Rathi Share and Stock Brokers, I welcome you all to J Kumar Infra Projects' Q2 FY22 & H1 FY22 Post Results Conference Call. To share with us the perspective in the current quarter as well as I mean, the way forward from the management we have with us Mr. Kamal J Gupta - Managing Director of the company; Mr. Nalin J Gupta - Managing Director of the company; and the CFO of the company Mr. Arvind Gupta with us.

So, I will hand over to the management for their opening remarks, and then we will open the floor for interactive Q&A session. Over to you, sir.

Nalin J Gupta: Yes, good afternoon, everyone. This is Nalin Gupta, Managing Director, J Kumar Infra Projects. A very warm welcome to all of you to this Q2 FY22 earnings conference call. Let me start with wishing everyone a very Happy New Year. Along with me, I have Mr. Kamal Gupta - Managing Director, Mr. Arvind Gupta - CFO, and our IR team.

I hope everyone has an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and our company's website. I will give you a brief overview of the performance in the first 5 minutes or so. Post which we can take the Q&A.

Key developments during H1 FY22 is that we have been awarded project totaling around Rs. 1,540 crores during H1 FY22, which is basically line 2B of Mumbai Metro MMRDA costing Rs. 1,308 crores and Mithi River Tunnel worth of Rs. 232 crores, which is actually Rs. 464 crores job and share of J Kumar comes to Rs. 232 crores.

Standalone performance highlights for Q2 FY22. Revenue from operations for Q2 FY22 grew by 62% to Rs. 772 crores as compared to Rs. 477 crores in Q2 FY21. EBITDA for Q2. FY22 stood at Rs. 110 crores as compared to Rs. 63 crores in Q2 FY21. EBITDA margin for Q2 FY22 stood at 14.3% as compared to 13.2% in Q2 FY21. PBT for Q1 FY22 grew by 448% to Rs. 54 crores as compared to Rs. 9.9 crores in Q2 FY21.



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PBT margin for Q2 FY22 stood at 7% as compared to 2.1% in Q2 FY21. PAT for Q2 FY22 grew by 478% to Rs. 41 crores as compared to Rs. 7.1 crores in Q2 FY21. The PAT margin for Q2 FY22 stood at 5.3% as compared to 1.5% in Q2 FY21. Standalone performance highlights for H1 FY22. Revenue from operations from H1 FY22 grew by 90% to Rs. 1,447 crores as compared to Rs. 763 crores in H1 FY21.

EBITDA for H1 FY22 stood at Rs. 206.8 crores as compared to Rs. 91.5 crores in H1 FY21. EBITDA margin for H1 FY22 stood at 14.3% as compared to 12% in H1 FY21. PBT for H1 FY22 grew by 652% to Rs. 97 crores as compared to loss of Rs. 17.6 crores in H1 FY21.

PBT margin for H1 FY22 stood at 6.7% as compared to 2.3% loss in H1 FY21. PAT for H1 FY22 grew by 634% to Rs. 73 crores as compared to loss of Rs. 13.7 crores in H1 FY21. PAT margin for H1 FY22 stood at 5.1% as compared to 1.8% in H1 FY21.

The company continues its focus on working capital management and quality of order book. The company has been able to maintain its debt levels within broad parameters despite the challenging environment.

Our total order book as on 30th September 21 stood at Rs. 11,209 crores. Before taking the Q&A, I would like to reiterate the vision of the company. Our target is to achieve revenue of Rs. 5,000 crores by FY25.

Although we have comfortable debt position, our endure is to reduce gross that every year. Objectivity is to continuously improve shareholders return ratio, ROE and also ROC by investing in people, technology, and process. With this, I now leave the floor open for questions. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.

Shravan Shah:

Sir, first question is on the revenue front. So now what are we revising our revenue guidance upward? So last time we have talked about around Rs. 3,000 crores to Rs. 3,500 odd crores. So, just to give you a perspective in the first half what we have done Rs. 1,400 crores and the second half of last year if I add that comes to around Rs. 3,255 crores.

So, in that perspective what is the broad guidance that we are looking at and at the same time in terms of margins previously we have talked about 14% to 15%, so that definitely we have maintained. So, we will continue to maintain that?



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Nalin J Gupta: Yes Shraavan. So, we are revising our guidance from Rs. 3,000 crores to Rs. 3,500 crores instead of that we are now confident of achieving Rs. 3,200 crores to Rs. 3,500 crores as the revenue.

And you are right, like we will be able to maintain our operating margin in the range of 14% to 16%.

Shraavan Shah: Okay. So secondly now sir, coming to the individual project specifically. So, just to get an idea. In Surat we have just done so definitely we have started in last 6 months. So, we have done Rs. 9 crores odd. So, when can we see the significant uptake in execution in Surat?

Nalin J Gupta: Yes shovel. So basically, Surat we have some land issues. Actually, it is basically some realignment we are doing there because of a very congested alignment at some partial locations, so the alignment needs to be initially we are losing some time. But it is basically we are trying to make the project feasible so that eventually once we start and the overheads are started running to the optimum, we do not lose money.

So, because of which we are changing some alignment and realigning these stations because of which the work is not yet started. Already our de-roll machine has been imported and reached the Indian port. So, we should be in a position to start de-roll from this month end or early next month.

Shraavan Shah: Okay, so now on a quarterly basis can we see Rs. 100 crores plus kind of execution this quarter onwards?

Nalin J Gupta: Rs. 100 crores per quarter?

Shraavan Shah: Yes.

Nalin J Gupta: No, how it can happen. It is Rs. 1,000 crores project and the time span is around 40 months. So, you cannot expect Rs. 100 crores turnover to happen from this quarter. But once the work is started, we shall be from the Q4 I think we can expect some good revenue to be coming in.

Shraavan Shah: Okay, so same case in terms of the Mira Bhayandar the line 9. So, they are in the first half we have done Rs. 100 crores. So, I stay there so I can see a significant physical progress there. So, is it that the revenue booking is late in that? So, when can we see the uptake in execution in terms of the revenue booking in line 9 Mira Bhayandar?

Nalin J Gupta: So, as you rightly said, Rs. 100 crores odd booking the work is completed to the tune of around 14%. Out of the Rs. 2,000 crores work, Rs. 1,000 crores is elevated in Rs. 1,000 crores



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underground. So, the underground portion there was some land acquisition issues due to Airport Authority of India.

MMRDA have already paid the required money and the land has been handed over to us now. So, that is how we lost two years to get that land, and we could not start that work. So, now we have got the line and the work will pick up very fast and there was the addition of a 2-kilometer flyover in the Metro line 9 wider 2 up.

So, due to that also some [indiscernible 11:13] permissions were taking time, but now the work is in full swing, and we expect a revenue of around Rs. 150 crores coming in from H2.

Shravan Shah: Okay, and in terms line 2B DN Nagar Mandale, when can we start the execution there?

Nalin J Gupta: The work has already started there. Now the work will be in full swing, and we expect a revenue of around Rs. 75 crores flowing in in H2.

Shravan Shah: Okay, and Dwarka package 1 and 2 where we are seeing a uptick in the execution so that momentum will continue?

Management: Yes, Dwarka also both the packages have picked up and the work is going very smooth. We are expecting good revenue from there. Like in coming H2 we will be expecting around Rs. 350 crores to Rs. 400 crores from Dwarka.

Shravan Shah: Okay and just a clarification. Are we alone in any of the projects, sir as a first and secondly, in terms of where we have already Brigade and where we are planning to bid in terms of the opportunity size?

Management: We are having two projects. These are CIDCO projects. One is CIDCO Metro Station work, which is Rs. 168 crores and we already L1 we are expecting the LOI in another two weeks' time and we also LOI in one project. In fact, we got the Coastal Road. We got the LOI this month in October. So, like you know we have not put it in our Q2 with us.

So, that was Rs. 200 crores, our part is Rs. 100 crores in that. We have also bided for some of the projects of like you know NHAI Vadodara project costing Rs. 1,400 crores. We have also bided for Kanpur Metro, Delhi Metro and Chennai Metro. So, these are the projects what we have bided and the pipeline projects are of course HSR high-speed rail, Agra Metro, GMLR, Nagpur Metro.

So, these other projects and there are many more in like. So, these are the projects we are planning to bid.



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- Shravan Shah:** So, the projects that we said that we bided, Kanpur, Chennai. So, what would be the broader size of that and the pipeline that we are planning to bid? So broader size would be how much?
- Nalin J Gupta:** We have bided for around Rs. 11,000 crores projects where in our share is around Rs. 4,000 crores to Rs. 5,000 crores. And like in bidding pipeline, we have almost Rs. 15,000 crores of projects.
- Shravan Shah:** Okay and in terms of the debt and working capital, a very good management. So, there we will continue to see the same numbers that we have seen in this quarter in terms of working capital debt around Rs. 500 crores levels will be there?
- Nalin J Gupta:** Yes Shravan, you will appreciate we have already reduced our debt in this quarter by Rs. 23 crores to Rs. 508 crores total and our debt equity stands at 0.26, which is also very comfortable, and we are hopeful we will be able to maintain debt by yearend around Rs. 550 crores as our debt level, yes.
- Moderator:** Thank you. We will move on to the next question that is from the line of Mohit Kumar from DM Capital. Please go ahead.
- Mohit Kumar:** Sir, first question is on the opportunity size. You know, given the fact that of course we understand that there is a very good order book. But how are you thinking in terms of you know order inflow for FY22 going forward? And is the number correct Rs. 1,500 crores order inflow which you mentioned that is for H1, right?
- Nalin J Gupta:** That is right. So, we expect a order inflow of close to Rs. 4,000 crores to Rs. 5,000 crores for FY22, out of which Rs. 1,500 crores we have already back. And as we mentioned, we have already bided projects close to around Rs. 4,500 crores where the bids have been submitted and there are another like Rs. 15,000 crores to Rs. 16,000 crores worth of projects which we will be bidding.
- Which will in due course of time. So, I think we should be able to maintain an order book of Rs. 12,000 crores by the end of FY22.
- Mohit Kumar:** Sir, this Rs. 15,000 crores order opportunity basket which you are mentioning right now, is it mostly in Metro or it is a combination of 2, 3 segments? Can you please throw some light?
- Nalin J Gupta:** In the areas like we are bidding for BKC Bullet Metro train station, we are bidding for HSR Mumbai Ahmedabad project which is tunneling cum elevated works. Again we are bidding for Agra Metro the bid will be submitted today.



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We are bidding going to bid for Nagpur Metro for MTHL packages, some Pune Corporation riverfront development projects, so it is a basket of mixed costing around Rs. 15,000 crores to Rs. 16,000 crores. And also, there is a GMLR tunnel connecting Goregaon to Mulund. So, that is also in pipeline. We have already submitted the RFQs.

Mohit Kumar: Sir, how large is this Goregaon-Mulund project, roughly?

Nalin J Gupta: So, it is each project is around Rs. 3,000 crores and there are two such packages and our share is 30% in that as of now. We will see after [indiscernible 17:00].

Mohit Kumar: Sir, related question is that, is it a reason why we did not participate in Chennai Metro at all?

Nalin J Gupta: So, basically J Kumar we are looking for projects where we get margins to our satisfaction, so we do not want to and having Metro underground works, these are in any project, metro projects, underground project could not be more than 25% to 30% and J Kumar we own 7 tunnel boring machines.

So, two, and as of now out of 7 our 4 machines are being deployed at two at Bombay Metro Line Nine and two at Surat. So, we have three machines which are in surplus. So, we are trying to bid for Chennai, Agra, Lucknow wherever we get good work at our margins.

So, we have bided for these works and Chennai is also not a bad geography. The geology is quite good there. It is sand. So, we have opted for Chennai, Agra, and Kanpur.

Mohit Kumar: Sir, I understand that each of the contract we have a price variation clause, right? And we are reporting an EBITDA margin which is in the lower side of our guidance. Is this something to do with input raw material inflation, which is affected our margin in H1, and do you expect this margin to move up to, you know, the upper end of our guidance?

Nalin J Gupta: If you look at the margins, I do not think it is on the lower side my friend because it is around 14% to 16% margin that we are targeting, and we are achieving over the past years and all our contracts being covered under price escalation though there is a steep increase in prices.

They have been not hitting our bottom lines as the contract is being fully covered under price escalation variation clauses. So, we do not see any impact on to the bottom lines as of now at all, even after being having too much of steep increase.

Mohit Kumar: Sir, my question was that sir, we are achieving 14.3, is any chance it will improve? We can improve our margin by 150 basis points, and we can reach to our upper end of target, which is 16%?



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Nalin J Gupta: See we are striving for it and our whole team is working to have it best pricing while bidding for new tenders and even for the current increase, I would not say that there is no possibility because it totally depends upon the market pricing also like how are the raw material prices moving and the nature of work. So, to increase it by slightly on a better side should not be a very big challenge. And we will try our best to achieve it.

Moderator: Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: I just have a couple questions. We had an accident couple of months earlier with one of our bridges. So, have you found out the cause for that? I mean any course correction **(Inaudible)** **21:06?**

Nalin J Gupta: Yes, like you know what I understand, Shikha is like you are still not audible but what I understand you are talking about that unfortunate experience what happened? Am I right?

Shikha Mehta: Right.

Nalin J Gupta: Yes, so this was really unfortunate because that there was this incident. But we were fortunate enough that there was no casualty that time. And like if you see our history of last four decades, there was no major incidents till now. We have taken very serious note of that, and we have deployed an in-house team to ensure that no such things are happening in future.

For the first instance, it is looking like there was a mechanical failure because of which it happened. So, we are just ensuring that no such incidents ever that year after. Yes Shikha, anything else?

Moderator: As there is no response in the current participant, we will move on to the next that is from the line of Meet Parikh from an Anand Rathi. Please go ahead.

Meet Parikh: I just wanted to know the timeline for the CIDCO project, which we got in October for the. So, can you give some details on that?

Nalin J Gupta: So, this is part of the Coastal Road project. So, it is a two-year timeline project, but there is some environmental issues, Meet. So, I think like you know the initial 4 to 6 months will go in taking the environmental permission with CIDCO is after that. So, they are at the advanced stage of it now. So, we are expecting it to come. So, the project should start like physically after another 4 months or so.



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And like there is one more project which is the L1 Rs. 168 crores so that timeline is only 12 months. So, we are planning to complete it in a year's time.

Meet Parikh: Okay. Secondly sir, on this Dharavi project. So, when do you expect to start the project and so about it also?

Nalin J Gupta: Dharavi, you are talking about the MCGM tunnel project, right?

Meet Parikh: Yes, sir.

Nalin J Gupta: Okay, so that work it is basically a micro-tunneling job, which is of 2.3-meter diameter and so the shaft location is being freezed. Yesterday only we had in meeting with the MCGM authorities, and the shaft location will be finalized this work. So, immediately the work will start. The machine is available with our JV partner, and we do not need to infuse any CAPEX for it and the work should start in this month itself full-fledgedly.

Meet Parikh: Okay. Yes, sir can you give me the number for the CAPEX incurred during the quarter?

Nalin J Gupta: During the quarter for the year on like we have done.

Meet Parikh: Within six monthly number you can give that is also fine with me?

Nalin J Gupta: Six months is Rs. 45 crores.

Meet Parikh: And your target for the whole year?

Nalin J Gupta: So, we have like you know maintenance CAPEX of 5%. So, overall we are expecting Rs. 8,200 crores for the year end. Out of it Rs. 45 crores we have already done.

Moderator: Thank you. The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Just a couple of questions, sir. Just wanted to understand in the order book which we have right now are there any slow-moving orders and how much of this order book is currently under execution if you could just throw some light on that?

Management: Sure, Alok. So, of our entire order book of Rs. 11,200 crores, two projects are slow moving and that is the Coastal Road project. Okay, so which is like, you know, Rs. 400 crores and the one which we will be getting now the LOI we got in October Rs. 100 crores.

So, which is not part of the order book as of now. So, apart from these two projects that is around Rs. 400 crores to Rs. 500 crores, that is all projects are like at its best peak level, all are moving very well.

So, there is no issue. Of course, as like Nalin told you some time back the Surat metro initially one quarter couple of months will go in finalizing the alignment. So, you can consider that 2, 3 months for Surat, that is it. All other projects are going very well at full swing.

Alok Deora:

Sure, sir. And also sir, you mentioned about you know we winning around Rs. 1,500 crores worth of projects and we are looking at around Rs. 3,500 crores more project wins in the next four months. So sir, how confident we are on that, because we have currently bid for around Rs. 3,000 crores, Rs. 4,000 crores worth of projects.

And then you know, so even if we win some bit of that and then we bid again for like, you know, December-January we bid for some more projects. So, is it like a tall ask to get around Rs. 3,000 crores, Rs. 4,000 crores worth of projects in the next four months? Just your confidence level on that?

Management:

Yes Alok, like slight correction. We have an order inflow of around Rs. 1,500 crores plus in H1 and we are targeting for Rs. 2,000 crores to Rs. 2,500 crores in the coming H2 of this year.

So, totaling will be like, you know, around Rs. 4,000 crores. And of course, we cannot say 100% we have, but we are very much confident that we will be able to achieve these numbers. Okay, because we are already bidding lot of projects and we are sure like we will surely get this small chunk of out of it. So, it does not look any issues to get Rs. 2,000 crores to Rs. 2,500 crores in the coming six months.

Alok Deora:

And just a last question, sir. So, our execution run rate is now nearly around Rs. 750 crores to Rs. 800 crores sort of run rate we are doing. So, what are we looking at in the third and fourth quarter? Because we are, as you said, only around Rs. 500 crores worth of projects are kind of slow moving now. So, if you could just throw some more light?

Management:

It is like you know we have already completed Rs. 1,450 crores of project and we are targeting Rs. 3,200 crores to Rs. 3,500 crores. So, we should look for like you know, around Rs. 2,000 crores to Rs. 2,100 crores in the coming two quarters.

So, in the coming two quarters, and like you know accordingly, the third quarter and fourth quarter; fourth quarter will be the best of course. So, this is around Rs. 1,000 crores you can consider, Rs. 900 crores or Rs. 1,000 crores, Rs. 1,100 crores in the fourth one.



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Alok Deora: Sure, sir. Just last question, sir. And what could be the margin like? I mean, we are nearly 13% to 14% levels. So, do we see that moving towards 15% or it would be more towards these numbers only?

Management: So, right now we are maintaining this, but we are hoping like, you know, this number will slightly improve to 14%, 15%. Of course, as we all already spoken before also about it, so we want to improve this operating margin going forward.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Mutual Fund. Please go ahead.

Deepesh Agarwal: So, my question is, is there any implication of the recent accidents in terms of your eligibility for bidding for future projects and how far are we from the final accident report by the respective agencies, how they are dealing with this situation?

Management: So, this thing as I told you before also, it was unfortunate and like the government department they have also deployed an expert committee on that to find out what is the reason and like, you know, what are the preventive measures both ways, right?

So, they are not come out with the report yet. So, after report is out, we will be aware like what is there and like of course, there is no issue of any bidding on this. Like your second question. So, we do not foresee any issues of non-bidding or restricting our bidding for going forward.

I think if you look at other infra contractors also. So, this is an accident, and these things happens once in a while, like and whether it is L&T, EFKON, HCC, ITD anywhere these type of accidents if you look at Dwarka L&T's same issue happened. So, these things are they does not have an impact on the bidding process because it is not a mollified intention or a malpractice that has happened. It is an accident.

So, accident has nothing to do with your bidding eligibility or these factors because J Kumar we have a robust and very proven track record of having executed works with good quality and timely completion. So, it will have zero impact on bidding any tenders, and that is how you can see we have recently backed orders of Rs. 1,500 crores.

Deepesh Agarwal: Okay, so my second question is, so typically you have a higher working capital versus the industry average because we understand you do a lot of investments on the structures for the metro or work.

So, with you expanding the scope into different segments and geographies, do you see there is a scope for reduction in the working capital in next 2-3 years?



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Management: Yes, so like Deepesh, you must have seen we are we are right now selling at 120 days of working capital cycle okay. And our endeavor is there to like, you know, going forward to decrease the working capital cycle between 100 and 120 and one more thing is that J Kumar we are more of an urban contractor and also into specialized infrastructure works like structures.

So, structures had bigger means the working capital requirement and the CAPEX requirement is slightly higher. But still, we make good margins, so I think but yes, we will surely try to reduce the working capital cycle.

Moderator: Thank you. The next question is from the line Shravan Shah from Dolat Capital Markets. Please go ahead.

Shravan Shah: Sir, mobilization advance and retention money what is the number as on today and how much more mobilization advance can come in the second half?

Management: Mobilization right now is at Rs. 436 crores, outstanding mobilization to be repaid. And what was the second question, Shravan?

Shravan Shah: Retention money?

Management: Rs. 217 crores.

Management: Retention is Rs. 217 crores.

Shravan Shah: And how much more mobilization advance is expected in the second half?

Management: Around Rs. 387 cores.

Shravan Shah: Okay, and sir, the underground line three that last time we said would be over by next December 22. So, that remains intact?

Management: So, we have already completed 79% of line 3 project, Shravan, and December 22 of course, was our target, but it proceeds by spilling for by another one quarter or so. Because, you know, second wave of COVID and also what you say this thing. Ours issue is not for the depot issue. Of course, we can complete our work and finish.

But of course, the handing over portion will be remaining because of the Yard, but we will be completing over 97%, 98% of the project. And like you know, because of yard, we may have to stay for another six months or eight months there.

Shravan Shah: Okay, so by March 23 it would be over?



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- Management:** By March 23 we are pull over getting to, yes.
- Shravan Shah:** Okay, and sir, this Worli-Sewri so there how do we now see the pickup in the execution?
- Management:** So, Sewri-Worli we have just started. But we have done 3% of the total project cost of Rs. 1,050 crores till now and when the project has picked up like you know they were like since it is a missing link from Worli and towards Sewri, but the government is doing a great job by removing all the encroachment and PIPs.
- I mean they are doing it much before the timeline what they had told us. So, the project from both ends Worli and Sewri has picked up and we will see revenue flowing in from the fourth quarter for Sewri-Worli also.
- Moderator:** Thank you. The next question is in the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Sir, there was a recent where the Ministry of Finance recently had issued a reform on public procurement in the sector. Sir, have you looked at it? And what is your view on this? Where they are saying that public procurement of works has been declared as quality-oriented procurement, there should be 30% weightage for non-financial parameters and also on the payment terms which mandates to release 75% off for running business and everything?
- Management:** Yes, you are talking about the arbitration cases, am I right?
- Jiten Rushi:** Not arbitration, this is just a normal Ministry of Finance Department of Expenditure has come out with the procurement policy?
- Management:** Yes, we do appreciate that. So, they will be giving not the L1, 30% weightage will be given to technical mark also.
- Jiten Rushi:** And also, the payment so and also sir, is it eligible for projects? There is a Rs. 10 crores criteria here also. So, is it eligible for larger projects or it is eligible for small size projects? So, what is your view on this?
- Management:** Exact details are not yet out, like you know, but we have also learned that when we welcome this the move of government, of course. So, thar is like, you know, when we get an elaborate detailing of this. We will be able to guide more towards that. So, you know, we do not have exact details of that right now.
- Jiten Rushi:** Still the clarity is awaited. So, we are in consultation with the government, or we will wait for. the, you know, nod from the Government for this?



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Management: Of course, we are in touch with them. So, like, you know, we will get the details more clarity towards that and then we will be able to take proper approach towards that.

Jiten Rushi: Sir, one more thing. Can you give us the revenue breakup segment wise like Metro, fly over, roads and other civil for the half year and Q2?

Management: H1 right, half year?

Jiten Rushi: Yes, half year and Q2 if possible?

Management: Yes, so for half yearly we have like 62% from Metro. And rest from flyover bridges and other works. And for Q2 we have around like 55% from Metro and rest 45% from other works.

Jiten Rushi: And sir, any key projects contributing to the revenue in Q2 and H1 like line 3 then, you know, the elevated project?

Management: So, line 3 is contributed almost 24% in this H1. And Line 2 has contributed 6%. 7% is from line 6, 9% from line 9. Pune Metro has contributed around 7%. This was among the Metro. JNPT project of NHAI has contributed 7%. 14% is from Dwarka Expressway. And other flower bridges is 11%.

Jiten Rushi: This is for the half yearly you are talking about, right?

Management: Half yearly figures, yes.

Jiten Rushi: So JNPT is now over because we do not see anything remaining in the order backlog, right?

Management: Yes, there were some few. Some additional work of around Rs. 70 crores, Rs. 80 crores so that is balance and like you know we expect it to complete by March.

Jiten Rushi: And sir, one more thing I would like to know on the margin front. Yes means you have given a broader guidance of 14% to 16% and we understand the material price going up, resulting in lower margin in the first half. But sir, how do we see like, is our order backlog fully protected against the price escalation or we have some fixed price contract also in the order backlog?

Can you give us the breakup for that and your view on the margin how do we see the margin in the coming half?

Management: Jiten, all our projects are covered with price escalation clause. So, there is no issue of any contacts with fixed price clause. So, like you know all the projects like you know are not affected because of this rise in commodity prices.

As I told you like you know since these projects are covered with price escalation, the increase of price of commodities as well as labor are being taken care by this clause. And on the whole project life cycle this is not affecting.

Jiten Rushi:

Sir, one last question. Sir, through automation and mechanization sir, do we see the labor cost coming or replacement of labor through automation going forward, which can bring in operating leverage because of the Covid we have learned that you know, labor we are highly depended on labor. Obviously therefore few work we need to get labor on board.

But otherwise, we are focusing on automation CAPEX which will bring down the labor cost and improve the efficiency and operating leverage. Any thought process on that?

Management:

Yes, of course Jiten, J Kumar's endeavor is always to go for more and more mechanized and automatized way. So, we try to do a particular work in like, you know, more methodologically, wherein like you know you can use latest equipments, machines wherein labor requirement is at minimum.

So of course, we are deploying latest methods to do it wherein the labor requirement goes down. But of course, we cannot eliminate labor, but we are trying to improve it so that improves our efficiency, time cycle everything.

Management:

Like what we have done is we have gone for more and more of pre-casting methods wherein the labor requirement at site goes down. So, such type of procedure like J Kumar, we are the first company in India to do entire station precast. And that is how we could complete 22 stations in the given time frame, where other companies could not even complete 4 to 5.

So, these methods J Kumar we always been believe in go in for the latest technology and that is how we have been able to succeed in our targets given.

Jiten Rushi:

Sir, going forward we can see the labor count coming down because of the new technology we are adopting at various sites? Just an understanding on that?

Management:

Labor would not be a substantial decrease but looking at the quantum of work and the type of technologies used is by pre-casting methods that we adopt in most of the works now reduces the amount of increase in labors and the period required for such mega projects is also not going ahead like earlier for doing a Rs. 50 crores project we used to have a timeline of two years.

But now for doing a Rs. 2,000 crores project also, the timeline is around three years. So, it is the same but still the huge quantum of work is done in the same time period because of the technological changes.



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Moderator: Thank you. The next question is in the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Sir, two questions from my side. First, what do we expect our debt levels to be by the end of this fiscal and second, I mean, if you could also give us the status of some of the other metro lines that we are doing, like line 4, line 6, line 7 extension and also the Pune Metro?

Management: So, we expect our debt levels to be anywhere between Rs. 500 crores to Rs. 550 crores and with regards to the other one was you need to know the progress of the other lines?

Parvez Akhtar Qazi: Yes, I mean what is the work status here? How much work has been completed, any update?

Management: Yes, so all the works are in full swing and like line 4 we have already achieved a progress of 26%. And line 9, we have completed 14% as I had mentioned that the Rs. 1,000 crores underground section was not being handed over to us due to a land acquisition issue from AI.

But now the money has been deposited and the permission has already come and we are at the job site. So, line 9 you will see a good increase in revenue generation and Pune Metro we have already completed 81% for the elevated project and for underground we have completed to the tune of around 40%.

So, by like within six to nine months we should be able to complete our elevated project and underground project would take nearly around two years from now as they have increased some scope of work in that.

And Surat we have already mentioned that the work is to start. We have generated just Rs. 4 crores revenue from it and the machine has arrived at the job site and the alignment issues needs to be finalized because rather than struggling during the course of work, it is better to delay the work by six months and start it in the right alignment. So that is the reason why we are taking some time.

Moderator: Thank you. The next question is from the line of Meet Parikh from Anand Rathi. Please go ahead.

Meet Parikh: Sir, my first question was, you had mentioned previously that you were looking for opportunities in the healthcare hospital building projects also and the water pipeline projects also.

So, your view on any bids you will be participating in the future?

Management: Yes, of course we are already doing this Hospital projects in Lucknow which was on the verge of completion. Okay, so there are some more projects which are coming in NCR region, so we are targeting that, and we will be waiting for that, of course.

Meet Parikh: Okay. Secondly sir, on the high-speed rail project, if you can throw some light on any new bids which will be coming up and with you will be participating for it?

Management: So, there is a Bombay-Ahmedabad HSR project, which is connecting from Bhiwandi to VKC, which is the underground section of Rs. 8,000 crores and we have already started the preparation on that work, and we had already participated in three earlier packages. So, this project we should submit within 3 to 6 months' time as per the submission date.

Meet Parikh: Okay. Sir, one granular detail I needed. It was regarding the Dwarka Expressway. Can you just provide the physical progress of the projects package 1 and package 2?

Management: So, Dwarka package both put together like we have completed around 23% of the whole cost. And as I told you, we have in this H1 had a revenue of Rs. 275 crores from Dwarka and we are expecting a revenue of around Rs. 400 crores from H2.

Meet Parikh: Okay. And sir, on the Line 7 Metro elevated, what is the physical progress in there?

Management: So, there are two projects. One is the earlier project of line 7, which we have completed 100% or we can say 99% and only one entry exit is pending, which the department gave us in the month of July. So, that also will be completed in next two months and for the Line 7 extension, which was the work which was cancelled of Simplex and backdate.

That work also is being completed to the tune of around 80% and some ancillary works are going on. So, within the next three months or so we should be able to complete that as well.

Moderator: Thank you. The next question is in the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Sir, so one question. I mean, I think earlier somewhere in your remarks you spoke about having bid for some project in Chennai Underground Metro, if I remember correctly. So, if you could help us with the size and also I mean in the same breath if you could help us understand how do we decide on the markets that we would like to explore?

Because I think if my memory serves me right, we did not participate for underground metro projects in Bangalore but we are participating in Chennai. So, besides the rain or geology, I mean which all factors are taken into account when you look at some of these new geographies especially on metro side?



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Nalin J Gupta: Yes, so if you look at this, what is important Prem, is what is the geology of that city like Bombay it has hard rock, but it is not granite. But if you look at Bangalore it is a very, very tough rock it is granite and the abrasion of the rock is very, very bad.

So, in that condition the wear and tear of the machine and the productivity is very less. So, that is the reason why we did not participate in Bangalore. But if you look at Chennai it is mainly sandy soil, so it is very much similar to Ahmedabad, Surat, Delhi where we are already operating.

So, it is geology which makes us select which is the type of the area we need to operate. And as we had lot of underground works happening in Mumbai and Delhi, Ahmedabad, Surat so we did not go for Chennai till now. But as those works are nearing to completion, to back for to utilize our machineries we have selected areas like Kanpur, Agra and Chennai, which has again sandy soil. So, the available machines of J Kumar's fleet will be utilized on those works. So, that is how we select these works.

Prem Khurana: Sure, and any new markets that we are targeting beside the name that you spoke about, I mean Kanpur, Lucknow, Agra and Chennai? Any other markets that we are targeting to kind of enter into?

Nalin J Gupta: So, basically J Kumar we are open to any good opportunity but we try to stay in the same geography as far as our appetite is taken care of. So, these areas also being again close to NCR towards the North area or Chennai is the only different sector which we have selected.

Otherwise, if you see we usually try to stay in the same geographies where we are operating. So as of now, we do not have any immediate plans to open some new state. But if we have a good opportunity, we will be surely open to it.

Prem Khurana: Sure, thank you. Lizann, do we have any more questions in the queue?

Moderator: No more questions.

Prem Khurana: Sure. Sir, I hand the floor over to you for your closing remarks, please.

Nalin J Gupta: Thank you everyone for joining the call. We hope we are able to answer your queries. Stay safe and all the best to all.

Prem Khurana: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, on behalf of Anand Rathi Share and Stock Brokers, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.