

# Conference Call Transcript

J Kumar Infraprojects

Q3FY18 Results

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## *Corporate Participants*

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**Mr. Kamal J. Gupta**  
*Managing Director*

**Mr. Nalin J. Gupta**  
*Managing Director*

**Mr. Arvind Gupta**  
*CFO*

## Questions and Answers

**Moderator:** Ladies and gentlemen good day and welcome to the J Kumar Infraprojects Q3 FY2018 Earnings Conference Call hosted by Edelweiss Securities Limited. 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 your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parvez Akhtar Qazi from Edelweiss Securities. Thank you and over to you Sir!

**Parvez Akhtar Qazi:** Good afternoon friends. On behalf of Edelweiss Securities, I welcome you all to the Q3 FY2018 Earnings Conference Call of J Kumar Infraprojects. Today, we have with us from the management side Mr. Kamal Gupta, Managing Director of the Company, Mr. Nalin Gupta, Managing Director of the Company, and Mr. Arvind Gupta the CFO of the company. I would now handover the call to the management for the opening remarks. Over to you Sir!

**Kamal Gupta:** Good afternoon all. This is Kamal Gupta. Well I will brief about the financial highlights of J Kumar. The topline of Q3 of 2017-2018 has gone up by 23% to Rs.457 Crores as compared to Q3 of the previous year. The EBITDA for Q3 of 2017-2018 has gone up by 23% to Rs.77.6 Crores as compared to 63 Crores of Q3 of the previous year. Coming to the PAT, the profit of the company has gone up 24% to Rs.32.92 Crores as compared to Rs.26 Crores of the Q3 of previous year.

Briefing about the nine-month figures, the nine-month turnover of 2017-2018 is Rs.1148 Crores as compared to Rs.1082 Crores of the previous year. The EBITDA is Rs.201 Crores as compared to Rs.187 Crores of the previous year and the PAT for the nine-months of 2017-2018 has gone up to Rs.81.7 Crores as compared to Rs.79 Crores of previous year 2016-2017. Coming to the order book position, the company's order book stands at Rs.8220 Crores as on December 31, 2017 and the net worth of the company stands at Rs.1452 Crores as on December 31, 2017 and if you see the PAT figures, the PAT margin is around 7.2% for nine months and around 17% EBITDA. Thank you so much.

**Moderator:** Ladies and gentleman, we will now begin the question and answer session. We will take the first question from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.

**Dhruv Agarwal:** Good afternoon Sir. Congratulations on a good set of numbers. Sir, my question is regarding your earlier estimates for the FY2018 topline for the whole year, do you still stand by your view of around Rs.1700 Crores topline for this year?

**Kamal Gupta:** We stand at the figure of around Rs.1800 to Rs.1900 Crores for this year.

**Dhruv Agarwal:** Sir, I raised this question is because in the nine months you have done Rs.1150 Crores turnover, so would it be possible for you to scale it up to Rs.600 Crores to Rs.700 Crores in the last quarter?

**Kamal Gupta:** Yes, positively.

**Dhruv Agarwal:** Sir, what I wanted to ask you is that in this quarter Q3 2018, what has been your order inflow?

**Kamal Gupta:** The order inflow is not much this quarter, it is around Rs.58 Crores, but it is not much because are not bidding now aggressively, but from this quarter we will be going for aggressive bidding, so we expect to take around Rs.2000 Crores to Rs.3000 Crores of orders in coming 12 months.

**Dhruv Agarwal:** Total Rs.3000 Crores?

**Kamal Gupta:** Yes.

**Dhruv Agarwal:** In coming 12 months, right? Are you presently L1 in any of the projects?

**Kamal Gupta:** No.

**Dhruv Agarwal:** And any bidding that you have done in the last three to six months for any fresh projects?

**Kamal Gupta:** Yes, we have bidden for around Rs.230 Crores one project of flyover in Mumbai that will be opened next week, so we will come to know the position.

**Dhruv Agarwal:** Sir, the order inflow for this year nine-month has been, if you have the figure?

**Kamal Gupta:** For nine months order inflow?

**Dhruv Agarwal:** Yes.

**Kamal Gupta:** I do not have the figure my dear but it is not much.

**Dhruv Agarwal:** Not an issue Sir and do you have any legacy or stuck orders that are currently not being executed. You have the order, but it has not been executed due to some issues?

**Kamal Gupta:** No, nothing like that as of now.

**Dhruv Agarwal:** Nothing like that as of now and Sir, the last thing is that if we compare the quarterly year-on-year numbers we see a big jump in the employee benefits expenses and the other expenses, so are these expenses going to see a jump in the coming quarters or will the operating leverage kick in?

**Kamal Gupta:** No, it is like now if you see all the projects have taken up let us say suppose this expenditure has to go up and now coming forward these expenses would not go up.

**Dhruv Agarwal:** Right, so then operating leverage will kick in and this topline will grow and these are going to be constant in some time?

**Kamal Gupta:** Yes.

**Dhruv Agarwal:** We can assume that, right?

**Kamal Gupta:** Correct, absolutely.

**Dhruv Agarwal:** Thank you so much. Thank you, all the best.

**Moderator:** Thank you. We will take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Thank you and congratulations for great set of number. Sir, coming to the same number in terms of the revenue as you are mentioning Rs.1800 Crores to Rs.19000 Crores for FY2018, so in terms of last we have given a second half guidance for JNPT line 3, line 2 and line 7, so can we stick to that numbers?

**Kamal Gupta:** Yes, whatever projections we have given it will be that way, not an issue.

**Shravan Shah:** And for FY2019 also the Rs.2300 Crores are we maintaining the same number?

**Kamal Gupta:** Yes, we will be able to maintain Rs.2200 Crores to Rs.2300 Crores in next year, no issues.

**Shravan Shah:** And margins will be in the 17% to 18%?

**Kamal Gupta:** Right Sir.

**Shravan Shah:** And Sir Capex how much we have done in nine-month and for full year what would be the number?

**Kamal Gupta:** The capex for nine-month is Rs.260 Crores and for the year end it will around Rs.300 Crores.

**Shravan Shah:** And next year it would be Rs.30 Crores to Rs.40 Crores?

**Kamal Gupta:** Next year it will be around Rs.30 Crores to Rs.40 Crores exactly.

**Shravan Shah:** Sir, debt is how much as on December?

**Kamal Gupta:** December end debt is 558.

**Shravan Shah:** 558 and cash?

**Kamal Gupta:** Cash is about Rs.71 Crores and bank balance is Rs.373 Crores in FDR.

**Shravan Shah:** 373?

**Kamal Gupta:** Yes.

**Shravan Shah:** Okay. That is it from my side and all the best.

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

**Kishan Gupta:** Good afternoon. Actually talked about other expenses going up

in this quarter, can you tell more how and why it had gone up because for the year also we are up almost like 75% for nine months?

**Nalin Gupta:** It is not so much increase in other expenses actually because right now the underground project is going on with excavation and transportation and all this thing is going on right now, so that little bit this expenses has increased actually. That is all I have to say.

**Kishan Gupta:** As basically as you said like going ahead it will normalize, so what sort of increase you are expecting in this going ahead?

**Nalin Gupta:** Not so much increase, if you see the topline, next quarter topline may be in the Rs.650 Crores or Rs.700 Crores something; it is not so much increase in these other expenses.

**Kishan Gupta:** It would be much and how much revenue you have recognized from JNPT projects in nine months, the three JNPT projects?

**Nalin Gupta:** 231 Crores from the JNPT for nine-month.

**Kishan Gupta:** How much, sorry?

**Kamal Gupta:** 231.

**Kishan Gupta:** And metro line 2?

**Kamal Gupta:** Metro line 2 is Rs. 195 Crores.

**Kishan Gupta:** Metro line 3?

**Kamal Gupta:** Rs.252 Crores.

**Kishan Gupta:** And how much we will do in Metro line 3 for full year, what is your estimate?

**Kamal Gupta:** Full year, like in the coming quarter we are targeting around Rs.250 Crores from Metro 3.

**Kishan Gupta:** From Q4 itself your saying?

**Kamal Gupta:** Q4 itself.

**Kishan Gupta:** Sir, which projects will basically see a ramp up in Q4?

**Kamal Gupta:** Of course, Metro 3 will be a big one number and then of course Metro 2 and 7 also in full swing, so that will give a good numbers and JNPT, four project will add up.

**Kishan Gupta:** How much will JNPT add up now in Q4? How much your estimate for Q4?

**Kamal Gupta:** Around Rs.150 Crores to Rs.170 Crores.

**Kishan Gupta:** Rs.150 Crores to Rs.170 Crores?

**Kamal Gupta:** Yes.

**Kishan Gupta:** Thanks.

**Moderator:** Thank you. We will take the next question from the line of Rohit Chawla from Axis Securities. Please go ahead.

**Rohit Chawla:** Good afternoon Kamal Sir and Nalin Sir. First, congratulations for a great set of number. First question I wanted to ask regarding the bidding pipeline for the upcoming projects in Metro project, which project we have bid and what is the outlook for same, so we have bid for projects 2B, 4, 5, 6 and extension of 7, so when will that bidding happen and when will be the outcome released for the same?

**Nalin Gupta:** For Metro lines 5 and 7 extension, the tenders are yet not out, but we expect 5, 6, and 7 shall be coming up within a month or two months time, so surely will be going in for that full heartedly and with regards to line 2B and 4 the tenders had been called, but it has gone to TATA and Reliance, so they had been, what we found was it was very, very aggressive bids that is how, so line 5, 6, and 7 we shall be bidding for these lines.

**Rohit Chawla:** Thanks Sir, and what is the bid size approximately for all these projects, how big would be the projects?

**Nalin Gupta:** Approximately ranging from Rs.300 Crores to Rs.550 Crores

**Rohit Chawla:** Each or as a total.

**Nalin Gupta:** Each.

**Rohit Chawla:** Fine, okay. If I may want to ask that what is the 8220 for order book breakup?

**Kamal Gupta:** You want the breakup of 8220?

**Rohit Chawla:** Yes.

**Nalin Gupta:** Metro line 3 is near about Rs.4527 Crores, line 2 is near about Rs.1000 Crores and line 7 is near about Rs.260 Crores and JNPT approximately Rs.730 Crores.

**Rohit Chawla:** Fine, in regards of tunnel boring machines, have they arrived and will the revenue recognition start from this quarter or may be expected in the next quarter for the underground projects?

**Kamal Gupta:** Yes, one machine is already started, one TB machine, so we will recognize the revenues in this Q4 and also all the five machines will be in operation from May 2018, so like you know we also get payments when the machines arrive and when it is lowered. The part of the payment for the machine will also be when we get the machine here, so in coming quarters whether as Q4 and then Q1, Q2, and Q3 all revenues start to maybe coming in a big way.

**Rohit Chawla:** Fine, so I think may be all the five machines will be in a full swing for the next financial year and the revenue recognition would be quite higher from the project?

**Kamal Gupta:** True.

**Rohit Chawla:** Okay fine Sir and say in terms of anything on the debt repayment thing or we will maintain in the same levels?

**Kamal Gupta:** The debt should be more or less at the same levels.

**Rohit Chawla:** So, this Rs.300 Crores capex you are doing by the end of this year and may be next year also, how much of this would be through debt and through internal accrual?

**Kamal Gupta:** Come back, please.

**Rohit Chawla:** How much of Rs.300 Crores capex is from debt or in internal accrual?

**Nalin Gupta:** Yes, it is through debt only, it is through loan.

**Rohit Chawla:** Yes, it is through debt only.

**Nalin Gupta:** Yes it is through debt.

**Rohit Chawla:** Okay, fine.

**Nalin Gupta:** It is all equipments right; all TB machines are bigger equipment, which are coming under the machinery finance.

**Rohit Chawla:** Okay, fine. Thank you Sir. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

**Ankita Shah:** Sir, congratulations on good numbers. My question was what about the pipeline of Metro projects outside Mumbai, which are the projects that are coming up?

**Nalin Gupta:** Delhi Metro is coming with phase IV, which is approximately around Rs.30000 Crores, again Ahmadabad and Surat is coming up with some projects of Metro, Mumbai is of course, we have already discussed 5, 6, and 7, these are the three lines that they will give again quoting tenders and again like others zones, Bangalore, Vijayawada, Lucknow, so all these places again tenders are cropping up now and then.

**Ankita Shah:** Are we looking at all the geography to take a project?

**Nalin Gupta:** Ahmedabad, Delhi and Mumbai are surely our key area of focus for the job because we are already present in these three cities and the other areas also we will try to go for it, of course the aggression level will be different between these three cities and the other areas.

**Ankita Shah:** Correct, got it and Sir, could you help me with your debt number?

**Kamal Gupta:** Rs.542 Crores.

**Ankita Shah:** We have not been able to reduce this number?

**Kamal Gupta:** Yes, these numbers are the same, but from next quarter, it will come down for sure.

**Ankita Shah:** And this will be driven by what?

**Kamal Gupta:** Stronger inflow of the work, projects that you are getting milestones are very clear that define in this term, so when it is going you will get it as per meter of the tunneling done, so the money which is stuck up now because of the milestones or debt, that would not stick us, so that debt will

positively come up after Q4.

**Ankita Shah:** Sure, got it and last one, I missed the nine-month execution number on Metro line 7?

**Kamal Gupta:** Metro line 7 was around Rs.65 Crores.

**Ankita Shah:** Rs.65 for nine months?

**Kamal Gupta:** Yes.

**Ankita Shah:** Sir, could you help us with the status on mobilization advances received and pending to be received till date?

**Kamal Gupta:** We have received around Rs.710 Crores for the mobilization advance and pending will be around Rs.100 Crores.

**Ankita Shah:** This is for Metro projects?

**Kamal Gupta:** Yes.

**Ankita Shah:** All three Metro lines?

**Kamal Gupta:** Yes, this is for Metro line 3.

**Ankita Shah:** Sure, got it. Thank you so much.

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

**Vibhor Singhal:** Good afternoon Sir. My question was primarily on the biddings for the line 2B and line 4, so I believe for the line 4 awards went to the TATA and Reliance Group, have the bids for line 2B also been opened?

**Nalin Gupta:** Bid for line 2B has also been opened. One of the contracts from 2B has gone to RCC, which is a Delhi based company and the other has gone to Neeraj.

**Vibhor Singhal:** Sir, considering the bidding for these two lines, line 2B and line 4 there seems to be completely new players this time, I know TATA group has been there, but Reliance, RCC, Neeraj, I mean these are players, which we have not seen many across the bids not just in Mumbai, but also may be in Bengaluru and Delhi, so could you just throw some light as to how these guys have been able to grab these projects, is it like they have bid extremely aggressively and is that a phenomenon that we probably see across the country that maybe new local players might come up to bid?

**Kamal Gupta:** When you are bidding for such type of project there are some few players who are non-experienced or maybe some of the fresh bidders I would say, they may be having experience, but not into Metro sector, there are certain things, which are not understood by the regular players, the intricacies involved in the work and the costing, the fact of the cost that it had so such players like RCC or I would say these people they must have bagged and with regards to such things happening at every place, it happens that time, but you cannot just generalize these things because this time for the regular players J Kumar, Simplex, Nagarjuna we did not bag any orders because of this, but there are lot of opportunities there for line 5, 6, and 7, surely we will try to pick

up from that.

**Vibhor Singhal:** Sir, actually I am not worried about the companies like yours I am sure we have enough opportunities; I am worried about the state of these projects. With these companies, will they able to complete these projects on time without incurring too much loses or could we see these projects actually getting delayed as well?

**Kamal Gupta:** We are people who cannot really, you and me cannot comment on it. It totally depends how these projects are going to run.

**Vibhor Singhal:** Sir, one last question on that, so the last time that we had bid, we and in fact along with Simplex, Nagarjuna and another companies had bid for line 2B and line 4, the project cost were actually around 20% to 30% higher than MMRDA's bid estimates, but the current bids are having somebody not pretty much in line with that, so was there some revision of scope of the project or is it the same project, but that has been bid for much lower cost?

**Kamal Gupta:** There were some changes in the specifications and condition, so the prices have changed.

**Vibhor Singhal:** Great Sir. That is all from side. I wish you all the best.

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

**Shravan Shah:** Thank you. Sir, regarding 5, 6 and 7 lines, you said Rs.300 Crores to Rs.500 Crores each package and total value would be how much?

**Nalin Gupta:** It should be around Rs.3000 Crores approximately.

**Shravan Shah:** Three lines combined together would be Rs.3000 Crores?

**Nalin Gupta:** The figures as of now for extension of 7 and 5, but for like line 6 is around Rs.1500 Crores all put together three packages.

**Shravan Shah:** And Ahmedabad would be how much Rs.500 Crores?

**Nalin Gupta:** Yes, the package size should be so for Ahmedabad and Surat.

**Shravan Shah:** Sir, just a few minutes before you told that in terms of the JNPT, the Q4 run rate would Rs.150-170 Crores and for other lines because when I asked the first you said the last concall you gave a guidance for the second half FY2018 revenue from JNPT line 3, line 2, line 7, so JNPT was Rs.285 Crores line 3 Rs.480 Crores, line 2 was Rs.220 Crores and line 7 was Rs.70 Crores for second half of FY2018, so are we maintaining the same numbers estimate or are we slightly revising downwards?

**Nalin Gupta:** No, it is like you know next year projections whatever we have given for around Rs.1800 Crores come to that like what are the figures we have told for JNPT also Rs.150 Crores to Rs.170 Crores, we will be able to match that.

**Shravan Shah:** That is it from my side.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Markets Securities. Please go ahead.

**Amber Singhania:** Sir, thanks for taking my question. Sir, just wanted some

clarity on this new Metro lines you have said Delhi Metro you said around Rs.30000 Crores, right?

**Kamal Gupta:** Right.

**Amber Singhania:** Ahmedabad is roughly Rs.1500 Crores?

**Kamal Gupta:** Yes, you can say because right now they have not declared the packages, but they are extending the line from east-west and north-south corridor, they are extending it further, so those package sizes are not known, but averagely you can say the package size would be around Rs.500 Crores and at least two packages would be there so another like Rs.1000 Crores work should be out in a couple of months' time.

**Amber Singhania:** And Mumbai line 6 is three packages is around Rs.1500 Crores and line 5 and 7 combined together is Rs.1500 Crores, right?

**Kamal Gupta:** Approximately I am saying because 7 is already under execution of around 18 kilometer length and further there would be an extension till Mira Bhayander, so that is which the amounts are yet not out, so for 5 and 7 we really cannot comment the exact figures, but surely it should be between Rs.1500 Crores approximately for both these projects put together.

**Amber Singhania:** And now bidding for these projects, will there be any restrictions that any player who is already executing two or three packages in Mumbai will not be able to bid for more packages or any such restrictions, which will enable the new companies again to come back in a big force going forward or where do we stand in that case?

**Kamal Gupta:** When after these bids being declared open the government people they themselves were little disappointed that the existing players who are well conversant with this work could not bag the orders, so they would be happy other people get the job for sure, but not that the existing players are out because we are already equipped and fully geared up to pick up this project so for sure our resources would be a big support system for picking up this works in a big way, so they will surely not keep this existing bidders out, but with regards to one person getting one job or not it is a strategic decision, which keeps changing from project to project, but there is no such condition.

**Amber Singhania:** There is no such condition, secondly Sir, in your order inflow guidance of Rs.2000 Crores to Rs.3000 Crores next year, how much Metro you're bidding in that and how much other portion and if you can give some idea about where the opportunity is apart from the Metro in our target areas as such?

**Kamal Gupta:** 50%:50% you can say more or less from Metro and other projects. Metro should be around 50% to 60% and balance should be the other flyover roads whatever areas good opportunities, which comes on the way.

**Amber Singhania:** Any large project we are also bidding for in terms of coastal road or other projects going forward or is there any visibility we are seeing of those projects coming in the next 12 months?

**Kamal Gupta:** No, we are not bidding for coastal of course because that was done much before the PQ and all and it is not now so that costal or PQ was a year back, so that is time we are not planning any bidding, but there are lot of projects coming up now in MMR region also and other regions also so of course we are eyeing for some big projects and we will soon let you know the numbers and the projects name.

**Amber Singhania:** Sir, any status you can share on this Goregaon-Mulund Road also, is it finalized where exactly the status?

**Kamal Gupta:** It is not yet finalized. It is still in the DPR stage. It will be take some time.

**Amber Singhania:** Thanks. That is all from my side. Thank you.

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

**Prem Khurana:** Good afternoon and thanks for taking my questions. Most of my questions have already been answered. Just one if you may clarify, so essentially if I may look at the guidance you are talking about Rs.700 odd Crores of revenues in Q4, but then at the same time for FY2019, we are looking around Rs.2300 odd Crores so essentially if we you are going to hit a number of around Rs.700 odd Crores within Q4, do you see this would have come down substantially in first few quarters in FY2019, so that you would get only Rs.2300 because essentially if you would have maintained this you should ideally be able to do more than Rs.2500 Cores and even your order backlog suggest that you should ideally be able to do more than Rs.2300 odd Crores?

**Kamal Gupta:** What happens you know as like the Q2 is flat due to the monsoon and this ramp up are there because Rs.2200 Crores to Rs.2300 Crores is the figure what we feel we can easily achieve and we are giving the figures or anything above this would be a good for all of us.

**Prem Khurana:** Sure, and when you say Rs.2200 to Rs.2300 odd Crores number this is only from the existing order book or if you are getting the new orders let us say in the early part of the next year that would come to add to your numbers, right?

**Kamal Gupta:** May be if there is any, these projects are there that will add up. Substantially because whatever you say and do the initial six to nine months of the project you do not see real realization in terms of execution. That is the reason why our Q1 and Q2 you did not see big ramp up, but now after a while when one year has crossed you are seeing that Q3 figures have gone up and similar ramp up you will see in Q4 as well.

**Prem Khurana:** Sure, and Sir, I think in your summary and your comments you said you also get the payments against the TBMs deployed so how much of the money is released if you would deploy your TBM so I understand as against this thing is good you get almost about 60% of the payment released once you would have girders in place, how much do you get to have against your TBMs?

**Kamal Gupta:** No, I do not have the exact figure, but part of the payments are against TBM we will get it, like you know Rs.10 Crores or so for the machine for placing it in position.

**Prem Khurana:** Sure, thank you.

**Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah:** Sir, what is the capex number for this year, I missed it Sir.

**Kamal Gupta:** The capex for these nine months was Rs.260 Crores and for the year end it will be around Rs.300 Crores.

**Vipul Shah:** Which are the major items on which this capex has been done?

**Kamal Gupta:** Till now we have like you know the two TBM machines in this Rs.260 Crores and I think in Q4 we will have one more machine.

**Nalin Gupta:** And piling rigs was another big cost in this Rs.260 Crores.

**Vipul Shah:** Which two machines you said?

**Kamal Gupta:** Tunnel boring machine.

**Vipul Shah:** Tunnel boring machine, so each cost how much Sir?

**Kamal Gupta:** Rs.55 Crores.

**Vipul Shah:** But that you should be able to use it for other projects as well, right?

**Kamal Gupta:** Yes, for sure. The same machines that we had used for Delhi Metro, two machines we have brought it to Mumbai so it has a good lifespan for using these machines.

**Vipul Shah:** Okay, thank you, Sir.

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

**Kishan Gupta:** You said Rs.110 Crores for two TBM machines right, and you have spent Rs. 260 Crores in nine months, so where was the balance 150?

**Kamal Gupta:** As we have mentioned we have brought around 22, 23 piling rigs, so that itself is close to around Rs.80 Crores to Rs.100 Crores and the others are like some transit mixers, dumpers, gantry cranes, batching plants, boom pumps that is all concrete equipments basically.

**Kishan Gupta:** And you said that how you have financed this Rs. 260 Crores?

**Kamal Gupta:** It is mainly through debt.

**Kishan Gupta:** Mainly through debt, but when I see your debt last year was Rs.437, now it is Rs.558 Crores?

**Nalin Gupta:** If you see the last year debt term loan is Rs.33 Crores, now term loan is Rs.152 Crores, that is the mainly increase for the equipment finance.

**Kishan Gupta:** That is an increase of Rs.120 Crores, right?

**Kamal Gupta:** Yes.

**Kishan Gupta:** And you have spent Rs.260 Crores, right?

**Kamal Gupta:** Yes, correct.

**Kishan Gupta:** So, how you fund the balance? You said, we have spent Rs. 260 Crores of that 120 increase in debt?

**Kamal Gupta:** So, Rs.33 Crores of last year have already gets repaid, so as of now 150 Crores is for that.

**Kishan Gupta:** Rs.150 Crores you have spent, debt is 150 out of 260, right?

**Kamal Gupta:** Yes.

**Kishan Gupta:** So, the balance you have is what the internal accruals

**Kamal Gupta:** No, this also through debt and LC we opened. Letter of credit is also done.

**Kishan Gupta:** So, that is part of your debt, right?

**Kamal Gupta:** Yes, LC is part of my debt.

**Kishan Gupta:** Then how much interest is capitalized in nine months?

**Nalin Gupta:** We have not capitalized any interest on the capex.

**Kishan Gupta:** You have not capitalized interest?

**Kamal Gupta:** No.

**Kishan Gupta:** Is it expensed?

**Nalin Gupta:** Yes, it is an expense.

**Kishan Gupta:** You have expensed those?

**Kamal Gupta:** Yes.

**Kishan Gupta:** And you have talked about debtors going down, but given the expected ramp up in your execution, so how would you bring down your debtors?

**Kamal Gupta:** We get the billings done faster as I told you; the milestones are more clearly defined in this one, the tunnels and all, so payment would not be at hold because of milestone.

**Kishan Gupta:** So, what is your target debtor figure for March end?

**Kamal Gupta:** I think this will come down by around Rs.100 Crores approximately.

**Kishan Gupta:** Approximately Rs.100 Crores it will come down.

**Nalin Gupta:** So, Rs.450 Crores approximately you can say.

**Kishan Gupta:** And as you execute more of the projects so what will be the trend in your FDR?

**Kamal Gupta:** FDR?

**Kishan Gupta:** Yes.

**Kamal Gupta:** FDR would be the same.

**Kishan Gupta:** It would not make any difference as you execute projects and your existing order book comes down, so would not be there any change in your FDRs?

**Kamal Gupta:** There should not be much change Sir.

**Arvind Gupta:** FDR figures do not change because those are mainly given against the bank guarantees and margins, so that does not change for to the contract period unless the BGs are returned?

**Kishan Gupta:** It does not change over the contract period, irrespective of the execution of a project?

**Kamal Gupta:** Correct.

**Kishan Gupta:** Thanks.

**Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.

**Jatin Nayak:** Good evening, Sir. Thanks for taking my question. I just had one question, I wanted to know the status of your Metro projects, when do we expect to complete the execution on line 7 and line 2?

**Nalin Gupta:** It should take another 18 months approximately to complete these projects, both of them.

**Kamal Gupta:** That is 2019 year end.

**Jatin Nayak:** 2019 year end and so, what was the expected completion time initially?

**Nalin Gupta:** Original contract period is January 2019, but we see approximately six months because of the utilities and some clearances that are required, which is quite normal for working in such an urban areas prone to utilities and land acquisition issues.

**Jatin Nayak:** And what about line 3, how delayed is that project?

**Kamal Gupta:** That project is I think delayed by another five to six months owing to that tree issues and environmental issues, which were taken to the court and all that, we sorted out, but I think we will be able to ramp up and cover up that period.

**Jatin Nayak:** And when do we plan to complete execution on line 3?

**Kamal Gupta:** That is 2021 April month.

**Jatin Nayak:** April 2021.

**Kamal Gupta:** Yes.

**Jatin Nayak:** Thank you so much, Sir. That is it from my side and all the best.

**Moderator:** Thank you. We will take the next question from the line of Debashish Majumdar from Edelweiss. Please go ahead.

**Debashish Majumdar:** Good afternoon, Sir. Thank you for the very great set of numbers. Two part of question, one is if you help me with the inventory numbers and payable numbers for this quarter?

**Nalin Gupta:** Inventory number is 711.

**Debashish Majumdar:** And payables?

**Nalin Gupta:** Payable is Rs.154 Crores.

**Debashish Majumdar:** And second part of question is, there are a few projects in the road and bridge segment like western suburbs and all where the order book is not much like Rs.50 Crores per project, which is kind of stuck for three to four quarters now, so any light towards that side those projects we will remove from the order book or we will continue with them in the order book or any execution period you have in your mind?

**Nalin Gupta:** We could, maybe it is a small project we could not exactly get it what you are seeing Debasish, these are the smaller projects you are talking?

**Debashish Majumdar:** Yes, much smaller projects like Rs.65 to Rs.70 Crores on an average per project?

**Nalin Gupta:** From our order book?

**Debashish Majumdar:** Yes, in your order book just given an example the Wardha River canal construction is one, W271, Western suburb some projects are there W276, so those are like Rs.70 Crores, Rs.40 Crores, Rs.140 Crores, Rs.145 Crores, so those projects are kind of I am seeing for FY2016, FY2017, those project are stagnant in the same order book, so is this like those projects are getting delayed for a very longer period of time or some guidance around that, why those projects we are keeping in the order book for such a long period of time?

**Nalin Gupta:** Basically, it has been pending because of the department because there are lot of utilities below the road, the road work that you are talking about so the area available below that is with a lot utilities because of which the excavation depth and the required final depth that we are supposed to go is not possible to be done, so we have told the department that unless you give it to us we are not going to take up these jobs, that is why they we are finding out an alternative to it and once it is done we will do it or either ways it goes, but it is too negligible hardly to the displaced in terms of the order book.

**Debashish Majumdar:** It would be around 10% of your overall Rs.8000 Crores order book that I agree, one last question, Delhi Metro we have around Rs.118 Crores of order pending if I am not mistaken, so any guidance around that when will be able to complete those projects going forward?

**Nalin Gupta:** We expect that within next five to six months time all these work should be completed like CC20 project it is mainly lot of work has already been done in terms of physical progress, but because of some the payments are being hold like we say backwards loading side, so the works are completed. CC20 the trial runs have already been done, CMRS has already approved it, so this line should be opening to public by the end of February in the next 15 to 20 days time and for CC24 there are certain areas which were been allotted to us after a substantial time like Ashram Station, so that is the reason why this area is pending, but another six months time the entire work including finishing

should be completed.

**Debashish Majumdar:** Thank you very much, Sir. Wish you a very good quarter going ahead.

**Moderator:** Thank you. We will take the next question from the line of Amit Jeswani from Stallion Asset. Please go ahead.

**Amit Jeswani:** Hi Nalin, just wanted to understand how the inventory cycle works we have got 700 Crores of inventory, so let us say we built a 100 Crores Metro, but we do not receive payments for that and this government is yet to verify it, so is that the thing which goes into the inventory?

**Nalin Gupta:** Yes, that goes into work in progress and till it has been approved and the billing is done, we do not take it into topline.

**Amit Jeswani:** About Rs.700 Crores of this thing is left, that work that we have completed, but which is yet to be recognized, am I right...?

**Nalin Gupta:** This also includes your raw material stock also, so the inventory also includes your work in progress and the raw material expenses, cement, steel, structural steel whatever we are having at site, so that is part of the inventory.

**Amit Jeswani:** Can you just give us the break up what is work in progress and what is the other inventory?

**Nalin Gupta:** I think we can give it to you separately. We will have to work it out and we can give it to you for sure.

**Amit Jeswani:** Nalin ji, your receivable cycle is still little high, so you said that it will come down, can you give me an idea to what level it will come down to?

**Nalin Gupta:** I will come down by around Rs.100 Crores.

**Amit Jeswani:** And just last question on the guidance, how confident are we on the Rs.1800 Crores number, because that is a very steep task?

**Kamal Gupta:** As we had promised that we will be close to 1800, I do not think it is not a printed schedule where we can say, but yet most likely touching 1800 should not be a big task and as you can see this year we have given the growth in topline of Q2 versus Q3 of around 42%, so for sure, we feel that we should be anywhere plus 1700 so I think 1800 should not be an issue for us to touch.

**Nalin Gupta:** See, the projects are going very well, so 1800 is a very confident number, so there should not be a problem in touching it anyway.

**Amit Jeswani:** I wish you a lot of luck. Thank you so much for a great set of numbers.

**Moderator:** Thank you. We will take the next question from the line of Vijay Shetty an Individual Investor. Please go ahead.

**Vijay Shetty:** Sir, I wanted to enquire about the theft that has taken place in the company, can you elaborate on that?

**Nalin Gupta:** It was a very small issue with regards to, I do not know who is involved in it, but there were some small cash of Rs. 7 lakhs to Rs.8 lakhs,

which was there and I think there must be some people from inside or we do not understand, but professional guy, who broke into and within just 30 minutes time he was out, so it was a very unfortunate thing, but we are trying to do more of increasing CCTVs and steps like that to control it.

**Vijay Shetty:** There is no material effect?

**Nalin Gupta:** No, there is no serious issue to be, it was just as it as a formality and as a responsibility that we had to inform wherein we have put it on record and there is no substantial thing to be discussed on that.

**Vijay Shetty:** And Sir, anything on the SEBI update?

**Nalin Gupta:** We have already given whatever data was required to SEBI and we are waiting to hear from them.

**Vijay Shetty:** Any timeline on how soon it can?

**Kamal Gupta:** These are government and legal issues we really cannot say how much time it takes. We guys are clear and we are working comfortably so we always believe in focusing on our work rather than on such issues, which keeps bothering and which does not have any results.

**Vijay Shetty:** Thank you, Sir. That is it from my side.

**Moderator:** Thank you. We will take the next question from the line of Vaibhav Jain from Credit Suisse. Please go ahead.

**Vaibhav Jain:** Sir, congratulations on a great set of numbers.

**Nalin Gupta:** Thank you very much.

**Vaibhav Jain:** Sorry to harp on this, but when was the last communication from SEBI side on this entire issue of, so if you can just share that?

**Kamal Gupta:** Around a month back.

**Vaibhav Jain:** Sir, one more thing, when you on the future outlook target of order accretion of Rs.2000 Crores to Rs.3000 Crores over the next 12 months, I do not know whether I missed that, but what is your composition that you are looking in terms of Metro and non-Metro orders?

**Kamal Gupta:** Well, metro would be like around 50% to 60% of the focus would be surely on Metro because that is one of the very niche area of expertise and at J Kumar we are very strong in this area, so we will try to focus a lot into Metros for elevated and underground section and of course flyovers and other road works, which for NHAI and other good departments, so we will surely eye for that as well.

**Vaibhav Jain:** Sir, when you say 50% to 60% on the Metro side, are you also banking on Delhi Metro phase IV to get it?

**Nalin Gupta:** Yes, surely looking at Ahmedabad, Mumbai, and Delhi all these places where we had already established and surely try to hit those zones.

**Vaibhav Jain:** Perfect, thanks and that is it from my side.

**Moderator:** Thank you. Ladies and gentleman, that was the last question. I now hand the conference over to Mr. Parvez Akhtar Qazi for his closing comments.

**Parvez Akhtar Qazi:** Thank you everyone for attending this call. We would also like to thank the management of J. Kumar Infra Projects for giving us the opportunity to host the call. Kamal and Nalin ji, would you have any closing comments to make.

**Nalin Gupta:** Well like thanks a lot to everybody for supporting us and I think all the projects have really taken up well and we are very sure to maintain the numbers what we have committed. Thanks a lot for all the support.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

## Q3FY18 Results February 15, 2018 | Conference Call

Aditya Narain, Head of Research, aditya.narain@edelweissfin.com

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