



J. Kumar Infraprojects Ltd.

“J Kumar Infraprojects Q4 FY’19 Earnings Conference Call  
hosted by Anand Rathi Share & Stock Brokers”

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J. Kumar Infraprojects Ltd.

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behind every successful investor



**MANAGEMENT:** **SHRI. JAGADISHKUMAR GUPTA – EXECUTIVE CHAIRMAN, J INFRA PROJECTS LIMITED**  
**MR. KAMAL J. GUPTA – MANAGING DIRECTOR, J INFRA PROJECTS LIMITED**  
**MR. NALIN J. GUPTA – MANAGING DIRECTOR, J INFRA PROJECTS LIMITED’**  
**MR. ARVIND GUPTA – CHIEF FINANCIAL OFFICER, J INFRA PROJECTS LIMITED**

**MODERATOR:** **MR. PREM KHURANA – ANAND RATHI SHARE & STOCK BROKERS LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to the J Kumar Infraprojects Q4 FY'19 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prem Khurana from Anand Rathi Share & Stock Brokers. Thank you and over to you, sir.

**Prem Khurana:** Good afternoon, ladies and gentlemen. On behalf of Anand Rathi Share & Stock Brokers, I welcome you all to Q4 and FY'19 Results conference call of J Kumar Infraprojects. At the outset, let me thank the management for giving us an opportunity to host them today. From the management we have Shri. Jagadishkumar Gupta – Executive Chairman; Mr. Kamal Gupta – Managing Director; Mr. Nalin Gupta – Managing Director and Mr. Arvind Gupta – CFO of the company with us to discuss the quarter's performance and the shape of things to come for.

To begin, we will have opening remarks from the management and we will open the floor for the interactive Q&A. Over to you, sir.

**Nalin Gupta:** Firstly, I would like to welcome everyone to the concall of J Kumar Infra. I am Nalin Gupta – the Managing Director of J Kumar Infra.

I will take you through the highlights of the quarter ended and the year-ended 31<sup>st</sup> March 2019. So, J Kumar, we have achieved a top line of Rs.968 crores for the quarter ended FY'18-19 as compared to FY'17-18 which was Rs.775 crores, making an increase of around 24.76%. The EBITDA has also gone up to Rs.134 crores for the current quarter as compared to quarter of FY'17-18 which was Rs.117 crores, that is an increase of 14.13%. The bad debt similarly gone up to Rs.57 crores as compared to Rs.54 crores for the FY'17-18, making a net increase of 5% almost.

The year ended 31<sup>st</sup> March 2019, the company has achieved Rs.2,787 crores as compared to Rs.2,050 crores in FY'17-18, that is an increase of around 36% in the top line of the company. The EBITDA has also gone up by around 36%, that is to Rs.436 crores in the current year as compared to Rs.321 crores for FY'17-18. The PAT has increased to Rs.177 crores for the year-ended 31<sup>st</sup> March 2019 as compared to Rs.136 crores which was in FY'17-18, that is increase of almost 30% in the bottom line of the company.

We have recently bagged an order for Rs.445 crores for the Metro Line VI in the current quarter and on the yearly basis in the last year we have bagged orders of Rs.4,970 crores, so taking our order book to Rs.10,372 crores as compared to Rs.10,400 crores that we had last year. We have bidding in pipeline close to around Rs.4,000 crores and the net worth has gone up to Rs.1,667 crores as compared to Rs.1,609 crores in December 2018. Thank you very much.

**Moderator:** Thank you. The first question is from the line of Sudhir Beda from Right Time Consultancy. Please go ahead.



**Sudhir Beda:**

I am Sudhir Beda. I am a Chartered Accountant. There are two questions: Fourth quarter your margin has come down drastically. Second question is about the other current liability which I believe that advances received from the customers. So, in spite of good increase in the order book, debt has come down. So, can you throw some light on this?

**Nalin Gupta:**

So, basically, the margins for Q4 was slightly less as compared to the previous quarter. But if you see the overall margins, the PAT is in the range of 6.35%, 6.36%. So, the overall margins we still able to maintain the same thing what we intend. The reason for this Q4 margins will slightly come down was basically lot of new projects were started. So, like when the new projects start up, incoming is less compared to the outgoing. So, we have started this metro line VI package from Lokhandwala to Powai, the Dwarka NHAI project in Delhi has started. So, this new big project has slightly deterred the margin. The overall margin for the coming year also like what we have done right now is 6.36%, so we will be able to maintain this margin of 6-6.5% for coming year as well.

**Management:**

The other question about current liability, Rs.513 crores is the advance outstanding as on 31<sup>st</sup> March.

**Sudhir Beda:**

That has come down from the last year in spite of increasing the order. So, can you throw light on this?

**Nalin Gupta:**

Because advances whatever we have received from the government like for Line-2A and Line-7 has entirely 100% mobilization and plant and machinery advances been deducted back, and there are like for the Line-VI and some other projects we are yet to receive the advances.

**Sudhir Beda:**

Last question about the geographical breakup of the turnover and order. Can you give how much it is from Mumbai and how much is outside Maharashtra?

**Nalin Gupta:**

Right now, Maharashtra constitutes around 70% of our current order book of Rs.10,400 crores and the NCR region near Delhi constitutes around 20% and UP and Gujarat constitutes around 5%.

**Moderator:**

Thank you. The next question is from the line of Sandeep Nag from Ashmore. Please go ahead.

**Sandeep Nag:**

Kamal, the question is the usual, any progress on the matter with SEBI, have you had any new communication of any sort, where are we in that situation?

**Kamal Gupta:**

About the SEBI matter, the matter stands as it is like we had already given all our documents, information about that and since the matter is sub-judice with SEBI, but we are expecting a favorable outcome since we have given all the relative papers and documents to them and we had good hearing with the whole-time member itself.

**Sandeep Nag:**

Forensic auditor has been appointed by the SEBI or not yet?

**Kamal Gupta:**

Nothing has been heard.



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

**Shravan Shah:** Sir, continuing to the EBITDA margin, for the full year also it is slightly lower than what we used to guide 16, 17%. So, now what is the guidance of EBITDA margin for 2021?

**Nalin Gupta:** Shravan, as we had already mentioned couple of minutes back, we are sure of making similar margins that we have been making of around 15-16% EBITDA margin and like last year we had made a PAT of 6.6% on an annual basis whereas this year we have made 6.36%. So, I guess you will appreciate this is not a printed format where 0.25 plus/minus is not a big thing I would say and in terms of absolute number, the company has grown from Rs.136 crores PAT to Rs.176 crores PAT and we are quite confident that we will be able to sustain this margins with the current order book that we have and I think 0.25 is not so much I would say, it cannot be so much guaranteed for the annual cases. But I think we have done a reasonably good number and we will maintain that.

**Shravan Shah:** In terms of the revenue guidance last time we have talked about around Rs.3,000 crores. So, for FY'20, what is the new guidance and if you can also help me in terms of Mumbai Underground IX to VII and Pune-Ahmedabad how much would be contributing in FY'20?

**Nalin Gupta:** Firstly to reply your question for FY'20, we are expecting slightly more than what we had said, that is from Rs.3,000 crores, we are expecting something like Rs.3,100-3,200 crores for FY'20 and for FY'21 we are expecting close to Rs.3,500 crores to 3,600 crores. So, this is the projection that we feel for FY'20 and '21. With regards to contribution in the current annual number for FY'20 we are expecting around Rs.1,000 crores from Line-III and for Line-II and VII close to around Rs.500 crores and again from Ahmedabad we are expecting around Rs.100 crores and for Pune Metro we are expecting close to Rs.150 crores as well as for Line-VI around Rs.200 crores.

**Shravan Shah:** Any ballpark guidance in terms of how much of the road that we have bagged recent?

**Kamal Gupta:** For JNPT that we are doing, we are expecting a top line of around Rs.200 crores approximately and for Dwarka it is about to start, so around close to like Rs.200-250 crores is what we...

**Nalin Gupta:** Rs.3,000-3,200 crores, around roughly Rs.2,000 crores from metro and rest Rs.1,200 crores from non-metro.

**Shravan Shah:** Sir, what would be the inflow CAPEX guidance? What is the gross debt as on FY'19?

**Kamal Gupta:** The CAPEX right now stands on Rs.778 crores and the new inflow of CAPEX we expect around Rs.60-70 crores in the current fiscal, that is '19-20 and in terms of the new fresh order inflow we plan to maintain order book of around Rs.15,000 crores. So, whatever we consume this, we already bidden for around Rs.4,000 crores of projects. So, we have learnt that we are L1 in some of the projects, big one. So, we expect in the coming year there will be inflow of around Rs.4,000-4,500 crores of projects.



**Shravan Shah:** If you can help me in terms of what are the number of projects and what is the value of the projects where we are L1?

**Kamal Gupta:** We have bid for a project in Delhi of NHAI, Dwarka Expressway, that is around Rs.1,500 crores. So, we have already got one package, bid for the other one where we have learnt that we are L1 and also a project in Mumbai, this is the metro project, it is extension of line-VII to line-IX which is costing around Rs.2,000 crores projects, so we have learnt that we are also L1 there.

**Shravan Shah:** This is from Mira Road to Bhayander?

**Management:** It is Dahisar to Bhayander via Mira Road and the other portion which is underground from Andheri to international airport.

**Shravan Shah:** So, close to Rs.3,500 crores we are L1?

**Management:** It is learnt, yes.

**Shravan Shah:** What is the gross debt and how do you see at the end of FY'20?

**Nalin Gupta:** Our gross debt as of now stands on Rs.691 crores and for the coming year I think it will be almost Rs.700 crores or so, not much.

**Moderator:** Thank you. The next question is from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.

**V Balasubramaniam:** Is it possible to repeat your order inflow number for the current year?

**Nalin Gupta:** Around Rs.5,000 crores of projects we plan to take for this current fiscal and as I told before we have learnt that we are already L1 in Rs.3,500 crores of projects.

**V Balasubramaniam:** So, you said Rs.5,000 crores is your target for this year?

**Nalin Gupta:** Yes.

**V Balasubramaniam:** No, I was asking about last year's order inflow number?

**Management:** Last year we had done Rs.4,969 crores.

**V Balasubramaniam:** What was your exact receivable number and your retention money at the end of FY'19?

**Management:** As on the 31<sup>st</sup> March 2019 is Rs.250 crores retention money. Rs.495 crores is the receivables as on 31<sup>st</sup> March.



**Moderator:** Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

**Arun Kejriwal:** If we breakup this order book of roughly Rs.10,400 crores, how much would be metro, how much would be roads, how much would be others?

**Nalin Gupta:** The metro is constituting around 60% of our order book and the flyovers and roads constitute around 24% and the civil what we are doing hospitals and all these is around 10%.

**Arun Kejriwal:** This order book of Rs.10,400 crores is what -- roughly between 2.5-3-years or you have some longer gestation projects also?

**Nalin Gupta:** This is around 3-3.5-years.

**Arun Kejriwal:** We have a new government in place which is continuing from the previous time and apparently the focus would continue to be on infrastructure. So, what is it that you want from the government and what is it that you expect from the government?

**Nalin Gupta:** We are already very happy, Mr. Arun ji with the current government and the BJP is already pro-infrastructure government, so we expect robust inflow of work with good margins and w it has been heard like they will decrease the corporate tax, so it is good for all.

**Moderator:** Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital and Research. Please go ahead.

**Amitabh Sonthalia:** What is the net debt figure?

**Nalin Gupta:** The net debt is Rs.620 crores.

**Amitabh Sonthalia:** In terms of the margin guidance that you have given for FY'20, is it between 15-16% you said or did I miss out because last year our margin was 3.5%?

**Nalin Gupta:** Yes, you are right, it is 15-16%.

**Amitabh Sonthalia:** So, it is going to be little lower than FY'19 figure?

**Nalin Gupta:** Almost the same, 1% here and there, otherwise it is like 15-16% or 16-17%, that is it. What type of work is being executed and there are some surprise costs or something like that. But more or less hardly a difference of 1% on EBITDA that we are talking of.

**Amitabh Sonthalia:** So, in terms of the pipeline of bidding that you shared this Rs.4,000 crores, is it largely metro related or is it for the other segments?



**Nalin Gupta:** It is like 60:40 because it is like Rs.2,000 crores for metro line-IX and Rs.1,500 crores for airports and highways. So, it is again elevated project. So, both the places what we have learnt is we are L1, so 60:40.

**Amitabh Sonthalia:** On this SEBI matter, when do you expect outcome or when do you think we can hear you regarding this SEBI matter?

**Nalin Gupta:** It is not under our control. This totally depends upon the SEBI to decide. But there is nothing pending from our side to be submitted which we have submitted and more than seven months has passed, so that itself gives a very positive sign for us to think on that the SEBI is not able to really find some strong things. So, we find that we should have some good answer on that.

**Amitabh Sonthalia:** Just one general question also on the outlook that we see for order inflows and there is metro and urban infra still a huge untapped opportunity and you also mentioned there is a lot of expectation from the new government on that front. So, what is the reasonable expectation to have in terms of overall order flows and the kind of tendering, all the activity that we foresee in the next two years?

**Nalin Gupta:** If you see that infrastructure in terms of metros or flyovers or whatever you talk of MTHL, Expressways, there are a lot of opportunities available at a Pan-India basis and also at Maharashtra particularly also if you see. So, every company is trading almost like 3-4x of their order book. So, I think this is one of the most lucrative period for all the infra companies to have a good growth in terms of top and bottom line both because there is sufficient work for everyone to do. So, the amount of competition is also I would say improving and people are quoting quite rationally.

**Amitabh Sonthalia:** Given the investigations which are still pending against us, do you see that as a factor that would limit our ability to win contracts or participate in any tenders?

**Nalin Gupta:** Absolutely not because these things which we are discussing is more than two to three years old. So, there is nothing which is restricting the growth of the company and you can see this with the order book that the company has bagged in this last two to three years time. So, we have grown more than 4x in terms of order book and the company has made a growth of nearly around 40-50% in these last two years.

**Amitabh Sonthalia:** What about your funding lines and bank lines perception that is there now?

**Nalin Gupta:** My friend, let me share that, even after bagging like 4x of the order book and still able to give all the bank guarantees and taking care of all the debts and everything, because we have not done any fund raising or anything from the last three to four years and still we are able to very well survive and make excellent profits. So, I think that itself reply that our finance team and the management team is able to handle it very comfortably.

**Kamal Gupta:** We also have a rating of A+, so that really supports.



**Amitabh Sonthalia:** Just from investor return standpoint, is there anything that you feel you can give as a measure of more confidence to investors in terms of higher dividend payouts, buyback and such measures like that?

**Management:** We have increased the dividend to 45% of the face value as compared to previous year which was 40%, so we..

**Amitabh Sonthalia:** The payout ratio that investors look at, what is the percentage of profits you are distributing as?

**Nalin Gupta:** Around 12% payout ratio what it comes out. We are trying to do like whatever best possible and coming forward there is so much opportunity, we are also like playing safe that because there will be so much of inflow with good bottom line, so we do not want to go to the market for fund raising to fund these projects. For the company you had a concern that how are we able to maintain the debts and fund management. So, again, this is one important reason like we try to be keeping certain money into reserve to take care of the internal debts and CAPEX requirements. Still we have given increase of 40-45% in the dividend this year.

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

**Rajendra Mishra:** First, a quick fact question and then I have a couple of other questions. So, first thing you said this CAPEX Rs.778 crores is for which year?

**Nalin Gupta:** This is for the current year as on 31<sup>st</sup> March 2019.

**Rajendra Mishra:** Rs. 778 crores is the gross block as of March 31<sup>st</sup> balance sheet?

**Management:** Net block.

**Rajendra Mishra:** You gave another day where you said Line-III will contribute Rs.1,000 crores and Line-VI Rs.200 crores and all that. So, was it for FY'19 or FY'20?

**Nalin Gupta:** This was for March '19-20 coming year.

**Rajendra Mishra:** So, this is a forward-looking?

**Nalin Gupta:** Yes.

**Rajendra Mishra:** My question is revenue growth we are saying that from FY'20 we are targeting Rs.3,200 crores and then we are targeting around Rs.3,500-3,600 crores in FY'21. So, are we moderating our growth expectations because this is like roughly would be 10% or so between FY'20-21?

**Nalin Gupta:** Mr. Rajendra, this is around 10-15% and we want to be conservative as you saw last year also we do not want to say something and do less, rather we want to say something less and try to do more if possible.



**Rajendra Mishra:** Any structural long-term growth rate that we are looking to stabilize around, is that something our view?

**Nalin Gupta:** Around 15%.

**Rajendra Mishra:** So, 15% revenue growth and 15-16% EBITDA margin?

**Nalin Gupta:** Absolutely.

**Rajendra Mishra:** On L1 the two projects that you spoke about, Delhi, Dwarka Expressway second package and Mumbai metro line-IX. So, can you give us on the competition who are the other bidders and what kind of competitive intensity is there in this space?

**Nalin Gupta:** We do not remember all but usually L&T must be there, Afcons is there, HCC is there, all these players as competitive bidders with us.

**Rajendra Mishra:** In general, how is the competitive intensity in this space because you have bid for around Rs.4,000 crores pipeline?

**Nalin Gupta:** It is fair enough like people are not going very aggressive also, they are going rational because inflow is use for everybody. I think there is a good margin people can make and like work in a very niche area, Mr. Rajendra, so here we are able to enjoy these additional margins because of niche area and plus our working USPs.

**Rajendra Mishra:** When can we expect this L1 to be declared and how much timeline normally it will take for this to convert into order book?

**Nalin Gupta:** Usually around two months.

**Rajendra Mishra:** How much time before you mobilize and you get advances and all?

**Nalin Gupta:** Usually 1-1.5-quarters it takes to mobilize and start the work in full-fledge.

**Rajendra Mishra:** You are saying after two months when it comes into order book, then another 1-quarter or 1.5-quarters for mobilizing?

**Nalin Gupta:** That is true, Rajendra.

**Rajendra Mishra:** So, we are sitting in June. So, if everything falls in place by November to December we can start execution?

**Nalin Gupta:** Right, that is what.

**Rajendra Mishra:** Last thing on this rating is A+. So, what is the cost of borrowing as of now for all our EPC projects?



**Management:** 10-11% you can say.

**Rajendra Mishra:** Do the lenders differentiate between whether you are executing a road project or a civil project or a metro project in terms of borrowing cost?

**Nalin Gupta:** In terms of borrowing cost, there is no difference my dear. It depends like if you see the company's history, the balance sheet of course and the rating, all that matters.

**Rajendra Mishra:** So, it is corporate loans, they do not differentiate at the project level what kind of project it is getting into?

**Nalin Gupta:** Roads and Highways are always a priority for the banking sector because it is a quite secured revenue and being EPC work and not BOT or PPP, so it is a very comfortable situation for banks to lend money. And moreover with all these clients that we are discussing are NHAI, MMRDA, DMRC, so they are all prominent names in the industry where banks are quite comfortable to lend.

**Rajendra Mishra:** It is a very general industry specific question, not specific to company. So, in general narrative we are hearing from most of the banks is that they are cutting down on corporate loans or infra loans. So, in general, not specific to J Kumar but for other players also, is there any moderation in terms of availability of capital?

**Nalin Gupta:** Of course they have tightened as what you are saying, but I think for the good clients there is no issues of bank loans... banks are supporting well.

**Rajendra Mishra:** So, you are saying at least for J Kumar there is no issue, but industry also you are saying good clients would not have problem?

**Nalin Gupta:** Yes, absolutely.

**Moderator:** Thank you. The next question is from the line of Rakesh Wadhwani from Stallion AMC. Please go ahead.

**Rakesh Wadhwani:** You have given a revenue guidance of Rs.3,200-3,300 crores for the financial year 2020. May I know the reason why you have given lesser guidance because if we see your past performance, you have done tremendously well and in future you are guiding lesser growth?

**Nalin Gupta:** Rakesh, firstly, we have not mentioned Rs.3,200-3,300 crores, we have mentioned only Rs.3,100-3,200 crores which is a growth of almost like 15% in the top line and as we mentioned earlier also we believe in giving a figure which is little conservative where we do not disappoint our investors and you can see from the last year growth itself where we had a growth of 35% and you would appreciate that as the base keeps increasing the percentage does not increase on the same lines but still I think we have given you a figure which is achievable and we are sure to not disappoint our investors.



**Rakesh Wadhwanı:** If you see the full year depreciation it is up by 40%. Can you tell us the reason -- is it because we have lots of work-in progress capital?

**Management:** Depreciation has increased because of the tunnel boring machine which we have purchases. So, the three which we purchase comes in '18-19, therefore the depreciation has been increased.

**Rakesh Wadhwanı:** Sir, the new CAPEX that we are expecting for the equipments in the financial 2020 will be?

**Nalin Gupta:** We have already given guidelines for that. So, coming year Rs.60-70 crores of increase in CAPEX.

**Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visario Family Trust. Please go ahead.

**Giriraj Daga:** If you can let me know what kind of inflow we can sustain on the balance sheet as of now? So, you have given the guidance of Rs.5,000 crores. Suppose there is an inflow of Rs.8,000 crores, can our balance sheet sustain that?

**Nalin Gupta:** Yes, Mr. Giriraj, you must have seen in the last couple of years the company has really augmented our resources and efficiency has really gone up. So, we are able to take projects of bigger ticket size and bigger order book. We have decided to maintain order book of around Rs.15,000, 16,000 crores. So, taking orders of additional Rs.7,000, 8,000 crores should not be an issue. But we are limiting ourselves to around Rs.5,000 crores of order inflow in the coming year.

**Giriraj Daga:** Actually, I did not get you. When you say Rs.15,000 crores, do you want to maintain, but you are only saying Rs.5,000 crores, is Rs.5,000 crores you are saying or the number for the sake of it or it is only we are looking for that Rs.5,000 crores and want to augment on margins rather than the revenue growth on a top line?

**Nalin Gupta:** In J Kumar, we believe in terms of increasing the revenue with bottom line. We are not interested in increasing the numbers of top line without taking care of bottom line. So, we are very-very clear on that. What we want to say is that last year we have bagged order to the tune of around say Rs.5,000 crores and this year also we have already mentioned that we are already L1 in Rs.3,500 crores worth projects in this last quarter. So, we are sure we will bag orders more than Rs.5,000 crores for the coming year.

**Giriraj Daga:** What will be the realistic guidance on the FY'21? Like you have given the guidance of somewhere about 13-14% kind of a number in FY'21 depending on what is your commentary, there is a lot of order inflow coming in, is there like possibility to have some decent upside on that guidance?

**Nalin Gupta:** We can but as we said, we like to give a conservative figure where we can achieve. Maybe after Q2, we may revise the number depending upon the achievements that we do.



**Moderator:** Thank you. The next question is from the line of Aditya Chandrasekhar from Edelweiss. Please go ahead.

**Aditya Chandrasekhar:** This Q4 FY'19 revenue of Rs.968 crores, could you just give the breakup between the major projects?

**Nalin Gupta:** Rs.520 crores from Metro and Rs.450 crores from non-Metro.

**Aditya Chandrasekhar:** Within Metro, can you give a breakup sir?

**Nalin Gupta:** Within Metro, Line-III constitutes around Rs.280 crores and Line-II and VII constitutes around Rs.90 crores and this Ahmedabad is around Rs.35 crores and Line-VI is around Rs.40 crores, Pune Metro is around Rs.30 crores and Navi Mumbai is around Rs.20 crores, all put together is Rs.520 crores.

**Aditya Chandrasekhar:** Sir, for each of these projects, could you also give a broad operational status in terms of how much of the tunneling has been done, what is the progress, etc.,

**Nalin Gupta:** For the line-III, we have completed around 35% of the project cost and in tunneling we have done around 55% in line-III and metro line II and VII are nearly around 70%, 75%.

**Aditya Chandrasekhar:** All projects are working on track?

**Nalin Gupta:** Yes, all projects are on track apart from some initial delay because of the movement issue, so around 8 to 10-months delay is there in all these projects and that is mainly because of utilities, because all the projects taken up by J Kumar mainly from urban areas, so the land acquisition, tree issues, these are some of the issues because of which the project has been taken forward a bit.

**Aditya Chandrasekhar:** But as of now it is going on track?

**Nalin Gupta:** Yes, very much on that, sir.

**Moderator:** Thank you. The next question is from the line of Vijay Sarda from Crescita Investments. Please go ahead.

**Vijay Sarda:** Just wanted to understand how much is the advances that is received towards the project?

**Nalin Gupta:** Rs.513 crores is the balance as of now.

**Vijay Sarda:** That is mobilization advances that we got from?

**Nalin Gupta:** Correct.

**Vijay Sarda:** Do we pay some interest on top of it?



**Nalin Gupta:** Mostly, 90% are interest-free mobilization advance.

**Vijay Sarda:** So, basically it gets reflected in other financial liabilities?

**Nalin Gupta:** Other financial liabilities.

**Anup:** This is Anup here from Equity Intelligence. My question is regarding the capital structure. So, what would be the target debt-equity for FY'22 and as a part of it is there any creeping acquisition plans by the promoter because the stock price is pretty much at the level when we last increase the stake. Why I am asking this is because since our order book is going up and in past we have successfully raised money through QIPs and very efficiently we have done that and had a debt-free kind of growth. But going ahead, little concerned about the debt part, so would like to know the views of the management?

**Nalin Gupta:** I would like to mention here that the debts of the company is quite as you say it is almost a debt-free company with just 0.45 as the debt-equity ratio and with the current orders also that we are bagging is mainly from NHAI and from metro sector wherein we get mobilization advances, so that basically takes care of our requirement, so I think we will be very comfortable.

**Anup:** What would be the target debt-equity ratio for FY'22?

**Kamal Gupta:** Right now debt-equity is 0.4, one and we plan to maintain the same point.

**Anup:** Even with the Rs.16,000 crores order book it would be possible to maintain the debt at this level?

**Management:** We should be able to surely maintain it.

**Anup:** On the creeping acquisition part, any plans?

**Nalin Gupta:** Creeping part of it is basically you require lot of funds to do that and just by purchasing a bit 1% or 2% really does not help in that matter. So, we do not have immediate plans to do that as of now.

**Kamal Gupta:** We have bought out 1.4 lakh shares in this year.

**Anup:** Because our share price if you see we are at around five year low within that band. So, I think it would be very good value proposition for the promoters as well, so if you can consider that?

**Nalin Gupta:** We need a very lucrative opportunity to do that, but as we said that we also feel that it is quite tempting for us to resist buying it, it is only as and when we can arrange for some funds from our side, we will surely try to consider that.

**Moderator:** Thank you. The next question is from the line of Nidhi Shah from IDFC. Please go ahead.



**Nidhi Shah:** So, far you said that most of your projects will be in Maharashtra, Delhi and Gujarat. Would you be targeting any other states for the next year?

**Kamal Gupta:** Right now, as you said, Delhi, Maharashtra, Gujarat, NCR and we are already working in UP. So, these are the four areas we are working, and the plan to be there for coming at least one to two years.

**Nalin Gupta:** I guess you will appreciate that when there is a lot of opportunities in the current states where you are operating there is no point in increasing the states for no reason.

**Nidhi Shah:** Where are your largest projects bidding for?

**Nalin Gupta:** Geographical bifurcation if you see Maharashtra is holding 75%. Maharashtra, NCR and Gujarat, these are the areas where we are trying to focus more.

**Nidhi Shah:** Even bidding is concerned, right?

**Nalin Gupta:** Yes.

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

**Shravan Shah:** Sir, one clarification; you said we have won Rs.455 crores line-VI in this April-May quarter and Rs.1,500 crores plus Rs.3,500 crores we are L1. So, close to Rs.3,950 crores orders are already there, am I right?

**Kamal Gupta:** Rs.445 crores is part of Rs.10,500 crores order book.

**Shravan Shah:** What is the mobilization advance yet to be received on the projects that we have already won?

**Nalin Gupta:** Rs.200 crores is what we can avail more as mobilization advance.

**Shravan Shah:** So, in all the metro lines, almost all the mobilization advance we have received or still in the metro line also line-III...?

**Nalin Gupta:** We have to still receive.

**Shravan Shah:** What is the fund base and non-fund base limit?

**Nalin Gupta:** Fund base limit is Rs.705 crores and non-fund base limit is Rs.3,000 crores. Out of Rs.700 crores, utilization is Rs.460 crores and non-fund base out of Rs.3,000 crores, utilization is Rs.2,500 crores.

**Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.



**Parikshit Kandpal:** For Rs.93 crores of interest cost for FY'19, can you give me a break up of bank guarantee charges, BG commissions and bank charges?

**Management:** Interest cost is near about Rs.76 crores and then Rs.17 crores is the bank guarantee charges.

**Parikshit Kandpal:** This interest cost has gone up substantially almost like Rs.31 crores. Since we are expecting debt to remain at these levels, so this maybe quarterly rate of like Rs.31 crores interest cost?

**Nalin Gupta:** Interest cost basically depends upon the bank guarantee is again like one substantial portion which happens because you have to give performance guarantees and mobilization advance bank guarantee which is around 20-22% of the project cost. So, those are the charges which we have to bear and again we have to bear the bank charges for EMB, bank guarantee that we need to submit. So, that is the reason how it keeps going little up and down.

**Parikshit Kandpal:** This Rs.17 crores is only the non-fund base limit charges. So, interest is...

**Nalin Gupta:** You are right. Our working capital has gone up. If you say the debt has gone up to Rs.691 crores, that is why the interest has gone up.

**Parikshit Kandpal:** No, I am saying will this continue at this rate of Rs.30, 31 crores for quarter or is it going to come down?

**Nalin Gupta:** We will be able to maintain this debt of around Rs.700 crores in the coming year also.

**Parikshit Kandpal:** Lastly, what is the land status of the NHAI L1 project?

**Nalin Gupta:** There is no issue in land. 100% land is in the subsidiary. Only there is some issue of tree authority. Because of the code of conduct and elections, it slowed down. So, it is on line now. So, it should be through very soon.

**Moderator:** Thank you. The next question is from the line of Rakesh Wadhwan from Stallion AMC. Please go ahead.

**Rakesh Wadhwan:** Can you talk about working capital cycle like what was the receivable days and payable days and inventory days in financial '19 and what do you think it will be in FY'20 and FY'21?

**Management:** The working capital as on is 135-days and coming forward we intend to get it down to 120, 125-days.

**Rakesh Wadhwan:** It is because of receivables or payables. What will lead to decline in this working capital?

**Management:** Yes, the closing stock will go down.

**Moderator:** Thank you. The next question is from the line of Vijay Shetty, an individual investor. Please go ahead.



**Vijay Shetty:** You had won two projects in Delhi DFC headquarter and one other. What is the turnover from that in this year?

**Nalin Gupta:** Jaunapur of Rs.170 crores, we already declared in SEBI also in April 2019. The other one also we had some land issues going on. It is a NTPC project, New Delhi municipal corporation headquarter. So, there is some land issue which is not sorted out. So, we are still waiting what will be the thing. So, after that because of this code of conduct and these last 2, 2.5-months nothing was done.

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

**Shravan Shah:** Just trying to understand particularly the line-II, VII. If I just look at Q3 versus Q4 the execution came down significantly; so in third quarter we have done close to Rs.160 crores and this quarter we have done close to Rs.80, 90 crores. Is there any issues because we started the work 2, 2.5-years and in terms of the number it is 55% complete but in the comments previously you mentioned we have done close to 70, 75%, is it that bill certification would be happening in April and May and that is why the March number the execution was not there?

**Management:** Yes, that is one of the reasons and moreover in this quarter due to the elections there was decrease in the labor quantity, that was required which has again started coming up in a big way and there is already a big correction that has been done in the month of May. So, that is the reason where you can see a little bit of dip in that work also.

**Shravan Shah:** Even FY'20 also, the entire line would not be completed, just trying to understand where are we versus Simplex and NCC who are also doing, so in terms of the percentage completion, are we ahead of them or is it that the government is saying go slow because previously it was supposed to be completed in December '19 but considering the way you are guiding close to Rs.800-odd crores is still pending. So, maybe we can see the actual metro for the passenger in FY'21?

**Nalin Gupta:** You should be able to firstly use the metro by December 2020 is what is the period when the metro will be operational. And as far as civil work complete is concerned, we should be able to complete it quite some time before that and as compared to the other bidders as you are saying Simplex and Nagarjuna, J Kumar stands at a much stronger position wherein our execution of stations which is the most crucial part of it is much ahead of that.

**Moderator:** Thank you. The next question is from the line of Shekar Mundra, an individual investor. Please go ahead.

**Shekar Mundra:** Regarding your guarantee commission, so it was like something Rs.4.36 crores in 2016-17 and in 2017-18 it jumped to Rs.15.88 crores and now you said it is Rs.22 crores. So, why has the guarantee commission jump because the debt has not jumped so much?



**Nalin Gupta:** First of all, Shekar, I think there is some correction; the bank guarantee charges last year were Rs.15.8 crores which has gone up to Rs.16.7 crores, so there is hardly any increase. To take more coming projects, so the bank guarantee charges would go up.

**Shekar Mundra:** But in '16-17, they were like hardly Rs.4.36 crores. So, why is that jump between '16-17 to '17-18?

**Management:** These are the figures of '16-17 in front of us but if you look at '16-17 is the period from where we basically bag big size orders, so of course we will check that and can get back to you but the growth in '16-17 has been substantial if you look at the order book of J Kumar.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Kamal Gupta:** Hi! This is Kamal Gupta. I like to thank all the participants, all the investors for the support and being here for the concall. And I will assure that company has done very well this year and we are very sure to do very well in the coming years. Also, since new government is pro-infra, we are in a very good position to take further work and implement it in time. We will see that our investors are satisfied with the numbers performance and everything. Thank you so much.

**Nalin Gupta:** Thank you, everyone.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Anand Rathi Share and Stock Brokers, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.