



J. Kumar Infraprojects Ltd.

## “J Kumar Infraprojects Limited Q4 FY '20 Earnings Conference Call”

**June 29, 2020**



J. Kumar Infraprojects Ltd.

**ANAND RATHI**  
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**MANAGEMENT:** **MR. KAMAL GUPTA – MANAGING DIRECTOR, J KUMAR INFRA PROJECTS LIMITED**  
**MR. NALIN GUPTA – MANAGING DIRECTOR, J KUMAR INFRA PROJECTS LIMITED**  
**MR. ARVIND GUPTA – CFO, J KUMAR INFRA PROJECTS LIMITED**

**MODERATOR:** **MR. RACHIT KAMATH – ANALYST, ANAND RATHI SHARE & STOCK BROKERS LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the J Kumar Infraprojects Limited Q4 FY '20 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers 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 an operator by pressing \* then 0 on your touchtone phone. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi. Thank you, and over to you, sir.

**Rachit Kamath:**

Thank you, Raymond. Good afternoon, ladies and gentlemen and welcome to J Kumar Infraprojects Q4 & FY20 earnings conference call. Today from the management, we have Mr. Kamal Gupta – Managing Director, Mr. Nalin Gupta – Managing Director and Mr. Arvind Gupta – the Chief Financial Officer. We will start with a brief management commentary for the quarter that has gone and for the year ended FY20 and then proceed to the Q&A session. Without any further ado, I will now pass on the call to the management. Thank you and over to you, sir.

**Nalin Gupta:**

Good afternoon, everybody. This is Nalin Gupta, Managing Director of J Kumar Infra. A warm welcome to our Q4 & FY20 earnings conference call. I hope you all are staying safe and healthy through this unusual and challenging times. Along with me, I have Mr. Kamal Gupta – MD, J Kumar; Mr. Arvind Gupta – CFO and our investor relations teams. I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and our company's website. Before I take you all through the operational and financial performance, I would like to highlight a few points.

The COVID-19 pandemic and resultant lockdown to contain the spread has led to unprecedented slowdown in the economic activities across the globe. Like other sectors of the economy, the infrastructure sector has also faced various operational challenges. We lost more than 20 crucial days of operations in March 2020 owing to the lockdown. Though work has resumed at most of our site, but we are experiencing shortage of workmen due to large scale migration of workmen. As such, there was significant revenue loss in Q4 FY20 as well as Q1 FY21 for the company vis-à-vis corresponding periods of previous financial years. The company continues to incur expenditure towards fixed and indirect cost through rationalized to the extent possible. As a result of which, the profitability of the company has impacted in Q4 FY20 and will have a bearing on Q1 FY21 as well.

We have devised a plan aiming to accelerate our execution pace in the forthcoming months. The company has sufficient cash flow as well as unutilized working capital facilities to ramp up our execution. With the sector being one of the largest employment providers, government is focusing on pushing infrastructure development projects to kick start the economy. With our expertise and track record, we are hopeful of being awarded more such urban infra projects across the country. At JKL, we are geared up to capitalize on opportunity of huge infrastructure development in the country.



Now, allow me to give you an overview on our operational performances during the quarter. As far as order book is concerned, our total order book as on March 31<sup>st</sup> 2020 stood at 11,644 crores wherein metro accounts approximately 54% and followed by flyover and bridges which accounts to approximately 33% of our order book.

Our standalone financial performances for Q4 and FY20 is as follows:

Revenue from operations for Q4 FY20 stood at 878 crores as compared to 968 crores in Q4 FY19. Revenue from operations for FY20 grew by 7% to 2,971 crores as compared to 2,787 crores in FY19. EBITDA for Q4 FY20 stood at 92 crores as compared to 134 crores in Q4 FY19. EBITDA for FY20 was 429 crores as compared to 436 crores in FY19. PBT for Q4 FY20 stood at 40 crores as compared to 88 crores in Q4 FY19. PBT for FY20 has fallen slightly by 7%, stood at 233 crores as compared to 268 crores in FY19.

PAT for Q4 FY20 stood at 31 crores as compared to 57 crores in Q4 FY19. EPS which is not annualized for Q4 FY20 stood at Rs. 4.1 per equity share as compared to 7.57 per equity share for Q4 FY19. PAT for FY20 grew by 4% to 184 crores as compared to 177 crores in FY19. EPS again not annualized for FY20 stood at 24.26 per equity share as compared to 23.4 per equity share for FY19. The Board of Directors have recommended a dividend even in this difficult times of Rs. 1.25 that is 25% per share subject to approval of shareholders in the ensuing AGM.

With this, now I leave the floor open for questions. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, I missed out your initial part of the opening remark, pardon me if I am repeating myself, but sir what is the activity level right now in Q1 and how this is panning out in the rest of the 9 months and what are the challenges you face and given the fact that you have a large order book, how do you see the next 18 to 24 months for us?

**Kamal Gupta:** Mr. Mohit, this is Kamal Gupta here. Well, as Nalin told you, the major problem what we are facing is the workmen now, the labor force. Of course, there was some supply chain issues also, but even the supply chain issues are falling in place and the labors were also started coming. So going forward we see like this Q1 was of course bad quarter and like Q2 also would not be that good, but we are fully optimistic that by Q3, things will ramp up the same way it was pre COVID. We are getting the labors by trains, doing their reservations, sending vehicles, whatever best possible we can do. Our HR team is after that and the supply chain is also started and like falling in place. So we foresee by Q3 things should be normal.

**Mohit Kumar:** And sir, what will be Q1 and Q2 activity for us given the fact that there is of course....



- Kamal Gupta:** Q1 and Q2, there was not much like April was full lockdown, May, we could start something and around 20%-25% labor force right now is in place. So yes, we could do some work, but not major thing. So of course apart from some essential works like dewatering and taking care of the place is one part, but actual revenue giving was very much low because the skilled labors all had migrated to their place. So we could only right now having around 20%-25% of the workforce.
- Mohit Kumar:** Are you able to work on all the sites given the fact that we most have urban sites where we are supposed to work? Are you allowed to do?
- Kamal Gupta:** All our sites have started, no doubt, whether it is like Bombay or Delhi or Lucknow, all the works have started, but at a very slow pace.
- Mohit Kumar:** And secondly sir, of course we have a huge order book, so what is your view on this order inflow or order intake for the year. What was the order intake for the last year sir?
- Kamal Gupta:** Last year, we had an order inflow of around 4,250 crores and we hope to maintain an order book of around 13,000 crores.
- Mohit Kumar:** So similar number like last year, right?
- Kamal Gupta:** Yes, you are right, Mr. Mohit.
- Mohit Kumar:** And thirdly, sir on the payment, sir. How is the payment or is your position needs to be comfortable, but are the payments we made for the bills raised in March by the metro especially?
- Kamal Gupta:** Yes, absolutely, the payments are done. The government is also like rather they have come forward to see that the payments are made without if the people are not there also, they are doing online payments like taking the approvals from the engineers and the consultants online and doing the payment. So payments are done. Payments like we could rather receive around 400 crores in this quarter.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** A few questions. First, can you just highlight as to what kind of CAPEX are we looking at this year in general?
- Kamal Gupta:** 20-21 you are talking Mr. Vyasji?
- Rakesh Vyas:** Yes.
- Kamal Gupta:** So we are looking for around 50 crores for the coming year like CAPEX.



**Rakesh Vyas:** And that would suffice for the execution that we are planning right now?

**Kamal Gupta:** Yes, Mr. Vyas, would suffice for the projects what we have taken.

**Nalin Gupta:** Mr. Vyas, the basic advantage of J Kumar having that all these projects that the company has are in the same geography because of which the existing establishments are going to help in taking up the newly taken orders as well.

**Rakesh Vyas:** Sir, secondly, we have been hearing that in certain other metro projects, the fixed cost compensation even during the lockdown period and this overall challenging times has been compensated to the contractors, if you can just throw some light as to what is happening in the projects that we have taken or are you hearing anything on that sort?

**Nalin Gupta:** Yes, as far as metro departments are concerned, government has been quite considerate and they are looking onto it, but it is not an easy decision to be taken in a such short span of time, though they have compensated us for the wages and some projects have also paid some of the salaries compensation also partly though, but the overall compensation is being discussed and we are doing all the necessary documentations correspondence with them and it would take a while for them to take a decision on such a thing which has a huge financial implication also on the departments, but we have made all the correspondence in claims to them time to time as per the contract additions.

**Kamal Gupta:** Also to add Mr. Rakeshji, the government has already started giving relaxation in terms of not taking the BGs for the retention money in some of the projects. So some of the departments have already done this. So this will also help us in to some extent on the finance cost.

**Nalin Gupta:** They have also started giving us refunding the bank guarantees because as per the guidelines given by MHA, Ministry of Home Affairs, clear guidelines have been issued that the performance guarantee which is to the tune of around 10% of the contract value which is 5% for performance and 5% for DLP, so amount that there is a circular which is issued. So we should get back some relief of the bank guarantees for the proportionate of value of the work executed by us. So that would again give us some relief in terms of financials.

**Rakesh Vyas:** Can you clarify how much is the total outstanding bank guarantee, how much do you expect to get released?

**Nalin Gupta:** We cannot give you the exact. We can give you the value of bank guarantees in place, but to talk about the refund values, it is a calculation which is being happening. So as of now, the utilized non-fund based is around 2,788 crores. So some reasonable amount of bank guarantees for other than the DLP portion as I have mentioned is under consideration and we should get refund of it.

**Rakesh Vyas:** Sir, just an extension on the earlier question that I asked that does the contract especially wherein JICA or World Bank is involved as a funding agency. Does it explicitly talk about



compensation to be given to contractors in these kind of events especially force majeure kind of events?

**Kamal Gupta:**

This is even the JICA projects or World Bank or whether it is a central government project, so here there is a force majeure clause where the force majeure does not clearly define this. so there is a grey line Mr. Rakeshji, so I think this will be a common policy call taken by the government and based on that, different agencies or entities will act. So we are just waiting for that. As Nalin also told you, we have already submitted our claims based on that, but maybe in some or the other way, this BG, retention money, refund was not in the contract, right. So they are going out of the contract and helping in the sense. So maybe like they will come out in some intermediate way wherein some relief will be there to the contractors.

**Rakesh Vyas:**

And lastly sir around margins, so if you can just highlight as to what kind of profitability that you lost in 4Q because of this COVID and for FY21, what we should look at as a reasonable margin on the work that will probably execute?

**Kamal Gupta:**

It will be difficult question to say right now, Rakeshji because of course as we told you, Q1 and Q2 is not looking that good, but Q3, we are very much hopeful that things will be normal the way it was pre-COVID. So same thing will go on. We could manage Q1 very well and Q2 also, we are hopeful that we will be able to manage very well and the fixed cost as compared to others is very less to us. We also have leverage in terms of unutilized CC limits also, so there should not be much problem.

**Rakesh Vyas:**

And if you can just quantify as to in your estimate how much of EBITDA impact happened in 4Q because of the COVID that you did not execute as per plan?

**Kamal Gupta:**

Are you talking about Q4?

**Rakesh Vyas:**

4Q, yes. In March second half, 20 days of impact that you see...

**Kamal Gupta:**

So that is around 3% in the operating margins.

**Moderator:**

Thank you. The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

**Chirag Singhal:**

Sir, just a question on the operating level. You mentioned that the labor force is around 20%-25%, so shall we consider that as the current operating level across all our sites, 20%-25%?

**Kamal Gupta:**

You can because labor is increasing, so around 15%-20% operational things are there. Day by day, labors are increasing, Mr. Chirag. So for the labors that have come, the effect will be another 2 weeks of that.

**Chirag Singhal:**

So, currently it is around 15%-20%?

**Kamal Gupta:**

Yes.



**Chirag Singhal:** So sir for Q2, can you give any guidance that what kind of levels you are expecting it to be, can we expect around 40% or 50% in Q2?

**Nalin Gupta:** You should appreciate that usually Q2 is the worst quarter of the year any which ways and every year, you find that Q2 is the weakest quarter. Right now with the COVID situation being there all across the country, there is a hesitance which is there among the labors to resume back to work, but as Mr. Kamal has already mentioned that people have started coming and by the end of July, we should see a reasonable amount of labors coming into the city because we are totally dependent on the migrant labors from the North areas for the specialized nature of work. So July is what we see people coming back. But giving the numbers in terms of Q2 exactly, it would not be possible for us or would not be realistic too, so obviously better than Q1.

**Chirag Singhal:** No sir, I understand your point. So lastly sir on the debt side, is there any incremental debt you will be taking amidst the COVID and lockdown and all for the full fiscal 21, I was asking. Will you be maintaining the same level of debt equity or will it be higher than the current levels?

**Kamal Gupta:** Chirag, we planned to maintain the same level of debt and debt equity as well for coming year. So we do not intend to take any additional debt in this because of the COVID.

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

**Shravan Kumar Shah:** If you can help me to clarify, actually we were expecting close to 1200 crores revenue in fourth quarter, but it is lower by 300 odd crores and also to clarify that you are saying that 20-25 days got affected in March. It should be 8-10 days, so first clarification needed on that part.

**Nalin Gupta:** Firstly Shravan, as you have replied already your question was very clear that we were expecting a topline close to 1200, firstly our topline anticipated figure was around 3,000 crores in total in FY20 and we have made a revenue of close to 2,970. So firstly, there is shortfall of only 100 crores, not 300 crores. And secondly, we have lost almost one month that is 33% of the Q4 because there was a restriction...

**Shravan Kumar Shah:** Sorry sir, I am disturbing in between, but I think last time we have said that we were expecting a revenue of 3,200 crores and not the 3,000 crores. Sir, you continue.

**Nalin Gupta:** If I am not wrong, it was 3,100 – 3,200 crores. So let us say that it is a shortfall of around 200 or 250 crores whatever you say. In this situation, you would appreciate that for March month, physical lockdown officially was being declared from 21<sup>st</sup> of March, but the effect of COVID had started around 10 to 15 days before that and in all the offices all across the country, you would appreciate that the attendance of people were reduced to almost 25%. So the effect was around 20-25 days which is around, you can say close to 30% of the Q4. So in that situation, it has to have an impact in the topline that is the slip that we can see in the topline.



**Shravan Kumar Shah:** And when we are saying right now 15%-20% labors are there, so in the first quarter can we see a revenue dip of 70%-80% versus the last year YoY. Is it what we are trying to say?

**Nalin Gupta:** We cannot give you the exact numbers because we are not...

**Shravan Kumar Shah:** Broader range, so April was lockdown and we are saying now also 15%-20% labor are there, so broadly I am saying 70%-80% kind of a drop in the first quarter of revenue for the YoY basis. Is it what we are trying to say?

**Nalin Gupta:** I would say it should be surely less than 50%, but actual numbers will come to know when we are having the Q1 results.

**Shravan Kumar Shah:** I understand, but just was trying to understand in terms of the labor versus the actual revenue, as you rightly said though the labors are 15%-20%, but the loss would not be 70%-80%, it would be 50% that is what I am trying to understand.

**Nalin Gupta:** I am not saying 50% my friend, but yes, the topline expected for Q1 will be lesser than 50%, may not be 15%-20%, this number cannot be really I do not want to commit to any unrealistic number, but yes, we are surely feeling the fact that the effect would be less, means at least 50% cut would be there.

**Shravan Kumar Shah:** Got it. And for the full year sir simple answer, can we see a degrowth for the full year, broader, I am not asking any number, can we see a degrowth for the full year?

**Nalin Gupta:** You have said it very light. There has to be a degrowth in the overall topline of FY21. How much, we really cannot say, but as Mr. Kamal has already mentioned that from Q3, we should be able to resume back to pre-COVID level, but there would be surely a drop in the topline as compared to FY20.

**Shravan Kumar Shah:** And sir on the balance sheet front, 2-3 things just wanted to understand. Sir, our inventories, trade receivable has declined significantly. So inventories versus December were I think 820 odd crores has declined to 312 crores, receivable from 780 to 644 and actually the payables have increased from December it was 300 crores, now it is 460 crores, first wanted to understand why and at the same time, other current asset has increased significantly, so 847 crores. So is it the unbilled revenue which has from trade receivable line item has changed to the other current assets, is it so?

**Arvind Gupta:** Correct. This inventory we classified into two categories, inventory first is raw material of 312 crores and then WIP shown under the other current asset near about 550 crores. Regarding for the Ind AS implementation of 115, that is why the inventories classified into 2 categories.

**Shravan Kumar Shah:** And apart from sir, is there any other that we should be aware in terms of this 550, apart from that, is there anything that we should be aware about?

**Arvind Gupta:** No.



**Shravan Kumar Shah:** Sir, what is the gross debt standalone?

**Arvind Gupta:** Gross debt is 674 crores.

**Shravan Kumar Shah:** And sir lastly, Kamal sir or Nalin sir, I think we were L1 in Worli-Sewri and some of the ongoing opportunities, I understand everything must have been postponed in the Mumbai Metro Line 10, 11, 12 or whatever, even the leftover package of 275 crores for the Line 7, so if you can update on all these things?

**Kamal Gupta:** As you told like we are L1 in this Worli-Sewri plus one more work of coastal road of SIDCO. So we expect this LOA in the couple of months or by end of Q2. So the work will resume only after monsoon.

**Shravan Kumar Shah:** And this is broadly around 1,000 crores that we are L1?

**Kamal Gupta:** Yes, that is 1057.

**Moderator:** We will move to the next question. The next question is from Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi:** You stated that there are unutilized working capital limits, so can you give breakup of fund and non-fund?

**Kamal Gupta:** The non-fund is, I think, we have around 20% of unutilized. And fund based also, we have 30% unutilized.

**Nitin Gandhi:** What is the limit right now?

**Kamal Gupta:** The fund based is 700 crores, so 30% around, it is around Rs. 200 crores unutilized.

**Nitin Gandhi:** Non-fund is how much?

**Kamal Gupta:** Non-fund based is 3,400 crores.

**Nitin Gandhi:** And what is the fixed cost at present per month we are incurring?

**Kamal Gupta:** Fixed cost per month will be around 40 crores.

**Nitin Gandhi:** Any plan to manage this, reduce to some level or this is the best what we can achieve in the current environment?

**Kamal Gupta:** So this was pre-COVID level fixed cost. Now, of course we have rationalized the cost going forward and like now per month is around 27 crores.



**Nitin Gandhi:** You had shared in opening comments that you are expecting certain more orders. So besides this Worli and leftover package, can you share some other things which you have in mind?

**Kamal Gupta:** So what we bided is for this Worli-Sewri and coastal project of around 200 crores of SIDCO and like this was a project where it is there and we are of course bidding for some more projects that is Ahmedabad Metro and plus this Line 2BA which is left by Simplex, it is again costing around 1000 crores.

**Nitin Gandhi:** So we must be hopeful being more or less same vicinity and it is better cost advantage for us.

**Kamal Gupta:** Hope for the best, Mr. Nitin.

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

**Parikshit Khandpal:** Sir, my question is on this P&L heads. So I just wanted to know there are 3 things, this material expenses, employee expenses and other operating expenses. So where do you record your labor expenses in this?

**Kamal Gupta:** In the other expenses.

**Parikshit Khandpal:** So the labor is coming in the other expenses, right?

**Kamal Gupta:** Yes, Parikshit, it is in the other expenses.

**Parikshit Khandpal:** Sir, you said earlier that fixed cost per month is 40 crores pre COVID which has now reduced to 27 crores. That pertains to the employee cost for me, right?

**Kamal Gupta:** Lot of other costs also includes in that. It is not only employee cost. We have reduced some rents, we have reduced some vehicles, some equipment whatever best possible, Parikshit, of the employee.

**Parikshit Khandpal:** No sir, I was combining the two. So I was using material expenses will be variable. So that is depending on how much execution you do, you will get the material corresponding to that. So your gross margins have been around 40%, so which we will continue to maintain even if the work levels reduce. So how much material that you use to consume that only you will consume for that kind of work, right? So I would assume that at least your gross margins which is sales minus material cost that should not change materially, right? That should be at around 40%. So I was just trying to arrive at that. Rest is your employee cost which is roughly around last year's number if I go by, so it is close to 30 crores and your other expenses which is including your labor cost is around close to Rs. 60 crores per month, 60 x 12, so 360. So 100 crores is your total cost. I was wondering that how much can you reduce because your labor is not there. So how much of this will reduce per month, the other operating expenses?

**Kamal Gupta:** So, see, what you are talking is fixed plus variable both.



- Parikshit Khandpal:** So I am not talking about your other operating expenses and employee expenses. I am not talking about the material expenses. So combining these two the last run rate which we had, about 100 crores run rate, now you have told that 30 crores we have reduced from 40 crores, so I assume that 40 crores was your employee cost which has been reduced. So now you have reduced it, near to 30 crores.
- Kamal Gupta:** It is not only employee. It is like rentals we have reduced car and equipment, vehicles and equipment what we had that we have reduced. So fixed cost which was in general required has been reduced. So it is not only the employee cost, Parikshit.
- Parikshit Khandpal:** I am saying your other operating expenses plus your employee expenses put together, per month how much would be the run rate now?
- Kamal Gupta:** It is 60 crores around.
- Parikshit Khandpal:** Now post COVID, it is around 60 crores.
- Kamal Gupta:** Yes, sir.
- Parikshit Khandpal:** So now if you have to do 150 crores of revenue just to be breakeven at the EBITDA levels. So I am just arriving from the gross margins and these two costs of 60 crores, at least you should be through. So I am just saying at the EBITDA level what kind of breakeven revenues you will have to do? So is it like 150 crores will be the right number because almost the gross margin that you have is 40%, and if you do revenue for 150 crores, so 40% of that will be 60 crores which will just be able to cover up your fixed cost plus variable cost post COVID. So is it right to assume that? Because raw materials will remain as per actuals, right?
- Kamal Gupta:** Parikshit, to breakeven that, we need revenue of 400 crores.
- Parikshit Khandpal:** Okay, for every quarter at EBITDA level I am saying?
- Kamal Gupta:** We are also talking about in EBITDA level itself. If there is a revenue of 400 crores, then will have breakeven.
- Parikshit Khandpal:** The second question is on the total urban order book out of the total order book. What will be the area, what will be the urban share in that, pure urban share and if you also can give me how much of that will be in a containment zone where you cannot... Sir, how much of that will be total urban centric because some projects that you have is outside JNPT are outside, Dwarka Expressway will be slightly outside. So I am just saying pure urban centric projects which are like highly impacted, like projects in Delhi or say in Mumbai, so how much will be that of total order book?
- Kamal Gupta:** Dwarka Expressway also is urban. It is just next to the airport. 91% of our projects are urban.



**Parikshit Khandpal:** But Dwarka got started, is there any issue because Haryana and that side, it should be little bit in border, so it should be little better than what you are facing issues in the Mumbai projects, right? So labor availability should also be better.

**Kamal Gupta:** Dwarka package two is already started, work is already started and things are improving day by day, no doubt. And it is slightly better than Mumbai, but not much because the panic situation for Mumbai and Delhi is more. Mumbai and Delhi, the panic for labors to go to these places because of the hype in media and all that, these things are now getting better day by day. So labors are pouring in. So things should be much better in coming months.

**Parikshit Khandpal:** So sir how much will be there at peak, any sites, can you give example of any large sites where you see the highest labor availabilities if you can quantify that labor availability, which you told is in Mumbai.

**Kamal Gupta:** Dwarka, we have around 400 plus labors.

**Parikshit Khandpal:** So, that will be what percentage of the normal requirement, like will it be 30%, 40% or like 50%, so what will be the requirement of actual number of labor, sir?

**Kamal Gupta:** For the current rate what is required?

**Parikshit Khandpal:** Yes. I am saying that 400 means in terms of what is the percentage of labor availability there. So if you can quantify in terms of percentage. So that will help us.

**Kamal Gupta:** It is around 40%.

**Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Sir, just wanted to know like, you said unbilled revenue is 550 crores. So what is the outstanding mobilization advance and retention money as on March?

**Arvind Gupta:** Mobilization advances as on date is 360 crores.

**Jiten Rushi:** Okay, on retention?

**Arvind Gupta:** Retention money is 269 crores.

**Jiten Rushi:** And this retention which government is also planning to give for the percentage of work completes, so out of this 269 crores do we expect anything coming in next 2 to 3 months?

**Kamal Gupta:** Yes, Mr. Jiten. See, it will vary from department to department. It is National Highway Authority is different, MMRD is different, MMRC, so it is like the central government has given a general directive. So now some people will consider this as part of the performance. Some people will consider this as part of the retention. So it will be different for different



organization. So we are just hoping like we will come to know the clarity of the pictures in another 1-1.5 months.

**Jiten Rushi:** Sure, sir. And sir the extension of time, EOT, we are getting for most of the projects, right? 3 to 6 months?

**Kamal Gupta:** They have specified from 3 to 6 months, so we are getting for most of the projects.

**Nalin Gupta:** It will be for all projects in fact you can say because it is a clear directive that 6 months extension has to be given for COVID case.

**Jiten Rushi:** And about the cost overruns, so like because of other raw material costs are going up and cement prices going up, has gone up by 30% in last 2-3 months. Diesel costs are fluctuating, and also steel price is moving. So sir, my question is that whether your contracts are covered by escalation and if it is not done, how are we going to cope-up with the rise in cost?

**Kamal Gupta:** Our 100% of the contracts are covered under price escalation or this price realization, Mr. Jiten. So any rise in terms of labor cost or fuel cost or material cost is being passed on to us by this escalation.

**Nalin Gupta:** It is a clear pass-through system. So we won't be getting any major impact as such due to it.

**Jiten Rushi:** So just wanted to conclude on this like you said 15% to 20% is labor force is available as on date and around 20%-25% execution is going on ground, if I am correct?

**Kamal Gupta:** I said the other way, we are having around 20% to 25% of the labor right now, but in execution terms if you say, it will be slightly lesser because since the labor, today it is a less, a week before it was say 5% less. So it is ramping up. The execution will accordingly pick up.

**Jiten Rushi:** Sir, what was the labor strength pre-COVID sir, total labor strength across sites?

**Kamal Gupta:** 10,000 people.

**Moderator:** Thank you. We will take the next question from the line of Sunil Shah from Turtle Star Portfolio Managers. Please go ahead.

**Sunil Shah:** Sir, I have one question. As a company, we have grown significantly in the last 10 years. I mean we have just got numbers one after the other. Sir, in this COVID times, we would have got some time to do lot of introspection. If I go back just recent history, you know there were some unfortunate incidents which happened for us and we have come out of all of those, like you know the SEBI, the BMC etc. but we have just come out clean. Sir, I want to know what is the learning that you could get in these two months because we have been just seeing growth, but you could get some time to do introspection. So where you think some learning which will implement, I am not looking from one quarter, two quarter, but learning that you have **(Inaudible) 41:03** if you could share some **(Inaudible)** ROE or cash flow because basically



sir, as a company, market has unfortunately derated us by almost 60%-65%. Meaning **(Inaudible)** a team of just about 4, maybe less than that. My point is if you have to, we are doing things, but how do we re-rate ourselves? So what are your thoughts on how as a company we will evolve in the times to come, meaning if you could share some of your insights that you would have spent time thinking on all of these, if you could let us know please?

**Nalin Gupta:**

Sunil, you have raised a very good point and we at our company also, we are just trying to see how we can bring down our fixed cost by our methods of operation that we have been doing and the compulsive limitations of working due to the COVID where staff availability and working limits are being there. So we are trying to put in more of online systems, reducing paper works, let it be stationery cost, let it be handling manpower for all that things. So more and more online operations of documentations, billings is one thing that we have acknowledged, and the second thing is also regarding the reduction of the team as far as possible for the fixed cost. So we can have more controlled and a better data based operation method and also in this by our past bad experiences, it is a learning process for all the companies. So we have also learned that giving joint ventures or limiting it to as far as possible is what we have learned and if you note, most of the contracts that has been bagged by J Kumar, though it was not a previous mistake also I would say because the company is growing and was earlier into much dependent situation. But now if you see the Dwarka Expressway packages that the company has bagged, package 1, it is in the individual name of J Kumar Line 9, Dwarka is around 1500 crores. This Metro Line 9 which is approximately 2000 crores, they are all in individual names of J Kumar. So working in our own name which always gives the best comfort. So the company always on to that process and improvisation is a process which is a continuous thing. We cannot say now we are done and not. But yes, so we are trying to maintain working by our own names without subcontracting or subletting which is our strength. So I think these are couple of things and also cost control is one thing that we have learned that this process by default it is teaching us and we are adopting it.

**Sunil Shah:**

Fine, sir. Great to know that. But one more point, can it be that, the Metro business as per say for us as a company is more remunerative plus we have invested in those tunnel boring machines and all of it. So the operating leverage on that will play out good for us. Is it that metro projects will be our big focus area going forward? Has it like that you have learned that this is better than those traditional flyovers etc., so just if you could some sense on that as well?

**Nalin Gupta:**

If you see metros and flyovers, they are almost similar segments and flyovers, we can never forget because that is the area from where we have started and that is again one of the need of the time. But at the same time metro being, in terms of order book and in terms of revenue contributes to nearly around 70% of our entire order book area. So in this metro which has now been acknowledged by all the states and the central level as well. So metro segment is going to be going in a big pace. Earlier we could see metros, 10 years down the line you could see hardly in 3 to 4 cities, but now it has been going on in more than 26 cities and amount of growth rate required in the given cities itself is so huge that J Kumar, we are not able to even, our entire order book right now has been again turn towards Maharashtra. So that itself you



can imagine what is the potential available in this sector. And metro is the need of the time and the only way to help mass rapid transport system. So we are surely going to be focused into it because it is a specialized sector and J Kumar has a USP over it.

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

**Parvez Akhtar:** Sir, just a couple of questions. Have we received the appointed date for the Dwarka Expressway Package-2?

**Kamal Gupta:** The Package-2 work has already started. Package-1 appointed date we haven't received, Parvez. So there are some tree cutting permissions which was required to be done. So 85% is done. So 15% tree permission still is pending. So we are hoping it by another 1.5 months the LOA should come in, for Package-1 of Dwarka.

**Parvez Akhtar:** Sure. And for the 560 crores order that we had from NBCC, what is the status of that?

**Kamal Gupta:** That we have already declared that we have withdrawn from that 560 crores of NBCC project long back because you know that order was like almost 2 years back and we were thinking that they will clear the land, there was some land issue, change of land issue. So that is not there.

**Parvez Akhtar:** And lastly sir, bookkeeping issue, what was the CAPEX in FY20 and what was our gross block at FY20 end?

**Arvind Gupta:** The CAPEX addition is 177 crores in FY20 and the CAPEX as on 31<sup>st</sup> March is 854 crores.

**Moderator:** Thank you. The next question is from the line of Ankit Kulkarni who is an individual investor. Please go ahead.

**Ankit Kulkarni:** Sir, my question is regarding the order inflow. You see, there is a project called Delhi-Meerut Rapid Rail Transit System, so which is to the tune of around 30,000 crores. So I just need to know why J Kumar is not going for such a mega projects because you see maybe after 12 to 15 months, our Metro Line 3 is going to end. So maybe I think we are capable to go for such mega projects?

**Nalin Gupta:** Firstly, Ankit, the RRTS that you are mentioning about, the Meerut line, which was from NCRTC, that tender we had already purchased, and we had done the working. But we didn't bid it because of some reasons which I cannot discuss on a conference call. So it is not that we are not bidding and as far as Metro Line 3 is concerned, it is one of our projects. We have bagged several other projects. Let it be Dwarka Expressway, let it be Line 9, Line 4 and the Line 7 and we are also in the process of bidding for Ahmedabad Metro which was due today, but we will be bidding it after 2-3 days now, it is on 1<sup>st</sup> due to some technical reason. Again we are bidding for Metro Line 2B. So the company's strategy is very clear that we will try to bag orders in the areas where we are already existing. So we are interested in order book. Now as I



mentioned, earlier we were replying to Mr. Sunil Shah where we already mentioned that there was so huge potential available in the industry for metro segment also that we can't reach out to all the projects. So for us bagging orders in the areas where we are already established which gives us lesser CAPEX cost, working capital ease and also in terms of becoming L1 being already established in certain areas like Ahmedabad, Mumbai, we are already there. So for one project, trying to hit was not so, we have done the working, but we didn't find it feasible. So we didn't bid for it, but we did the whole working for it.

**Ankit Kulkarni:** Okay. Sir, and another question is, like the NHAI Dwarka Package-1, the approval process has been going on for the last one year. So is there any remote chance of the order getting cancelled?

**Kamal Gupta:** Ankit, there is absolutely 0% chance of it getting cancelled because this is part of the 4 packages which is Dwarka Expressway, four packages, two are with J Kumar and two are with L&T. The whole line for the operational, all the packages has to be done. So in fact we have already started some of the work on Package-1 also, like the utility diversions and all. So there is any remote chance of cancelling of that project. So already tree cutting, and this thing is done, there were 8000 trees. So some tree removal already started by us in that package.

**Ankit Kulkarni:** And sir, one more question. Now we have a lot of value in the company. So is the company looking for maybe a share buyback or either promoter buying in open market?

**Kamal Gupta:** Not for the moment, Mr. Ankit. So we keep of course promoter buying keeps going like you know as we get opportunity, we keep doing that. We have already bought around 6 lakh shares, around 1% in this financial year.

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

**Shravan Kumar Shah:** Sir, you said that the CAPEX for FY20 was 177 crores, am I right?

**Kamal Gupta:** Yes.

**Shravan Kumar Shah** Sir, need a clarification, I think in the February when we did a call, in 9 months our CAPEX was 80-82 crores and we were expecting another 20 crores in the 4<sup>th</sup> quarter. So now we have done 177, so close to 90 odd crores we have done, 90 crores in the fourth quarter. So for which project and we were not aware in February and we did everything in the February 10<sup>th</sup> to March 15<sup>th</sup> all the 90 crores?

**Kamal Gupta:** So some of the project like the Dwarka Package-2 started. So we have capitalized the casting yard cost in that in CAPEX. And we have taken some equipment for the Dwarka and the newly started Metro Line 9.



**Shravan Kumar Shah:**

So, sir, are we not aware that we were doing in February and March when we did the third quarter call because at that time we said another 20 odd crores would be done in the 4<sup>th</sup> quarter and we did 90 crores. So just trying to understand in one month we were not aware that we will be doing a CAPEX so significant which we did for the 9 months and we will be doing in the one month?

**Kamal Gupta:**

Yes, Mr. Shravan like you know, some of the things we were to do in Q1. So before ramping up the projects, we got the shuttering, centering and the equipment before that.

**Shravan Kumar Shah:**

Sir, a little bit difficult to digest, I have no issues. Secondly sir, as you previously said that you would need 400 odd crores revenue to breakeven at EBITDA level and if I just look at your last year number, the first quarter revenue was 670 odd crores. So is it fair to assume that the first quarter we can see 30-40 odd crores of EBITDA loss, first quarter?

**Kamal Gupta:**

Won't be able to quantify, but of course there will be loss in the first quarter, sir.

**Nalin Gupta:**

Also, we are trying to control our fixed cost by rationalizing it, so that would also compensate it to certain extent.

**Moderator:**

Thank you. The next question is from the line of Parikshit Khandpal from HDFC. Please go ahead.

**Parikshit Khandpal:**

Sir, in some of our metro projects, we have international tie-ups, but not seems to be a flavor in the moment. So our projects will get anyway impacted because of these tie-ups?

**Kamal Gupta:**

Absolutely not, Parikshit. These are all pre tied-up, work in progress phase. So any new projects, like now if you have a tie-up with China, so any new projects coming up, so maybe there are chances that we may not consider, but the previous ongoing project there are absolutely no issues.

**Parikshit Khandpal:**

So, nothing, I mean no financing has been tied up, I mean so now they cannot be removed, right? Departments cannot be removed from the existing projects, it is only be the new projects where there could be some issues.

**Nalin Gupta:**

Any work order which has been issued and where the work is started, there is no remote chances that it can be done. New orders that J Kumar is bidding is mostly on a standalone basis because of our past experiences, we qualify on big projects individually are in our way. So it is not a problem at all.

**Moderator:**

Thank you. The next question is from the line of Manish Bohra from Param Capital. Please go ahead.

**Manish Bohra:**

Sir, in your previous concall, you had mentioned that around 50% of Line 3 underground metro work was completed and like more 18 months was expected to complete it and around 75% of Line 2 and 90% of Line 7 was completed. So currently what is the status, like we were



expecting entire Line 7 to be operational from December 20. So currently what is the status, any delay you are looking at, how much percentage we have completed?

**Kamal Gupta:** So, Line 3 like we have completed around 50% of the project. Of course, there will be some time extension of this. So we expect it to be done by June 22, 2 years from now. So let us see how it goes at for the coming quarter and which other projects you had asked?

**Manish Bohra:** Line 2 and 7.

**Nalin Gupta:** Line 2 and 7, Line 2 we have completed the project to the tune of around 80% on an average. Some project it is 78, some project it is 85, so approximately 80% to 85% work is already completed in Line 2. As far as Line 7 is concerned, we have already completed more than 90%-95% of the work and in that only, entry-exit works are pending, for which the decisions because of the architectural things and everything it was pending. So as far as Line 7, more than 95% is completed and in Line 2, around 80%-85% is completed.

**Manish Bohra:** So, both Line 2 and Line 7 would be completed by Jan 21?

**Nalin Gupta:** This is what is our target, but with this COVID, it may shift by 2-3 months here and there.

**Manish Bohra:** And sir, what is the status on GMLR Tunnel project?

**Nalin Gupta:** GMLR tunnel project means it had been cancelled and it has been recalled. So right now the pre-bid is to be held on in some mid of July. So right now it is under pipeline.

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

**Deepika Bhandari:** I just wanted to know what is the status on Line 9?

**Nalin Gupta:** Well, for Line 9, we have got the work order in the month of September and there is some addition in the work due to introduction of some flyover changes in the length of it and all. So it took some while for us to finalize the general arrangement drawing. So everything has been finalized. Even the tree cutting permission for around 800 trees has been received and, in this lockdown, also, we have transplanted more than 400-500 trees already. So the site is clear and the piling work has already begun, like we have done more than around 50-60 pipes also in this month.

**Deepika Bhandari:** Going forward, what bid opportunity do we see in metro, I mean for the coming two years?

**Nalin Gupta:** There are lot of opportunities. Even right now there are 3 projects which has been come up in Line 2B, one is the 1000 crores work of Simplex which was being cancelled, one 500 crores, another elevated line at Kurla and 500 crores Depot line. So we are in the process of bidding it, we are bidding Ahmedabad Metro. There is Surat Metro which has come up. So there are ample opportunities I would say in terms of metro sector where the company has to be choosy



as to which one we have to go for. There are two tenders in Ahmedabad, one in Surat, 3 tenders in Mumbai. So these are currently immediately there in the bidding process within a week's time.

**Deepika Bhandari:** In Line 2B, I think the tendering, you were expecting tendering to be submitted by June end, I mean is it done?

**Nalin Gupta:** No. As I mentioned, it is to be submitted this week.

**Deepika Bhandari:** Okay, very well. Sir, if I see in your order book as even shown in PPT, currently your portion of order book for NHAI is 25%. How do you see it going forward?

**Kamal Gupta:** What proportion do you want, geographical proportion or what exactly you want?

**Deepika Bhandari:** I don't need a proportion, I just see, like are you going to bid further for NHAI?

**Kamal Gupta:** Yes, so with NHAI we are working, there are some contracts there adjoining to that, so they will bid for that. So as previously also said, we believe in working cluster, so any project coming in the nearby area we will be quoting for that.

**Deepika Bhandari:** Only in our comfortable zone?

**Kamal Gupta:** Yes, Deepika.

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

**Parikshit Khandpal:** Sorry on that last follow-up. So, just on the margin which have cracked during the fourth quarter, so it is right to assume that some of the COVID hit you would have already taken in the fourth quarter?

**Kamal Gupta:** It is minor portion of the expenses.

**Nalin Gupta:** In terms of topline, you can see that there has been a hit in the topline of Q4 FY20.

**Parikshit Khandpal:** That I understand, but on the margins, because topline is fine, you have been making similar better margins in terms of similar topline historically, but I was talking more from the cost angle because your margins have cracked almost by 300-400 basis points.

**Nalin Gupta:** So Parikshit, in this Q1 and Q2 that would be there.

**Parikshit Khandpal:** Yes, but some portion of that has also been taken in Q4, right sir?

**Kamal Gupta:** Yes. Q1 is not considering Q4, Q4 portion will be of course part of Q1.



- Parikshit Khandpal:** Second question was just on the CAPEX.
- Nalin Gupta:** ...which is already reflected and the Q1, it would have some effect because of this, that is true.
- Parikshit Khandpal:** So based on the CAPEX this since you have done some CAPEX which is supposed to be done in Q1, so this year what could be the CAPEX now, will it be significantly lower this year?
- Kamal Gupta:** Yes, we are expecting CAPEX of around 50 crores.
- Moderator:** Thank you. The next question is from the line of Rachit Kamath.
- Rachit Kamath:** So sir, basically my question was like what kind of mob advances you would have raised during the quarter. Like I understand, so my question rises of course the gross debt is down almost 20 crores on an absolute basis. So idea is we said we did almost 90 crores kind of CAPEX during the quarter. So I understand we received almost 400 crores from debtors, but then I just wanted to understand if we drew additional mob advances?
- Kamal Gupta:** Yes. So one was for Dwarka Expressway, 400 crores the is revenue of the project. So we received mobilization for the Dwarka Expressway, 65-66 crores. That is for the Dwarka project only.
- Rachit Kamath:** So we have received 400 crores, so we had a 65 crores mob advance on Dwarka Package-2?
- Kamal Gupta:** Correct, package 2.
- Rachit Kamath:** And sir we mentioned so many projects on the metro rail segment. I just wanted to understand what will be the gross quantum of this order pipeline, if you could give me, like you said 1000 crores Simplex work, 500 crores of two metro projects, then I think another projects, Surat Metro and Ahmedabad.
- Kamal Gupta:** What we can say very frankly. Project inflow is huge. There is a robust inflow for metro as well as other urban infra where we are strong. Thus we are becoming choosy and taking the projects. So inflow is not a problem at all.
- Rachit Kamath:** Yes. I understand. I just wanted to understand what kind of opportunities are present in the market per se for any international bidder, so just wanted to understand what kind of metro opportunities are there?
- Kamal Gupta:** Like this week we will be bidding for metro projects worth around 2000 crores.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Rachit Kamath for closing comments.
- Rachit Kamath:** I thank the management again lot for giving us this opportunity to host Q4 & FY20 earnings conference call. I pass it on to you, sir, for any closing remarks.



**Kamal Gupta:** Yes. Thank you everyone for joining on the call. We hope we have been able to answer all your queries and I would like to say stay safe. All the best!

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

**Moderator:** Thank you very much. On behalf of Anand Rathi Share and Stock Brokers that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.