



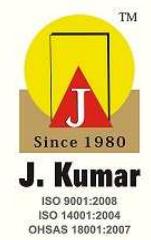
“J. Kumar Infraprojects Q2 FY2019 Earnings Conference Call”

November 14, 2018



ANALYST: **MR. PARVEZ QAZI – EDELWEISS SECURITIES LIMITED**

MANAGEMENT: **MR. KAMAL GUPTA – MANAGING DIRECTOR – J. KUMAR INFRAPROJECTS LIMITED**
MR. NALIN GUPTA – MANAGING DIRECTOR – J. KUMAR INFRAPROJECTS LIMITED
MR. ARVIND GUPTA – CHIEF FINANCIAL OFFICER - J. KUMAR INFRAPROJECTS LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the J. Kumar Infraprojects Q2 FY2019 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note this conference is being recorded. I now hand the conference over to Mr. Parvez Qazi from Edelweiss Securities Limited. Thank you and over to you Mr. Qazi!

Parvez Qazi: Good afternoon friends. On behalf of Edelweiss Securities, I welcome you all to the Q2 FY2019 Results Conference Call of J. Kumar Infraprojects. Today, we have with us from the management side, Mr. Kamal Gupta, Managing Director of the Company, Mr. Nalin Gupta, Managing Director of the Company, and Mr. Arvind Gupta, the CFO of the Company. I would now hand over the call to the management for their opening remarks. Over to you Sir!

Kamal Gupta: This is Kamal Gupta. A very good afternoon to all. Well I am happy to share that we could achieve very good numbers this quarter. I will take you through the numbers. J. Kumar could do for the Q2 ended September 30, 2018 a topline of Rs.514 Crores as compared to Rs.363 Crores of Q2 of previous year, so there is a jump of 42% in the topline of Q2. The operating margin has gone up by 47% to Rs.100 Crores as compared to Rs.68 Crores of Q2 of preceding year.

Coming to the PAT, the company could achieve a PAT number of Rs.35.39 Crores, which is a jump of 54% as compared to Q2, which was Rs.23 Crores in the preceding year. Taking you to the half yearly numbers ending September 30, 2018 comparing H1 of the previous year, the topline of H1 has gone up by 46% to Rs.1133 Crores as compared to Rs.77.82 Crores of the previous year's H1 and EBITDA has gone up by 48% to Rs.206 Crores as compared to Rs.139 Crores in H1 of previous year and the PAT of this year H1 is Rs.75.57 Crores as compared to Rs.48.85 Crores of the previous year, which is a jump of 55%.

Taking you through the order book position as on September 30, 2018, J. Kumar has an order book of Rs.9276 Crores, which was Rs.8316 Crores in June 2018. In Q2, the company has bagged orders of Rs.1433 Crores. There were three orders. One order is from Lucknow and UP it is a construction of a medicine clinic cum hospital of PGI costing Rs.176 Crores. The other order comes from Pune Metro, which is a construction of an elevated viaduct



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station costing Rs.388 Crores. The third one is from Mumbai Metro line six. The implementing authority is DMRC, which is from Lokhandwala–Andheri West going all the way till Powai on JVLR. It is costing Rs.868 Crores. The total inflow was Rs.1433 Crores in Q2 taking the order book to Rs.9276 Crores. I will also like to share like in Q3 we got one order of Rs.275 Crores in Mumbai from MMRDA. It is construction of a flyover at an Airoli-Katai Naka so the cost is Rs.275 Crores. The order book as on now stands at Rs.9552 Crores and the net worth of the company as on September 30 is Rs.1566.7 Crores. I think we could deliver good numbers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Thank you. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a good set of numbers. Sir this Dwarka project, we were L1 last quarter what is the status on that?

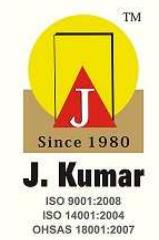
Kamal Gupta: Dwarka project as you said like we are L1. It is Rs.1350 Crores project, so we are awaiting the LOI. I think in a couple of weeks we should get it. By November we should get it like.

Parikshit Kandpal: That is the only L1 order as of now sitting on the book right?

Kamal Gupta: Correct. That is the L1 order we are sitting on. We have bid for some more projects, so we are bidding for more projects in pipeline. Around Rs.3000 Crores projects are in pipeline for what we are bidding. Let us see what happens about that.

Parikshit Kandpal: Sir because in H1 you have already taken I think 1Q you have taken Rs.2700 Crores, now Rs.1400 Crores in 2Q, which is already Rs.4100 Crores of orders you have taken and now this L1 of another Rs.1400 Crores, so this Rs.5600 Crores, it is strong visibility, so what is the guidance now because earlier I think you were looking to add Rs.6000 Crores almost Rs.7000 Crores of orders, Rs.5000 Crores to Rs.7000 Crores, so what is the guidance now on new order inflow?

Kamal Gupta: Parikshit as we have told before also we are looking to maintain order book of around Rs.11000 Crores to Rs.12000 Crores because we are also consuming every year Rs.2000 Crores of it, so it needs to be added incrementally every time.



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Parikshit Kandpal: I think this will make the order book much beyond that this Rs.6000 Crores of inflows have already like there in the book?

Kamal Gupta: As of now it is Rs.95000 Crores as I told you and if another Rs.1400 Crores comes, it will go to Rs.11000 Crores, so by the time like we will again consume something Rs.1000 Crores, so it will bring down to Rs.10000 Crores.

Parikshit Kandpal: Sir the working capital seems to have deteriorated calculation from 158 to 171 days any particular reason why here has been deterioration?

Kamal Gupta: 158 to 171 days.

Parikshit Kandpal: Yes 158 to 171 days.

Arvind Gupta: The working capital cycle Parikshit it is 146 days actually.

Parikshit Kandpal: What was it last quarter Sir?

Kamal Gupta: Last quarter it is 131 days.

Parikshit Kandpal: It is a deterioration, so any particular reason why?

Arvind Gupta: We have made the payment actually. If you see the sundry creditors, so we have made Rs.231 Crores as on June 30, 2018 and now it is Rs.148 Crores that is the main reason.

Parikshit Kandpal: What is the total debt right now if you can just?

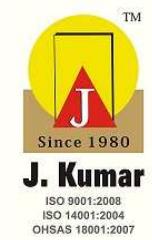
Arvind Gupta: Total debt is Rs.770 Crores.

Parikshit Kandpal: And cash?

Arvind Gupta: Cash including the bank balance is Rs.500 Crores.

Parikshit Kandpal: Excluding the FDR?

Arvind Gupta: Rs.173 Crores.



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Parikshit Kandpal: It seems to have gone up I think from 500 net debt?

Arvind Gupta: June, cash and bank balance is Rs.190 Crores and now it is Rs.173 Crores.

Parikshit Kandpal: I think debt has gone up; net debt was I think Rs.500 Crores in last quarter, so it has gone up to almost like Rs.100 Crores?

Arvind Gupta: Actually we have given the guideline of debt for this year is nearly about Rs.750 Crores we have given the guidelines, now it is Rs.707 Crores because we have taken the TBM, three TBMs we have taken.

Kamal Gupta: Actually it is basically because of the equipment. If you see the major portion is the third TBM has also been capitalized. All the TBMs are now in. There is no more capex expected much, so no more debt should go up now. It will be rather repayments, which have started. A short term debt is Rs.83 Crores we need to pay in this year.

Parikshit Kandpal: Sir I have a few more questions. I will join the queue. Thank you Sir.

Moderator: Thank you. The next question is from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.

Dhruv Agarwal: Good afternoon Sir and congratulations on a very good set of numbers. Sir if you can give the project wise breakup for the revenues for Q2 please?

Kamal Gupta: Dhruv your voice is not audible. Can you speak a bit louder?

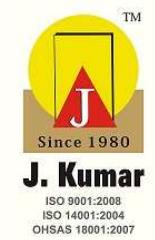
Dhruv Agarwal: Can you give me the revenue breakup for the Q2 2019 project wise?

Kamal Gupta: Q2?

Dhruv Agarwal: Yes Sir.

Kamal Gupta: I will give you the major numbers. From line three we have got Rs.440 Crores, on Q2 you want?

Dhruv Agarwal: Only Q2 yes.



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Kamal Gupta: Q2 is Rs.185 Crores from line three.

Dhruv Agarwal: Line three is Rs.185 Crores.

Kamal Gupta: Rs.92 Crores is from line two.

Dhruv Agarwal: Rs.92 Crores?

Kamal Gupta: Yes and Rs.17 Crores from line seven. JNPT is Rs.75 Crores so further there is like 20, 25, and 26 from SCLR from a few other small, small projects.

Dhruv Agarwal: Sir Delhi Metro line 24 it has not contributed anything this quarter?

Kamal Gupta: It is minor. It is almost completed. Rs.40 Crores from Delhi Metro also you are right.

Dhruv Agarwal: What is the project value remaining for the Delhi Metro?

Kamal Gupta: Rs.30 Crores was this and the remaining from Delhi Metro is nothing. It is hardly Rs.25 Crores or so.

Dhruv Agarwal: Sir any update on your reply to the SEBI, which you have filed?

Kamal Gupta: Yes we have already replied to the SEBI. Let us hope like if they give a favourable opinion on our team then it is gone or else they may go for audit. We do not have any intimation of audit as of now. If the audit is done then we can go for consent and close it.

Dhruv Agarwal: What is the mobilization advance as on date in the books?

Kamal Gupta: As on date?

Dhruv Agarwal: Right.

Kamal Gupta: Rs.683 Crores.

Dhruv Agarwal: Rs.683 Crores is the mobilization advance in books?

Kamal Gupta: Yes.



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Dhruv Agarwal: Sir I will come back in the queue for further questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Venkata Subramanian from Organic Capital. Please go ahead.

Venkata Subramanian: Thanks for taking my question. First of all congratulations on a great set of numbers. Now with SEBI, in case there is an audit then post audit the idea is to file for consent and then close it, we are not appealing further?

Kamal Gupta: Correct Sir. We are like two parties of minds.

Venkata Subramanian: Related question. Is there any implication of this or reaction from either customers or bankers or financial markets overall?

Kamal Gupta: No absolutely nothing Sir.

Venkata Subramanian: Your bankers have no issue?

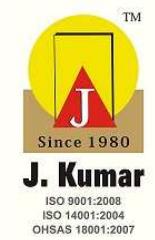
Kamal Gupta: The work is as usual going very smooth Mr. Venkata absolutely no issue.

Subramanian: Understood Sir. Just a small observation. Please take in the right spirit aggression is our middle name and then we have actually been quite aggressive in our delivery actually, but I am wondering whether the raw side of it is kind of affecting us either with BMC in the past?

Kamal Gupta: I could not get you Mr. Venkat. Can you please come back?

Venkata Subramanian: I am saying aggression normally is a double edge weapon. It is very useful for stakeholder because our delivery has been extremely strong, but the wrong edge of aggression actually is affecting us, it has affected us one with BMC in the past, once with income tax in the past and regularly with SEBI price in the past, so is there any learning for us, is there any better risk management mechanism that we want to introduce because at the end of the day I think value is getting destroyed in all these actions?

Kamal Gupta: Mr. Venkat we will surely try to take care like what more we can do about this risk management, but if you see in this 20 years of our career, there was only one BMC thing



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was done, so we learnt a good lesson that we should not let others operate on my name the work like in JV, so this is what we learnt, so we have taken care that in any other future projects we are not giving our name learning and let them do the work. Secondly this SEBI twice the same matter, which was in August and now, so this is only twice and of course we are more vigilant now to like see that such cases does not occur ever after this.

Venkata Subramanian: Sure Sir. That is only my submission from my side. I hope you take in the right spirit. Thanks a lot.

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

Shravan Shah: Thank you. Sir in terms of revenue guidance for our 2019 and 2020 and also in terms of the breakup of project wise if you can?

Kamal Gupta: Mr. Shravan we have already given a projection for 2018-2019 that was around 2200 to 2300 correct and for 2019-2020 we have told like Rs.2500 Crores to Rs.2600 Crores, so we feel we are very confident to achieve this and may be bit more than that.

Shravan Shah: Because FY2020 I think last time we said Rs.2700 Crores, so now we are saying Rs.2500 Crores to Rs.2600 Crores?

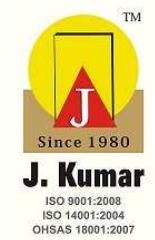
Kamal Gupta: Because we told Rs.2600 Crores only, but like as I am saying even Rs.2600 Crores looks to be a conservative figure so we are very confident to achieve a bit more than that.

Shravan Shah: In terms of line three, line two and line seven so I know previously we said now post one half what is the number for FY2019 looks like JNPT line three, line two and line seven?

Kamal Gupta: 2018-2019 right?

Shravan Shah: Yes 2018-2019.

Kamal Gupta: 2018-2019 from line three, I think we will be getting something around from Rs.750 Crores to Rs.800 Crores around Rs.800 Crores from line three and line two will be around Rs.400 Crores, line seven will be around Rs.80 Crores to Rs.90 Crores, JNPT will be around



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Rs.300 Crores to Rs.350 Crores and the rest ones others are 50 and 60 and 60 and 50 are there, so the major ones are there.

Shravan Shah: Sir I think post the SEBI order we had a call and we said we are also thinking of some kind of a settlement also so that thing did not work or are we still on that?

Kamal Gupta: What I told you, it is called consent Shravan so that is what I think Reliance or something they also had gone for this, so like our advocate advise us this is a process wherein like you cannot do it right now. The stage has not come now. Whenever that stage is there we will go for that.

Shravan Shah: Till now they have not said they want a personal hearing with you and there is no reply from the SEBI?

Kamal Gupta: We have already replied to their order correct and no auditor has been appointed as of now, we have no intimation of that, so we are awaiting reply from them.

Shravan Shah: In case there is a forensic audit so in terms of the financial implications what in the worst case can come to us?

Kamal Gupta: If there is a forensic audit, the audit is limited to PACL matter and for that year and we absolutely do not have any issues going forward for that audit also, so we are absolutely okay if they want to do that and coming to the financial implications as we told like we feel like if we go for a consent it will be like Rs.3 Crores or so max.

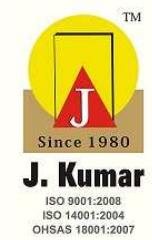
Shravan Shah: Sir how much capex we have done in full year and how much capex are we likely to do?

Kamal Gupta: In capex in Q2, H1 was around Rs.73 Crores and the whole year it should be around Rs.125 Crores.

Shravan Shah: The next year would be?

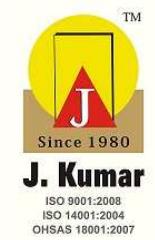
Kamal Gupta: The next year because if all the TBMs are coming, so it will be normal or general capex of around Rs.30 Crores or so.

Shravan Shah: The debt level you said it would be remained in the Rs.700 Crores to Rs.750 Crores?



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- Kamal Gupta:** Around Rs.750 Crores.
- Shravan Shah:** Working capital is likely to improve from here on?
- Kamal Gupta:** Working capital should improve going forward.
- Shravan Shah:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.
- Amit Jeswani:** Sir just trying to understand that why we increased our cash so much and why do we hold Rs.500 Crores of cash and have Rs.700 Crores of debt. I know that there will be some portion, which is to do with free balance that the government gives us, but could you explain how this exactly works?
- Arvind Gupta:** This is a margin we have to give to the banks for getting the bank guarantee. Most of the BGs have been given to banks for obtaining bank guarantee because for all projects we have to give around 10% to 12% bank guarantee as personal guarantee and the balance for advances.
- Amit Jeswani:** Right, so Rs.334 Crores, which is there in bank and balances do we have to keep it?
- Arvind Gupta:** Yes. The margin ranges from 0% to 10% in different banks, so depending upon the banks we have to leave the margin to them.
- Amit Jeswani:** Net, net we spend on the Rs.200 Crores of net debt that we have on our books, we spend about Rs.11 Crores like Rs.9 Crores is there in other income, which comes in and the interest expense we pay out is about Rs.20 Crores a quarter?
- Arvind Gupta:** Yes.
- Amit Jeswani:** We spend Rs.11 Crores a quarter right?
- Arvind Gupta:** Yes Sir.



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Amit Jeswani:

Thank you so much and congratulations Nalin and Kamal for an amazing quarter.

Moderator:

Thank you. The next question is from the line of Vigesh Shetty, an Individual Investor. Please go ahead.

Vigesh Shetty:

Sir MMRDA is coming out with tender for a bridge and line nine plus five, so are you bidding for it?

Kamal Gupta:

We will be bidding for that Sir.

Vigesh Shetty:

Pune Metro Sir?

Kamal Gupta:

Pune Metro is already done, but anything further of our interest we will see that Sir.

Vigesh Shetty:

Sir one more if I can squeeze, DMRC has recently approved the phase four Delhi Metro so will you bidding for both underground and elevated there also?

Kamal Gupta:

Not much may be some selective packages not as a whole because I think that will take another six to eight months to come in.

Vigesh Shetty:

Will you be bidding for that?

Kamal Gupta:

It depends on that time Mr. Shetty. We cannot say now.

Vigesh Shetty:

That is it from my side.

Moderator:

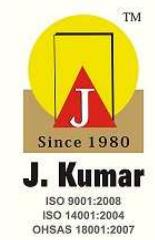
Thank you. The next question is a followup from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

Sir can you give some outline on the bid pipeline, so how are we approaching you said the Rs.3000 Crores of bid pipeline is there so any specific segments we are looking to increase the exposure like in the building segment or something?

Kamal Gupta:

Parikshit we are looking. We have enough food as of now, so we are not very hungry for more work, but like whatever work will be adjacent to our existing establishment wherein the overheads of our existing establishment can be shared with this one, we are trying for



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that work. Got it, so whether it is like in Mumbai if there is some work coming up as rightly told by Mr. Shetty now this line nine and seven correct extension of line seven, so that work is like we will be using our same casting yards and same establishments and people so we will bid for this project. Similarly if there are some more projects like this we will go for that.

Parikshit Kandpal: As of now the visibility is on Rs.3000 Crores of bid pipeline?

Kamal Gupta: Yes.

Parikshit Kandpal: This will largely be metro only?

Kamal Gupta: No there is a mixture of metro as well as other flyover bridges.

Parikshit Kandpal: How are you looking at the building segment now when we will be doing government buildings, hospitals and also how are we looking at that segment now?

Kamal Gupta: We already have four projects going on now, so I think right now we are happy with that.

Parikshit Kandpal: What will be the total value around Rs.1000 Crores?

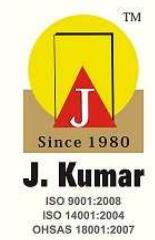
Kamal Gupta: Of all the four?

Parikshit Kandpal: Yes.

Kamal Gupta: Yes it is around Rs.1200 Crores to Rs.1300 Crores.

Parikshit Kandpal: Lastly on this SEBI thing, so you have filed a reply, so what is expected response now SEBI will they accept you again whatever you have replied to them, if they accept it then does the need of forensic audit at all arise or there is going to be mandatory forensic audit and then only you will go for consent?

Kamal Gupta: I cannot say what they will reply, but I am 100% confident that this matter will be sorted out very soon correct, so if at all they reply positively it is well and good, if at all not like they can go for the audit as I told we do not have issues in that and after the audit we can go for the consent and close that.



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Parikshit Kandpal: Typically how much is the timeline like six months, one year like how long does the maximum?

Kamal Gupta: I think it will be around six months Parikshit approximately. You cannot judge that it is a very rough idea.

Parikshit Kandpal: Six months and including the consent you are saying or just the forensic audit?

Kamal Gupta: This is a very rough figure. It can be early, it can go for one year also Parikshit.

Parikshit Kandpal: Sir any of your projects are facing delays or we have missed any milestones in the order book?

Kamal Gupta: Delays means like the metros are delayed by around eight months to nine months. As we have told before also to you that was the initial delays because of this environmental and tree cutting. Apart from that all the metros are moving absolutely on time and on full swing and no further like no major things Mr. Parikshit.

Parikshit Kandpal: Sir the fund base and non fund base limits how much is the current utilization and what are the limits right now?

Kamal Gupta: Total fund base and non fund base?

Parikshit Kandpal: Yes if you can give a break up?

Kamal Gupta: Parikshit we do not have exact figures. I will get back to you.

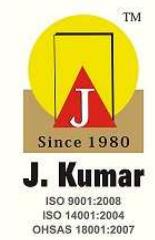
Parikshit Kandpal: Is there any NBFC exposure to your banking limits?

Kamal Gupta: NBFC no. We do not have.

Parikshit Kandpal: What will be the borrowing cost right now Sir for your term loan and both working capital?

Kamal Gupta: 10.5% average to 11%.

Parikshit Kandpal: Thank you and all the best.



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

Shravan Shah: Sir last time we have talked about the increase in the promoter stake and we have done something so what is the latest that till now we have increased promoter stake and how much more we can increase?

Kamal Gupta: We have done something Shravan. It is already disclosed I think.

Shravan Shah: Just trying to understand is there may be latest couple of days have we done anything Sir. Till now how much in last one-and-a-half months how much have we increase or how much have we bought and how much can we still increase?

Arvind Gupta: Around two lakh shares we have purchased till date, which we have already announced on the exchanges and depending upon our current position and things, we propose to further increase our stake in the company by at least 2% to 3% during this year.

Shravan Shah: From here on also maybe 2% to 3% we are comfortable to increase?

Arvind Gupta: Yes Sir.

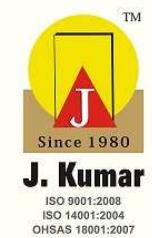
Shravan Shah: Sir just a clarification regarding Dwarka what did you say still it is L1 and when the LOI can come and why there is a delay in LOI?

Kamal Gupta: There were some issues in the tree cutting there Shravan so they are holding the LOI and we are also like not pushing them for LOI now because we are already mobilized there so we are doing the mobilization first, which usually takes four to five months, so we are expecting in a couple of weeks the LOI.

Shravan Shah: That is it from my side.

Moderator: Thank you. The next question is from the line of Viral Shah from Emkay Global. Please go ahead.

Viral Shah: Congratulations on a good set of numbers Sir. Sir basically what is the status on our TBMs how much work we have completed there in terms of kilometers?



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Kamal Gupta: Viral like all the five TBMs of line three are in, so all the five TBMs have started. The first two TBMs, which have advanced to around 2.3 kilometers and the other three machines, are in the initial stage, so that takes around 45 days to 60 days after that they go for the main drive wherein we get the speed, so the three TBMs put in together is around 150 meters.

Viral Shah: Basically Q3 and Q4 is where you will get the drive for the remaining three TBMs?

Kamal Gupta: Yes in full swing because all the five machines will be in main drive. You are right.

Viral Shah: Secondly is that based on this the first half has been very good so do you exceed your guidance to be revised upwards by maybe Rs.100 Crores to Rs.150 Crores?

Kamal Gupta: Let us hope for the best Mr. Viral.

Viral Shah: Fair enough. Thank you so much.

Moderator: Thank you. The next question is a followup from the line of Venkata Subramanian from Organic Capital. Please go ahead.

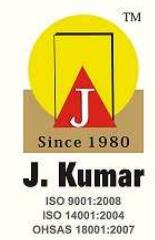
Venkata Subramanian: Thanks for the opportunity again Sir. Our strength previously used to be a concentration inside Maharashtra and since in terms of management bandwidth and also better utilization of assets our margins used to be superior, now that you have spread a little wider we are at something like about close to 6.7% to 7% kind of post tax margins, with increased execution next year where do you think this can head to?

Kamal Gupta: Mr. Venkata if you see the margins we were making 7% to 7.5% now it is at 6.7% to 6.8% correct.

Venkata Subramanian: Right.

Kamal Gupta: But in absolute terms it has gone much above correct since the volume has gone up and we are confident of whatever these works are secured with the same margin. Going forward also we will be able to keep the same margin and maintain the same margin Mr. Venkata.

Venkata Subramanian: Since volume will increase and since you have much better utilization of fixed assets is not there scope for this margin to expand?



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Kamal Gupta: To improve the margin you are saying?

Venkata Subramanian: Cannot we do that?

Kamal Gupta: I think we will be able maintain these margins for sure Mr. Venkata.

Venkata Subramanian: The building vertical also will match the kind of margins that we have in higher value added metro projects?

Kamal Gupta: Come back Sir.

Venkata Subramanian: Your metro projects logically should have superior margins because of complexity will the building verticals, which we currently have close to about Rs.1000 Crores of order book does that also have comfortable margins or there we do it?

Kamal Gupta: Yes even that are in comfortable, these buildings are also not the typical residential buildings Mr. Venkata so you know these all institutes and medical hospitals, is also typical projects not the regular residential buildings. Even this margins in the building sector also we have the same comfortable margin.

Venkata Subramanian: Lastly what is constraint for higher levels of execution, we currently are saying we could do anywhere between Rs.2600 Crores to Rs.2700 Crores next year, what are the constraints to higher levels of execution?

Kamal Gupta: I do not see any constraints for that Mr. Venkata. We feel like all these projects, which are there now they are rolling well like on auto mode, so there should be no issues because the land issues all have been sorted so there should be no constraints to achieve this figure.

Venkata Subramanian: What can stop us from pushing for let us say about Rs.100 Crores to Rs.200 Crores IL? What do we need to push for higher execution?

Kamal Gupta: Push means we are pushing ourselves best Mr. Venkata so as I told you we are very confident to achieve this figure and may be a bit more. We will try for that for sure, so there are no constraints to take it further. There are no constraints, but as you know these are not road projects. Highway projects where only the resource counts like you have the metal and sand so you keep laying that. This is not. This is a systematic work like sequential work



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rather correct. You cannot open multiple fronts, there is one sequence then only you can you do the other one. There are some limitations to this particular type of work Sir.

Venkata Subramanian: Understood. Thanks a lot.

Moderator: Thank you. The next question is from the line of Mohit Pandey from Citi Group. Please go ahead.

Mohit Pandey: Sir one just question on the EBITDA margins while on the previous question you mentioned on the PAT margins, so this quarter if you see margins have improved QoQ closer to 18%, so for the full year what are we are looking at in terms of EBITDA margins?

Kamal Gupta: We are looking for around 17% EBITDA margins Sir.

Mohit Pandey: Next year Sir?

Kamal Gupta: Next year also the same thing Sir. It is around same 17% EBITDA. This year it was a bit higher if you see the EBITDA 19% was basically because it is more of mechanical work for the TBM, so that was the reason EBITDA has gone up to 19% this year. Even the depreciation has gone up.

Mohit Pandey: Thank you Sir.

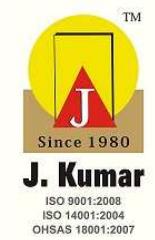
Moderator: Thank you. The next question is from the line of Vigesh Shetty, an Individual Investor. Please go ahead.

Vigesh Shetty: Thank you Sir for the opportunity again. Sir does this Rs.3000 Crores order backlog also includes the Dwarka?

Kamal Gupta: Order backlog. We are bidding for that. We will be bidding for the Rs.3000 Crores projects Dwarka is excluding that.

Vigesh Shetty: Excluding you have a big pipeline of Rs.3000 Crores?

Kamal Gupta: Yes.



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Vigesh Shetty: Thank you.

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

Venkatesh B: Good afternoon Sir. The question is whenever we have interacted with you it looks like you are targeting for something like 15% topline growth, now this is what you generally target the next two to three years you are targeting, but it does not look like there are any positive orders, actually there are enough and more orders and I think I remember you mentioning earlier that our plate is full right now, so we do not need to bid for everything, but what I wonder is why are you not targeting for 30% growth for the next three years, I think there was somebody else who asked what is the constraint, what we are asking from constraint is why choose to grow at 15% not at 30% where is the constraint, is it capital is a constraint or the constraint is people, is it operation what exactly is the constraint to grow at 30%?

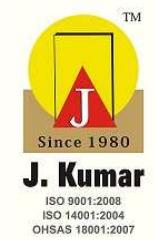
Kamal Gupta: Rightly asked Mr. Venkatesh. Basically our USP we believe in not doing the topline. We believe in a profitable growth, so we do not want to grow without bottomline growth. We want to keep our margins intact. We can go bid here and there and take more work and got for the topline increase, but that may affect my margins I do not want to do that. We are very particular that we want to maintain this margin so we take very particular very initiated work like all these works are projects what are there with us are in very mixed segments, so where in the margins are good, but of course the execution speed has some limitations because of the sequential working.

Arvind Gupta: Also we do not want to put pressure on the finance because more work means requires more finance, which is difficult getting these days of NBFC and bank problems?

Kamal Gupta: The banks also have lot of constraints in the bank as you are aware, so if you want to grow at that speed you will require the funds also.

Venkatesh B: Thank you very much Sir. All the very best.

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



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Parikshit Kandpal:

Just carrying on the PACL issue and the observations, which SEBI has highlighted so entirely post that within the company what steps we have taken to improve the risk management record keeping and are we looking to hire any consultant to further improve the internal systems and do we have a ERP system in place like SAP and or something connecting different sites, so are we looking to appoint any consultant to further increase the robustness of our systems?

Kamal Gupta:

Parikshit this was eight to 10 years back thing. There is a huge improvement in the system of the company where we have already implemented ERP asked by you, so we have internal auditors with us it is all like 10 years back was not there with us. Lot of improvements is there. This was private work, so we have stopped taking any private work now Parikshit. There is ample of work with the government itself.

Parikshit Kandpal:

We are at a much better position than what we were there?

Kamal Gupta:

Much, much better.

Parikshit Kandpal:

That is it. That is all from my side.

Moderator:

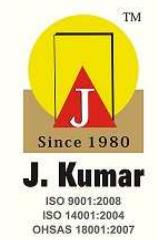
Thank you. The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.

Amit Jeswani:

Sir any ROC target that we guys are working with for the next year because we would be generating somewhere around like Rs.150 Crores to Rs.180 Crores of free cash flow next year as you pointed out Rs.30 Crores of capex and about Rs.2700 Crores of revenue broadly generates that much free cash flow at least, so are we looking to pay debt or what are we going to do with that cash and also do we have any ROC numbers because ROC is being depressed?

Kamal Gupta:

ROC this company usually does not have free cash because it is always for the future work we have to pump in money. Wherever we have mobilization without interest we take or like we use internal accruals. Repayment of your advances will be done, repayment of equipment finances will be done Sir and if possible we will also reduce the debt. ROC right now is 13.4% Sir.



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Amit Jeswani: Can we improve this to a certain level because other construction companies do have 18%, 20%, and 22% ROC and more as well?

Kamal Gupta: We will try to improve that Mr. Amit.

Amit Jeswani: Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.

Dhruv Agarwal: Sir can you give me some favour on the Rs.3000 Crores of bidding pipeline that you have as to what type of projects you are bidding in that if a rough estimate will also do Sir?

Kamal Gupta: Metro is around Rs.1500 Crores and Rs.1500 Crores is from other projects apart from metro.

Dhruv Agarwal: Sir in those metro projects, which are the lines that you are bidding for?

Kamal Gupta: Extension of your existing line seven on the Western Express Highway. It is partly underground and majorly elevated.

Dhruv Agarwal: You have bid for towards the airport also and from Boisar to Bandra?

Kamal Gupta: Correct.

Dhruv Agarwal: Sir that tender for that was on November 12, 2018 so any update on that?

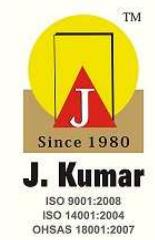
Kamal Gupta: I think it will be extended. As of now, it is December 12, 2018.

Dhruv Agarwal: Any other metro lines in this Rs.1500 Crores of order?

Kamal Gupta: No this is the main metro line and there are some other flyover projects we are bidding.

Dhruv Agarwal: Thank you so much.

Moderator: Thank you. The next question is from the line of Harsh Shah from PM Securities. Please go ahead.



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Harsh Shah:

I just wanted to understand when our billing cycle is of a month and a month-and-a-half why are our receivables always in a period of three months, for the last couple of quarters I have been seeing our receivables are not the Rs.500 Crores, so that is roughly around three months of intake of money coming in, so why is our receivable cycle of three months in our billing cycle is only of a month-and-a half where is the difference, why is there such a high receivable cycle, I was asking when our billing cycle is of a month to a month-and-a-half period, our receivable cycle is of almost north of three months, so where is that difference coming in why is the receivable cycle so high?

Kamal Gupta:

Why is?

Harsh Shah:

Why is the receivable cycle so high of three to three-and-a-half months?

Kamal Gupta:

The receivable cycle is normal billings are coming on time Mr. Harsh Shah. There is some variation part, which takes more time because we apply for some like unchartered utilities are there, some escalations are there, some variations are there, which takes more time than the routine one.

Harsh Shah:

But this happens on consistent basis like it is there seen in the last four to five quarters, the balance sheet always had a higher receivable?

Kamal Gupta:

Your voice is not audible Mr. Harsh Shah.

Harsh Shah:

I am saying this happens on a consistent basis because the receivable cycle has been higher for the last couple of quarters?

Kamal Gupta:

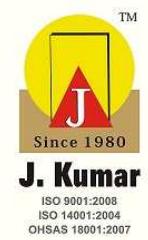
If you see now like even for line three we are having some variations going on, so there are unchartered utilities, which we put in variation so that takes more time than the regular ones to get it approved from the department. Delhi Metro also there were some variations, otherwise the routine billing starts on time. The receivables are very much on time.

Harsh Shah:

Can you just explain to me in the layman's language what these variations that you are talking about are?

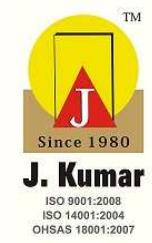
Kamal Gupta:

In our work there are some utilities, which is part of our work correct.



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- Harsh Shah:** What kind of utilities?
- Kamal Gupta:** Utilities in shifting of water pipe lines or gas pipeline or electricity correct, which comes in our way, so we need to shift that correct, which is not in our drawing, which forms as a variation to us, so we have to do that to take up the work there is no choice, which becomes a variation for us and we submit to the department as a claim and they get it cleared.
- Harsh Shah:** What would be the value of these shifting of pipelines in approximately of this quarter if you have to say?
- Kamal Gupta:** The variations will be around Rs.80 Crores to Rs.90 Crores.
- Harsh Shah:** Then also the receivable cycle is more than two-and-a-half months Sir?
- Kamal Gupta:** That is what I am saying, so even in line three we are waiting for some escalation payments, so they are finalizing some formula for that. We are also waiting for some royalty repayment and also there are some tax payments to be repaid to us because of this change in the taxation system of GST some of our working capital stuck there, so all the governments have appointed consultants to finalize the exact amount of repayment to us.
- Harsh Shah:** This receivable cycle is supposed to be around three to three-and-a-half months going forward also like this would go even when we increase the receivable cycle is planning to be stayed around three to three-and-a-half months in the following FY2020 if you have to say or is there a possibility?
- Kamal Gupta:** It should come down to around two to two-and-a-half months. This one month is basically because of things if you see because of change in regime of taxation like all the departments we could not finalize the exact amount of repayments of GST because in our earlier agreements the VAT and other Octroi was in our account correct, but in this ambit of GST we have to minus that and the rest we have to repay us.
- Harsh Shah:** How much would be this GST quantum that you are talking about?
- Kamal Gupta:** That is different to different projects Mr. Harsh Shah, metros they are different, the roads are different and all projects the working actual component of material and actual component of labor this is how they are arriving to it, so for project to project it will defer.



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Harsh Shah: Thank you Kamal. Thank you so much.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to Mr. Qazi for his closing comments. Over to you Sir.

Parvez Qazi: We thank all the participants for taking out time to attend to this call. Kamal do you have any closing comments to make?

Kamal Gupta: Well Parvez. As you see, our numbers are very good and all the projects, which have already started whether metro and flyovers are in very good shape and going very well in full swing and we are confident to achieve the numbers what we have committed and a bit more than that. We also would like to give confidence to our investors that this SEBI matter also we are very sure that this will be closed very soon. We have already filed the reply and we are waiting for reply on this. After that as per our advocate's opinions, we may go for consent and close it. Thanks a lot everybody for attending the concall. Thanks Parvez.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Edelweiss Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.