



Conference Call Transcript

J Kumar Infraprojects Q2FY17 Results

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Corporate Participants

Mr. Kamal J. Gupta
Managing Director

Mr. Nalin J. Gupta
Managing Director

Mr. Arvind Gupta
CFO

Questions and Answers

Moderator: Good Day, Ladies and Gentlemen. And a very warm welcome to the J Kumar Infraprojects Limited Q2 FY17 Results Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participants' line 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. I would now like to hand the conference over to Mr. Parvez Akhtar Qazi from Edelweiss Securities. Thank you and over to you, sir.

Parvez Akhtar Qazi: Good afternoon, friends. On behalf of Edelweiss Securities, I welcome you all to the Q2 FY17 conference call of J Kumar Infraprojects. Today we have with us from the management Mr. Nalin Gupta – Managing Director of the company, Mr. Kamal Gupta – Managing Director of the company and Mr. Arvind Gupta – CFO.

I would now hand over the call to Mr. Kamal Gupta for his opening remarks. Over to you, sir.

Kamal Gupta: Good afternoon, all. Well, I will just give a brief of the Q2 results of J Kumar. The top-line as on September 2016 was Rs. 310 crores as against Rs. 330 crores of the preceding year Q2, it has slightly gone down. This was mainly because of the extended monsoon this year. And as you know the major chunk of the work orders are the new ones which have just started, so the major revenues will start, the booking of the revenues will start from Q3 and Q4.

Looking to the PAT, the profits were Rs. 23 crores as against Rs. 21.8 crores in Q2 of preceding year. If you will see the overall H1 figures of the present year, the H1 turnover stands at Rs. 713 crores as against Rs. 694 crores of previous year. And the EBITDA is Rs. 124 crores as against Rs. 127 crores of the previous year. And the PAT has gone up by 9% to Rs. 52.7 crores as against Rs. 48 crores of H1 of 2015-16.

Well, this is the Q2 briefing. And the order book as on September of 2016 stands to Rs. 10,000 crores. Thank you so much. We will go ahead with the questions now.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Rajendra Mishra from IDFC. Please go ahead.

Rajendra Mishra: Just wanted to check, can you share some update on this Mumbai metro project and how much has been booked and how much you expect to book during second half? So if you can share some update there.

Kamal Gupta: Well, I think we have booked around Rs. 70 crores till now from Mumbai metro and we are expecting around Rs. 400 crores from Mumbai metro in H2 i.e. quarter three and four.

Rajendra Mishra: And work is going in full swing?

Kamal Gupta: The work has started in full swing, whereas line two, line seven, line three, all the three packages, work has already started in full swing, all the onsite, offsite everywhere, casting yard also and onsite filings also.

Rajendra Mishra: So this we are talking about both the stretches, so line three both the packages and line seven?

Kamal Gupta: Yes, all the three packages.

Moderator: Thank you. We have the next question from the line of Pranav Gokhale from Invesco Mutual Fund. Please go ahead.

Pranav Gokhale: Sir, in the notes to accounts you said you changed the policy with respect to retention money, could you please help us understand what is the change?

Kamal Gupta: That is basically due to the Ind-As change. But it is not having any substantial impact on the change of method and it has been changed only because of the new policy which has come out.

Management: The law has been changed, previously we had to calculate the time value of this, but now we have stopped doing that.

Moderator: Thank you. We have the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, earlier you said that we will be doing around Rs. 1,700 crores of top-line, so in the second half we are geared up to do Rs. 1,000 crores turnover?

Kamal Gupta: Well, we are expecting top-line close to Rs. 900 crores to Rs. 1,000 crores for the H2, so totaling up to around Rs. 1,600 crores to Rs. 1,700 crores top-line is what we are expecting from it.

Parikshit Kandpal: And sir, could you give some status update on the JNPT road project, so what has been the execution during this quarter and how will it ramp-up in Q3 and Q4? Because I understand that there has been some utility shifting issues there, so has that been sorted out and could you throw some light on that.

Management: Yes, in the JNPT project, utility shifting, 50% around like Rs. 80 crores they have already given us the order, there are some Rs. 70 crores orders which are not given to us but it is not final, this has gone to Delhi for the final verification. So once that is received the total utility will be sorted. So works are going on full-fledged now and we are expecting good revenue in Q3 and Q4, till now I think Q2 we have put around Rs. 40 crores from JNPT.

Parikshit Kandpal: So how much will it ramp-up to in Q4, I think by the time the utility thing will be behind us and we will be executing on the ground?

Kamal Gupta: Q3 and Q4 from JNPT?

Parikshit Kandpal: Yes.

Kamal Gupta: I think will be around Rs. 100 crores.

Parikshit Kandpal: So incrementally you are saying only Rs. 100 crores contribution will come from the JNPT project, so Rs. 400 crores you said from metro and Rs. 100 crores you said will come in second half from the JNPT?

Kamal Gupta: JNPT for Q3 and Q4 both you are saying?

Parikshit Kandpal: Yes.

Kamal Gupta: Q3 and Q4 both it will be both, Q3 and Q4 both may be around Rs. 250 crores or so.

Parikshit Kandpal: So fourth quarter Rs. 150 crores you are expecting, Rs. 150 crores of revenues to come in from?

Kamal Gupta: Yes, somewhat like this, around Rs. 250 crores for both the quarters.

Parikshit Kandpal: And sir, this has NHAI as a partner, so you would have got some interest fee advances, so can you quantify how much has that amount been and since there has not been as per expectation progress on the project, so by the time we progress that the time will come to return this money to NHAI. So will there be any pressure on us from the working capital side that we will have to take banking finance to support the project execution?

Kamal Gupta: No, there will not be any pressure because even the repayment of the retention money, the mobilization advance both will go as per the progress of the work. So from 15% to 85% of the work will be completed, will be deducted accordingly, it is not that it will be deducted in a fixed time frame.

Parikshit Kandpal: Sir just lastly one thing I wanted to know, in all three packages in metro line two, line seven and line three, have we received the advance from the client?

Management: We have already received the advances for line seven and for line two we have not taken the advance as of now, but we have already taken payment of Rs. 15 crores recently and another like Rs. 15 crores billing is already done to the department. So, altogether like close to Rs. 13 crores gross billing for line two, both packages put together. And line seven, around Rs. 10 crores billing has been already done till now.

Parikshit Kandpal: And advances, how much advances have come for line seven?

Management: Line seven we have already received around Rs. 34 crores approximately from the department.

Parikshit Kandpal: And line three, anything on the line three advance, any advance you received from line three?

Kamal Gupta: Yes, line three we have received Rs. 50 crores and this will be like substantially like initially they give Rs. 2.5 crores and then when you show the utilization of that it is further. So till now we have received Rs. 50 crores from them.

Parikshit Kandpal: Sir, debtors have gone up by Rs. 140 crores this quarter, so despite our execution coming down so why have the debtors gone up so

much?

Kamal Gupta: If you see, the total mobilization advance has yet not come from two packages of line three; we have got on 2.5% for only one package, so another Rs. 70 crores is yet to come for other package. So the mobilization has fully not come and all the projects have started in full swing. So we have to utilize this to the full extent.

Management: Like line two also, and line two like we have mentioned around Rs. 15 crores to Rs. 20 crores payment is still awaited and this is only till, again in the beginning of the project when we do...

Parikshit Kandpal: No, I wanted to know our billing has stepped up and that is reflecting in debtors but our execution has come up, so I am not able to understand this.

Management: Parikshit, actually we have booked the bills in Q2 for which the payment is to be received in the Q3 so that is why the debtors have increased. But most of the payment will be received in November, mainly payment has already been received.

Parikshit Kandpal: So you have received most of the payment?

Kamal Gupta: Line two and line seven also, we had made the billing but the payment was not done...

Management: Actually the thing is that we have booked the line three, line two and that we have booked actually on 30th September and for which payment is to be received in Q3 actually and most the payment has been received in Q3.

Parikshit Kandpal: Sir, other income is Rs. 6 crores, so is there any dividend from sale of investments?

Management: The dividend as well as the interest from FDR, this totals to Rs. 13 crores.

Parikshit Kandpal: No, Rs 6 crores is the other income for 2Q, so how much will be dividend in this?

Kamal Gupta: Dividend is zero, Parikshit, because all amount has been withdrawn from the mutual funds and were kept in FDR, so it may be because of the interest portion.

Parikshit Kandpal: So Rs. 6 crores is mostly interest?

Kamal Gupta: Yes.

Moderator: Thank you. We have the next question from the line of Divyata Dalal from Systematix Shares. Please go ahead.

Divyata Dalal: Sir, my query was pertaining to the tax rate for this particular quarter, the effective rate is somewhere around 28%, any particular reason because our run-rate has generally been at around between 30% to 32%.

Management: It is the same rate actually, 30-32% is the same rate.

Kamal Gupta: I think there is no change, it is as per the standard, I think it is around 31% odd, same thing, it has not gone down.

Management: It is basically because of that income tax depreciation and all this thing, the set off and that is why if you see on the total income it is near about 32% - 33% actually, so there are no change in the tax rate.

Kamal Gupta: Output tax is the same, Divyata.

Divyata Dalal: And with regards to some slow-moving orders in the current order book, sir any particular orders that we are seeing which are slow moving, pertaining mainly to the BMC orders?

Kamal Gupta: In BMC there are something like Rs. 250 crores to Rs. 300 crores odd order which is pending for roads; and flyovers out of which this Rs. 100 crores flyover at Teli Gali which has not been moving because of some metro alignment and that alignment coming in the same traffic diversion area. So because of that the project has not started, other than that the road ones which are there, again there are some utility issues and all which has been cleared, we have told departments that unless the utilities are sorted we will not take up these areas. So I think in this current quarter or the Q4 rather, because we are already in the middle of December, so by Q4 we will see these orders getting executed.

Divyata Dalal: This is the Teli Gali order is it, or rest of the orders also?

Kamal Gupta: I would say Rs. 90 crores flyover project, so that is not practically started, because the metro line seven, this route is common, we start off the flyover junction which is junction at Andheri is the same. So because of which traffic department is not giving the go ahead for that project.

Divyata Dalal: And sir, in terms of metro projects what is the execution that we are looking at for the next two years, for FY18 and FY19? This year we mentioned in H2 we will book somewhere around Rs. 400 crores revenue and for next two years how would the run rate be, sir?

Kamal Gupta: Well, we have this whole three project of metro which is line two, three and seven, line two and line seven, the execution period is 30 months and we are expecting to complete this project on time. And already like close to six months have been passed if you consider December. So in this current quarter, means in the H2 we should be making with all these three lines put together, line two, three, seven, around Rs. 400 crores, so the balance line 2 and line 7 we are expecting that in the next two fiscal years the project should be substantially completed. With regards to line three, the project itself is for, as you are aware, four and half years, so there in the fiscal year the contribution would be close to say around Rs. 1,500 crores approximately for the next two years.

Divyata Dalal: Rs. 1,500 crores...

Kamal Gupta: Rs. 1,500 crores to Rs. 2,000 crores approximately you can mention. It is only for line three because line two we are considering separately.

Divyata Dalal: So sir, our guidance for FY18 at around Rs. 2,300 crores, so does that remain intact sir?

Management: Come back, sorry we could not get you.

Divyata Dalal: Sir, guidance for FY18 which we had earlier given at around Rs. 2,300 crores.

Kamal Gupta: Well, for FY18 we are expecting a turnover close to around Rs. 2,000 crores approximately, Rs. 2,000 crores is what we are expecting, Rs. 2,000 crores to Rs. 2,100 crores.

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

Shravan Shah: Sir, continuing on this, last time we said around Rs. 2,300 crores to Rs. 2,400 crores execution for FY18, now we are saying Rs. 2,100 crores, so is there any particular project which you are saying that the execution will not be as what we have expected earlier?

Kamal Gupta: Well, if you look at all this three lines, in the initial stages of the project there are various things happening like the stations, when we started practically now when we get the order that time we do not do the detailed GAD analysis or the stuff in micro detailing, but after micro detailing like I would, for a small example I would make you understand what was the reason. Line seven which we are executing from Goregaon to Kandivali, in that stretch all four stations were at the extreme end of the north carriage way, I am talking of the alignment and the station. But when we started doing the detailed analysis of the site condition, we encounter that the station cannot be constructed at those locations. So now for example two stations, for Goregaon and Times of India Malad, both these stations have been shifted from the original location to some other location. So such type of things when it happens, see whole arrangement, even line two we need to make 17 stations for line two, out of the 17 stations eight stations were supposed to be portal, that is supported on three legs, three pillars basically in the cross section if you see. But subsequently there are lot of launching issues which will be encountered and utility problems are there, there some pillars are coming in front of the gate of the commercial and residential complexes. So, due to that DMRC has taken a call now after a lot of deliberation, schemes that we have submitted and the justification required, they have converted all the stations into cantilever. So such type of things which are the teething issues are required to be addressed at the beginning of the project due to which we are seeing that the fiscal year FY18 we will be having around Rs. 2,000 crores - Rs. 2,100 crores top-line which I think you will still appreciate that it is a growth of more than 20%. But this is like a figure which as a safe conservative type figure that we would like to mention.

Shravan Shah: And in that sir, as you said Rs. 1,500 crores to Rs. 2,000 crores will be the metro, so that will be for FY18 and FY19, so particularly in FY18 Rs. 500 crores - Rs. 600 crores kind of a metro revenue will be there?

Kamal Gupta: For FY18?

Shravan Shah: Yes.

Kamal Gupta: So that much will be there, even more than that in fact.

Shravan Shah: So how much, Rs. 700 crores - Rs. 800 crores?

Management: No, you are looking from like the total FY18 figure you are saying?

Shravan Shah: Yes, total FY18 metro revenue.

Management: Metro revenue will be close to Rs. 1,500 crores out of this Rs. 2,000 crores, of the top-line from Rs. 2,000 crores the metro revenue itself will be Rs. 1,500 crores.

Shravan Shah: And sir, in terms of the debtors as you earlier mentioned that you did the billing at September and now you have almost recovered the money. So now debtor has come to the normal level of Rs. 300 crores kind of debtors?

Management: Yes, debtors have now come down.

Shravan Shah: And sir, the cash has increased also significantly compared to the March quarter, so...?

Management: That was because of this FDR. The investments have been liquidated in FDR.

Shravan Shah: And sir, in terms of any update on the major other trans-harbor link, coastal, Ahmadabad, other packages or any other major projects? And plus, we have been hearing around Rs. 15,000 crores - Rs. 16,000 crores of ministry projects to be given by the Maharashtra body in January, so would you want to explain on that?

Kamal Gupta: Of course we did for this MTHL, the prequalification stage is there, so the results are yet to come. And for other projects we are being very selective as of now, but we will be bidding for some of the projects which will come up.

Shravan Shah: So, last time we highlighted that we will be going slow in terms of the order inflow for next three to six months as we were expecting actually the order will itself, the tender will come itself by three, six months' delay. So now how do you see in terms of order inflow, how much we can take or how much do you think that in next four months and FY18 how much do you think the order inflow we can get?

Kamal Gupta: See, the company can execute around Rs. 15,000 crores of work order as this thing, instead of Rs. 10,000 crores what is there. But as we are told we will be going slow as of now, so like we are very selective quoting for the project. So we do not expect much to come in in the coming two quarters, but of course one or two projects like if good margins we get so we will take that.

Management: But in any case the top up that is required to maintain this similar order book position of Rs. 10,000 crores, that is an average order booking of Rs. 2,000 crores to Rs. 3,000 crores per annum will be kept on making.

Shravan Shah: And sir, the CAPEX last time what we said around Rs. 75 crores for 2017 and Rs. 250 crores to Rs. 300 crores FY18 will remain intact or is there

any change?

Management: Yes, that will remain intact.

Shravan Shah: And sir, is there any cancellation or increase in the scope of particularly JNPT which we had already done but we had not booked in this order book?

Management: No, there is no cancellation.

Shravan Shah: And no increase in the scope of work in any of the project?

Management: No, the utilities has gone up, utilities of around Rs. 80 crores has gone up.

Shravan Shah: And sir, is there any update on the IT search?

Kamal Gupta: IT search there was no issues anything or no declaration that would have been made by J Kumar, and that well will be in the same position.

Shravan Shah: And sir lastly, so unless we see any major CAPEX kind of project like underground metro, do you think will there be any chance of equity dilution in next two, three years?

Kamal Gupta: Absolutely not, does not look like.

Moderator: Thank you. We have the next question from the line of Subramaniam Yadav from Subhkam Venture. Please go ahead.

Subramaniam Yadav: Sir, actually the guidance which you are telling for FY18 seems to be on the lower side because earlier you were guiding around Rs. 2,300-odd crores and you are saying that Rs. 1,500 crores would be coming from metro. And in the JNPT if we roughly look at around Rs. 200 crores per quarter also run-rate then it comes to around Rs. 800 crores. So roughly around Rs. 2,300 crores is easily achievable, then is there any other issue why you are guiding lower?

Kamal Gupta: See, it is an conservative figure that we are mentioning, Mr. Subramaniam, and you need to appreciate and we have mentioned that the top-line coming in from metro segment in FY18 would be, as Divyata was asking, that it would be Rs. 500 crores plus, we mentioned it will be higher than Rs. 500 crores, anything between Rs. 1,000 crores to Rs. 1,500 crores. And again with the other projects put together Rs. 2,000 crores is what we are conservative visibility which we are trying to focus which will be surely a growth of 20% on the current year's top-line.

Subramaniam Yadav: Right, I agree. But when we met last time that time also you had...

Kamal Gupta: Let me complete, I know you are very, very bullish about it and I really appreciate your concern. My point is that in six months since you have got the order which was awarded in June and July, out of which four months, till October end, we had heavy monsoon this time in Mumbai. And after getting onto the field when we start doing the bracketing, when we start going into the detailed survey investigation process, after finalizing the GAD which is called a general arrangement drawing which gives the final layout how the metro will

move and at what locations, the entry, exit, your lift shaft, your location of the columns, the launching problems that we are going to face, those things are not known to us when we get the order exactly, we are talking of the detailing part of it, metro can be constructed but the project period required or the difficulties involved in it, we have to shift this alignment from the north carriage way to the medium, from medium to the north carriage way. So the realignment of the GAD which is required which is the primary requirement of the project to proceed, that is the thing which takes time.

Subramaniam Yadav: So sir, finally you are expecting around conservatively Rs. 2,100 crores?

Kamal Gupta: Yes, Rs. 2,000 crores to Rs. 2,100 crores is what is there. And if you want, and if your blessing are there we may achieve Rs. 2,300 crores also.

Subramaniam Yadav: We would expect you to get that.

Kamal Gupta: See, when we think about, let's talk of some realistic figures, like last time if one quarter before if I mentioned Rs. 2,300 crores you will stick to Rs. 2,300 crores. So let us have a figure which we can achieve. Like as you run the project, as you proceed you get more realistic picture as you start coming closer to execution. So now because we are having all the details in hand for line two and line seven specifically, line three still the detailing are on which would take some time to exactly analyze what will be the actual revenue that will be generated for the financial year.

Subramaniam Yadav: And sir, the final order book of JNPT would be how much now, after all the escalation and everything?

Management: See, the total is Rs. 1,600 crores something, plus some additional Rs. 70 crores of utility, so it will go to Rs. 1,700 crores.

Subramaniam Yadav: And sir, this is including the remaining 50% which we have taken over, right??

Management: Yes, this is including that.

Subramaniam Yadav: And sir, the peak run-rate here would be how much, can we take around Rs. 250-odd crores?

Management: Quarterly?

Subramaniam Yadav: Yes.

Management: For the whole project, right?

Subramaniam Yadav: Yes.

Management: This will be around, since the utilities are going on total revenue would not come in this quarter, but around...

Subramaniam Yadav: Sir, this quarter also the execution is not that.....

Management: So Rs. 150 crores per quarter.

Moderator: Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just a couple of questions. As you mentioned that after doing the detailing there has been some change in the designs of stations and the timelines, so will that result in any escalation in terms of overall costing, how much would the final package cost will be in terms of orders?

Kamal Gupta: There would not be many major deviation in terms of the price factors with the change in the alignment, because the station which was to be constructed suppose 300 meter behind now has been shifted by 200 - 300 meter either linearly or in the transverse direction. In both the cases the cost impact would not be there on it.

Amber Singhania: And is there any change in the timeline?

Kamal Gupta: No, timeline also, see minor here and there of couple of months here and there is a different issue, but as such any substantial increase in the time line would not be there.

Management: And as well, all the prices are covered with price escalation clause, so there is no hit because of that also.

Amber Singhania: Secondly on the BMC fiasco which was hovering around couple of months, there were some news article that BMC is, now the body is looking to recover whatever money has been paid for the work executed so far for those projects which have been cancelled or stopped work on that. So what is the status and what is the take on those things sir as such?

Kamal Gupta: Because these things are such which are very, very speculative and media is such thing that they write whatever they want, there is no such thing where BMC is going to recover the work already executed because they need to have a strong reason. Even if they intend to do this, if they write everything like that they have to firstly prove. Like let us put it on record, when there is like a show cause notice which was given to us eight months back in the month of April, where is the result out of it, because putting an allegation is very easy but they have to prove are we really wrong. So this is a very, very speculative thing, written without any base. And till date, till today afternoon we have not received any communication from BMC, so there is no question of answering such issues.

Amber Singhania: But that ban is continuing, we are not bidding for any of the BMC projects or we are not allowed to bid for any of those projects?

Kamal Gupta: The show cause notice which has been given by BMC had a standard clause in the contract saying that the contractor cannot bid for any new tender till this show cause notice comes to a conclusion. So that is the only thing and we are no way interested in entering in to any road works in to BMC. By God's grace we have good opportunity for flyovers and other metro projects that we are doing in a big way. So, let me put it like this, we have banned BMC for not quoting for any such projects. So there is no question of we going into this area.

Amber Singhania: Sir so also let's say next six months which is second half of this year, if you can just give some outlook as in which are the major projects

which are bidding and what kind of pipeline are there in terms of opportunity which we will be looking into to bid and to tender out on that?

Kamal Gupta: Even there are lot of metro projects again which are going to come up, like 2B, line four, there are MTHL, there are various tunnel works which has been called up by MSRDC, there are road works which are there. So, opportunity in terms of Maharashtra alone are quite huge and in and around Bombay, Pune, Nagpur, this MTHL, coastal roads, there are so many projects which are there. Right now recently you must have read in the newspaper on the Bombay-Pune expressway there are two tunnels to be widened, the expressway is again planned to be widened into particular stretches. So there are substantial work opportunities which are there and as we have maintained earlier also, we still maintain the same stand that J Kumar will be very selective in this next couple of months to come, we do not want to be aggressive. So, still the position is we do not want to have any overloading position. So to handle these teething issues which we already have, we are going a little slow with these new projects.

Amber Singhania: Just last thing sir, I missed out the guidance part which you mentioned, what kind of revenue and margin you are looking for FY17 and FY18?

Kamal Gupta: FY17 we are expecting top-line close to Rs. 1,600 crores to Rs. 1,700 crores and FY18 we are expecting top-line close to Rs. 2,000 crores is what we had mentioned.

Amber Singhania: With a margin of?

Kamal Gupta: Similar EBITDA margin of 16% - 17%.

Amber Singhania: Any reasons why the margin was so high in this quarter sir, 18%?

Management: The other income has gone up.

Amber Singhania: No, in EBITDA margin sir before other income. Sir, its 18.2% this quarter.

Management: In line three we have booked around Rs. 50 crores of revenue on which expense has been very less, because basically there were only for that planning stage and everything, hence the margin has gone up.

Moderator: Thank you. We have the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, this SCLR project which we have got, so what is the status, right now it is lying in the L1.

Kamal Gupta: Yes, Parikshit, we have received the work order for SCLR and we have started mobilizing there. And from this month onwards we will start the investigations and everything, survey is already on.

Parikshit Kandpal: And have we received any advance, is there any advance which will come with this order?

Kamal Gupta: It is an interest bearing advance, so we are not very sure

whether we will be taking it or not. So the advance provision is there with the 12% interest rate, so we are not very sure whether we will go for that launch.

Parikshit Kandpal: But have we shifted it from L1 to the order book now?

Kamal Gupta: Yes, we have received the order, we have mobilized there, offices, staff, survey is completed, , this has all started.

Parikshit Kandpal: Sir Delhi Metro, what is the status right now and is there any update on the escalations which we have asked from the client, are there any update on it and when do we expect to complete it?

Kamal Gupta: I think CC-20 and CC-24 there are two projects which are balance to be completed for Delhi metro, out of which both the projects we are expecting to get it substantially completed by June end this working season. And with regards to this CC 20 and 24, we have already received Rs. 15 crores of advance also against the claim submitted by us. And for CC-24 the discussion is still on and we are expecting some sort of contribution to be received from DMRC against it, because there is some judgment which has come for a particular similar case for the phase II claims which were pending. So we expect something positive to happen soon here.

Parikshit Kandpal: Sir, how much will be the total claims which have put in for DMRC?

Kamal Gupta: Well, we have put claims close to Rs. 40 crores - Rs. 50 crores, but let's see what we get. DMRC is trying not to give, so it is a matter of battle that we are fighting.

Parikshit Kandpal: But have we provisioned the same in the P&L or...?

Kamal Gupta: No, we have not made any provisions as such for these claims.

Parikshit Kandpal: If it does not come then you will have to provide in our P&L?

Management: We have not booked anything, so whenever they come they will just be added to the bottom-line.

Parikshit Kandpal: And if does not come then nothing happens?

Kamal Gupta: No, nothing happens.

Parikshit Kandpal: Okay. Sir on this FDR, the cash is showing it includes the FDR, so I just want to know how much is the cash in hand excluding FDR?

Management: The total cash in bank balance is near about Rs. 384 crores, out of this Rs. 366 crores is lying with the FDR actually.

Parikshit Kandpal: And what is the total debt, because you do not have the current maturity of long-term debt here.

Management: Debt including current maturity is near about Rs. 500 crores.

Parikshit Kandpal: So total debt including is Rs. 500 crores?

Management: Yes.

Parikshit Kandpal: So what could be the peak debt, I mean, where do we see

our peak debt now that our execution is expected to ramp-up and even in 2018 it will be on the higher side, expect a 20% jump. So how do we see our debt moving over the next couple of years?

Management: No, actually the thing is that previously we have mentioned that the debt level as on 31st March, 2017, will be near about Rs. 350 crores or so, and for the 2018 it will be near about Rs. 500 crores to Rs. 550 crores because the mobilization amounts to be received for the metro project, so that debt will not increase so much actually.

Parikshit Kandpal: So Rs. 500 crores is what we are looking in FY18?

Management: In FY18.

Parikshit Kandpal: And Rs. 350 crores you are saying for FY17?

Management: Yes.

Parikshit Kandpal: Sir on this trans-harbor link, are we partnering with someone, are we going solo? And what could be your typical package there in terms of order size?

Kamal Gupta: MTHL there are three orders, one is 6,000 Cr, one is 5,000 Cr and one is 1,300 Cr, so we are bidding for the 1,300 Cr package and there we are standalone, not in JV with anybody.

Parikshit Kandpal: And sir, are we going to bid for the MoRTH orders which have been announced in mid-January, some Rs. 13,000 crores - Rs. 14,000 crores of road EPC works will be awarded?

Kamal Gupta: We are not very sure, we are studying that, so we will take a call at the right time.

Moderator: Thank you. We have the next question from the line of Sandeep Jagwani from Narnolia Securities. Please go ahead.

Sandeep Jagwani: Sir, I just wanted to know DMRC project, we recently won one project of around Rs. 1,400 crores from DMRC, so by when you are expecting it to start work on that particular project or we will receive any interest mobilization advances or what could be the payment cycle? So earlier we have done one DMRC project where payment is back and so I just wanted to know this thing.

Kamal Gupta: Well, Sandeep, DMRC package that you are referring now, the Rs. 1,400 crores, it is basically the line two packages which is line 2A which is comprising of two projects that we have bagged, elevated metro. The project has advanced, we are expecting to receive in a month's time and due to some formalities which are pending. And the other thing is regarding the payment bidding and execution, the work has already commenced, the base work at the field has already been done, around more than 5 to 6 kilometer area has already been barricaded for this DMRC project line two. So the working pile, soil investigation survey is going on and the working pile has also started and we have done around 15 piles already and the sub-structural work has also begun. And we have already done billing of close to Rs. 15 crores in this Q3. So the

work has practically started. And with regards to back ended and the thing that you are saying, this lump sum contracts are usually a little bit back ended, but as compared to line two, Delhi metro that you are mentioning for the CC 20 and 24 projects, they are underground metro projects where the backward loading issue is more serious as compared to the elevated one, because there we get paid for the tunnel areas and stuff which is only paid after the work is, the segments are laid inside the tunnel. So in elevated this CC line two A that we are mentioning, here the similar problem would not be there, it will be comparatively better.

Sandeep Jagwani: And what could be the amount you are expecting to book revenue from in second half from this DMRC project?

Kamal Gupta: For line two?

Sandeep Jagwani: Yes sir.

Kamal Gupta: Line two we are expecting in this H2 we will be having a top-line close to Rs. 100 crores to Rs. 150 crores.

Sandeep Jagwani: And secondly sir, have you faced any challenges on an execution front due to this demonetization whether labor availabilities to your procurement of raw material?

Kamal Gupta: It is a very minor issue because all the labors are being paid on cheque basis right from the beginning. So it is a minor thing, it is a very localized problem which is there right now. Because once this problem in terms of the payments of cash withdrawal becomes normal there will not be any impact as such on the progress.

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

Shravan Shah: Sir, my questions have been answered. Thank you.

Moderator: Thank you. We have the next question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: What is your debt as of today?

Kamal Gupta: Rs. 500 crores, including the current maturity.

Vipul Shah: And what is the coupon rate?

Management: 10.5%

Vipul Shah: Are you expecting any reduction due to ongoing interest rate reduction in this environment?

Management: We expect it to go down, yes.

Kamal Gupta: At least 0.5%.

Moderator: Thank you. We have the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Just the order inflow during this quarter, how much was that?

Kamal Gupta: Yes, it is around Rs. 1,740 crores. So this line two which is Rs. 1,400 crores and SCLR that is Rs. 450 crores.

Moderator: Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just to come back on the opportunity side, last time we discussed about the Ahmadabad metro, Coastal Road and Goregaon-Mulund link road and also the trans-harbor. Could you give some idea about what are the situation in these projects and what are the kind of timelines we are seeing for these?

Kamal Gupta: Well, Ambar, already like we have mentioned earlier, for this Mumbai trans-harbor link already the pre qualification documents has been submitted, it is under purview. So another like two to three months we should be seeing all these financial bids to come. With regards to Coastal road, there is some discussion going on between with the government, so the pre-qualification document itself has not been called till date. But again, in the fourth quarter we should see this work also coming up.

Amber Singhania: And Ahmadabad metro we have submitted the bids earlier, any outcome on that sir?

Kamal Gupta: No, Ahmadabad metro currently we have not bided any project there because the particular line which was there had some issues, so we did not go in for that project.

Amber Singhania: So sir, apart from trans-harbor if you can give top five projects, sorry to come back to the same question, top five projects where we are seeing next six months the bidding will happen and which could be substantial in terms of size, if you can name and quantify the size.

Kamal Gupta: Line 2B is coming up which is to the tune of close to around Rs. 2,000 crores.

Amber Singhania: And that is from where to where, sir?

Kamal Gupta: This is from Andheri D N Nagar to Bandra and Mankhurd. Another is line4 and both are like Rs. 2,000 crores to Rs. 3,000 crores packages, divided into four packages each. And the other one is for the tunnel packages which has come up from MSRDCs side on the Bombay - Pune expressway they are widening the tunnels and the road widening also, they are going in for increasing the lanes. And another like coastal road what we had been discussing now, MTHL is there and various other flyovers also which are being coming up, intermediately there are a lot of flyover works also which are coming.

Amber Singhania: Sir so this Mumbai - Pune expressway with widening of roads, will that come under EPC way or...

Kamal Gupta: It will be totally under EPC and MSRDC will be the executing body.

Amber Singhania: And what could be the size?

Kamal Gupta: Around Rs. 300 crores - Rs. 400 crores each packages.

Amber Singhania: And this line 2B and line 4 both are four packages each?

Kamal Gupta: Rs. 1,000 crores each package, something like this.

Amber Singhania: So line 2B and line 4 combining to be around four packages?

Kamal Gupta: Line 2B and line 4 each are around four packages each of the average size of Rs. 500 crores.

Amber Singhania: And is there any restriction in terms of number of packages one participant can win in that?

Kamal Gupta: No, they will not be having that condition, but on an overall one company will not get around three projects is what we are planning to do with all 2B and 4 put together, but nothing has come yet.

Management: Yes, nothing has come, so let's see when the tenders are officially announced that time we will come to know.

Amber Singhania: And second half our order inflow guidance is around Rs 2,000 crores, right sir?

Management: For?

Amber Singhania: For remaining part of the year, for H2, overall order inflow.

Kamal Gupta: No, I did not mentioned, I mentioned that before the fiscal year 2018 another Rs. 2,000 crores order book will be surely backed by J Kumar, this is what we had mentioned.

Amber Singhania: Before fiscal year 2018?

Management: We will maintain the Rs. 10,000 crores order book position.

Kamal Gupta: The current order book position will be still maintained, that is what we just wanted to put.

Moderator: Thank you. We have the next question from the line of Subramaniam Yadav from Subhkam Venture. Please go ahead.

Subramaniam Yadav: Sir, just to clarify, the order inflow for this quarter, Q2 you have given Rs. 1,700 crores?

Kamal Gupta: Correct.

Subramaniam Yadav: Because after that also you have announced that line two order, right, so what is not included in this, right?

Kamal Gupta: That is included, Rs. 1,700 crores as was told, Rs. 1,400 crores from line two and Rs. 450 crores from SCLR extension.

Subramaniam Yadav: But sir you have announced that after this quarter, that is in Q3 you have announced?

Management: Practically it is for Q2.

Subramaniam Yadav: Yes, I just wanted to know in Q2 exactly how much we have got.

Management: No, so this is Q2 and till now we can consider 350 crores.

Subramaniam Yadav: Yes, so how much was it?

Kamal Gupta: You put it in Q2 or Q3, this is the order that we have received till now, because legally it is to be booked in Q3 you want to say but technically it has been backed in Q2 itself. We are L1 and the order book L1 had already received, but if we do not get the work order we do not put it in the order book position.

Subramaniam Yadav: No, YTD for this year what is the inflow?

Management: For this year, right?

Subramaniam Yadav: Yes.

Management: Rs. 750 crores, same thing.

Subramaniam Yadav: And sir one more thing, in terms of accounting revenue for the metro, we do work for Rs. 100, do we completely book Rs.100 or the share of 2% goes and we book Rs. 98 in the book?

Management: Okay, you are talking about the JV?

Subramaniam Yadav: JV, yes.

Management: Yes, we book 98% only sir.

Subramaniam Yadav: So this 2% does not come in the P&L, right?

Management: But the profit from the joint venture comes in J Kumar, Rs. 100 in the JV and then transfer to J Kumar is 98% but Rs. 2....

Subramaniam Yadav: So in the P&L account we book Rs. 98 revenue, right?

Management: Yes, in J Kumar.

Subramaniam Yadav: And sir, one more last thing sir, we have leased this area in BKC, the main purpose you had mentioned is for metro work, but do we require such a big place for the metro people to...

Management: This is a temporary arrangement because since our corporate office is coming up, so this is a time being arrangement because initially for mobilization these guys are given a space, but we have to construct temporary offices, so even that will take four, six months to construct. So till that time we have made some arrangements so that at least people and everybody can sit there, they start the working, working should not be hit there.

Kamal Gupta: And for initial six months basically we are not paying any rent, so that is the best part why we went in for it till our permanent arrangement has been made we have made this temporary arrangement.

Subramaniam Yadav: But the actual cost is very high, so whether we have considered this in our bidding for the project or this would be the incremental overhead also we are looking at right now?

Management: No, there is no incremental overhead, it is part of the expenses what we are considering in our bidding.

Subramaniam Yadav: And sir, when is this J Kumar house coming up finally?

Management: This is going on, the RCC has completed, we are starting the finishing, so another one and a half year.

Subramaniam Yadav: So we would be shifting those people back here or still be continuing till the end of the project?

Management: No, it is like we are also constructing some offices at the site as well, so they will take some six months, eight months. So part of the people will start shifting from this month.

Kamal Gupta: But basically, Subramaniam, what is needed to be understood here, J Kumar House is not for the site people, that is basically for the head office team which has been operating and the back office team. In every project whether it is a Rs. 100 crores flyover or whether it is a Rs. 5,000 crores project, every location we need to make site offices. So even after J Kumar House coming up the site offices will still operate from the site.

Moderator: Thank you. We have the next question from the line of Bhavin Thakkar from Param Capital Research. Please go ahead.

Bhavin Thakkar: Sir, my question is that since the government spending is coming up a lot in infrastructure segment, so do we aspire to become a very big company like say L&T in next five to 10 years' time?

Management: Very frankly, as you know our mantra is not a top-line growth, our mantra is a profitable growth. So, of course with the top-line we are more interested with the bottom-line, so if the profits keep coming of course the top-line increase will be there, but we are not thinking that we have to be like L&T with a Rs. 40,000 cr of top-line and all. But of course, the top-line will keep going up with the bottom-line.

Bhavin Thakkar: Sir, when will the tunneling work for the line three start?

Kamal Gupta: Tunneling will take another 10 to 11 months, because first we have to prepare the shaft, so that takes around 10 months, so tunneling will take around 11 to 12 months to start.

Bhavin Thakkar: And the drilling machines and all the machines, that will be in place in the next 10 months, right?

Kamal Gupta: Yes, we already ordered for that tunnel boring machines and two machines are coming from existing Delhi sites, so that will come well before time.

Management: They are already free at Delhi now.

Bhavin Thakkar: Sir, and the third one would be, sir in the Mumbai trans harbor link what we hear is there is a dispute between the center and the state in terms of they want state government to act as a guarantor which they are not willing to do. So like what you are hearing in terms of how quickly this jam can be solved and the tenders and everything can be rolled out?

Management: What we heard unofficially is already sorted out, but let's see what it comes in the final hearing. So it will go ahead, I do not think it should be an issue because Modi is coming on 24th to lay the foundation stone for all these

projects, so this should be clear by that time.

Bhavin Thakkar: So by when can we see this tender coming out?

Management: Tender like January or so, January or February.

Moderator: Thank you. We have the next question from the line of Abhishek Jain from KR Choksey. Please go ahead.

Abhishek Jain: I just want to understand the working capital cycle for the Mumbai metro project, if you can brief something about that.

Management: The working capital cycle, this has gone up but it will be around 180 days. Mumbai metro is regular thing, we are trying to get it to 150, 160 days.

Abhishek Jain: And what is our target for FY18 or FY19, just for my accounting purpose sir.

Management: The total top-line?

Abhishek Jain: No, the working capital cycle.

Management: Working capital is around 160 days.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Parvez Akhtar Qazi for closing comments.

Parvez Akhtar Qazi: Thank you, everyone, for attending this conference call. And we would also thank the management of J Kumar Infraprojects for giving us this opportunity to host the call. Kamal and Nalin sir, do you have any closing comments to make?

Management: Well, we would like to thank everybody for the support till now. And any questions, anything, we are ready to respond to it. Thank you.

Moderator: Ladies and Gentlemen, on behalf of Edelweiss Securities, that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines.

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Q2FY17 Results December 12, 2016 | Conference Call

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