



J. Kumar Infraprojects Ltd.

“J Kumar Infraprojects Q3 FY19 Earnings Conference Call”

February 13, 2019



J. Kumar Infraprojects Ltd.

ANAND RATHI
behind every successful investor



MANAGEMENT: **MR. JAGDISHKUMAR GUPTA – EXECUTIVE CHAIRMAN & JOINT MANAGING DIRECTOR, J KUMAR INFRA**
MR. KAMAL GUPTA – MD, J KUMAR INFRA
MR. NALIN GUPTA – MD, J KUMAR INFRA
MR. ARVIND GUPTA – CFO, J KUMAR INFRA

MODERATOR: **MR. RACHIT KAMATH – ANAND RATHI SHARES & STOCK BROKERS**



Moderator: Ladies and gentlemen good day and welcome to the J Kumar Infraprojects Q3 FY19 Earnings Conference Call hosted by Anand Rathi Shares & Brokers. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi Shares & Stock Brokers. Thank you and over to you sir.

Rachit Kamath: Thank you Liza. Good afternoon, I welcome all the participants on behalf of Anand Rathi Shares & Stock Brokers to the J Kumar Infra Q3 FY19 Earnings Conference Call. I would also like to thank the management for giving us the opportunity to host this call. From the management we have Shri. Jagdishkumar Gupta, Mr. Kamal Gupta, Mr. Nalin Gupta and Mr. Arvind Gupta. Without any further delay I would like to pass on the call to the management. Over to you Sir!

Kamal Gupta: Hi! A very good afternoon. This is Kamal Gupta. Along with I am having Nalin Gupta and our CFO, Mr. Arvind Gupta. I'm glad to share that J Kumar has done very well in this quarter as well.

Coming to the Q3 figure of December 31st, 2018; our Q3 top line has gone up by 38% to 685 crores as compared to 496 crores of the preceding Q3 of '17-18. The operating margin EBITDA has gone up by 37% to 114 crores as compared to 83 crores of the preceding Q3 of '17-18. And our PAT has gone up by 34% to 44.17 crores as compared to 32 crores of Q3 of the preceding year.

Coming to the nine months figure as on 31st, December 2018, the nine-month turnover has gone up by 43% to 1819 crores as compared to 1274 crores of preceding nine months of '17-18. The operating margin has gone up by 44% to 320 crores as compared to 222 crores of the preceding year of '17-18 and the PAT has jumped by 46% to 119.75 crores as compared to 81 crores of the preceding year.

Coming to the order book position; this quarter Q3 we have secured three projects costing 1802 crores which includes one fly-over project of MMRDA in New Mumbai of Airoli-Katai Naka for 275 crores. The other project is of National Highway Authority in Delhi, Dwarka Expressway Package 1 costing 1349 crores and the third project is of an elevated Metro in Ahmadabad of GMRC costing 178 crores. So this quarter we have added 1802 crores. This takes our order book position as on 31st of December, 2018 to 10,465 crores as compared to 9276 crores which was on 30th September. We have already delayed for 2000 crores project which is in pipeline and our net worth stands at 1609 crores as of the 31st December, 2018.

This is from my side. Thank you so much. I will wait for your questions.

Moderator: Thank you. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.



Parikshit Kandpal: What is the total order inflow for nine months?

Kamal Gupta: That order inflow for nine months is 4500 crores.

Parikshit Kandpal: And what is the L1 status as of now with you?

Kamal Gupta: We are L1 in two projects costing 2000 crores, one in Mumbai elevated that is costing 500 crores then the other one is in Delhi NHAI which is costing 1500 crores.

Parikshit Kandpal: NHAI which package?

Kamal Gupta: Dwarka Expressway Package 2.

Parikshit Kandpal: So you have Package 1 and Package 2, so these are aligned projects?

Kamal Gupta: Yes Package 1 we already received the order. Package 2 we've bidden and we came to know that we are L1 so let's hope for the best.

Parikshit Kandpal: So you have already achieved close to 6500 crores and this Mumbai elevated road project is where is this project?

Kamal Gupta: This is Line 6 from Andheri Lokhandwala towards Powai on JVLR road.

Parikshit Kandpal: The second question was on your revenues, so are you increasing your guidance now for FY19 and 20 from 2300-2400 crores in FY19?

Kamal Gupta: I think we have told 2300 for '18-19 but we expect the figure to go up to around 2500 crores for March 19 and for '19-20 we were expecting around 2700 crores. Right now we see that if we go around 3000 crores.

Parikshit Kandpal: And margins will be maintained close to 17%?

Kamal Gupta: Yes, so margins around 16%, so will be able to maintain that and PAT also around 6.5% we will be able to....

Parikshit Kandpal: Margins we are reducing, I think we have already done in nine months close to 16.7 or 16.6.

Kamal Gupta: Yes say margins will continue Mr. Parikshit.

Parikshit Kandpal: Lastly on the debt level, what is the current debt level if you can give us the breakup?

Kamal Gupta: Current debt level is 736 crores.

Parikshit Kandpal: And cash and FDR balance?



Arvind Gupta: Cash and bank balance is around 91 crores and FDR is 325 crores.

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

Shravan Shah: Firstly just clarifying on the margins, you said that 16%, so earlier it was 17% we have already done 16.6 so for 19 and FY20, 17% shall we take this guidance or 16%?

Nalin Gupta: 16% to 17% is an average figure that we are looking at. It is not the cyclostyle figure where you can tell the exact one. So 0.5 here and there, it can be 16, it can be 17 so that is the margin that we are looking at.

Shravan Shah: And CAPEX how much have we done for nine months and for this FY19 and next year?

Nalin Gupta: We have done as of now 81 crores is the CAPEX for FY18-19 till Q3 and we are expecting another 15-20 crores so it should be around 100 crores as against the figure of 100 to 125 that we have projected.

Shravan Shah: And the next year FY20?

Nalin Gupta: Next year we are expecting between 50 to 60 crores.

Shravan Shah: So despite entering into the road projects we will not be requiring more CAPEX in FY20 also?

Kamal Gupta: We have not entered into road project as such. The Dwarka Expressway that we are talking about, its an elevated structure, so it's more of structure work with very less of road work involved in it. So the nature of work doesn't change. The entire order book of J Kumar that we are talking about 10,500 crores still talks about majorly is metros and flyovers.

Shravan Shah: Apart from the L1, 2000 how much more can we expect in this 1.5 month and for FY20?

Kamal Gupta: As of now the tenders have to be bidden so we cannot speak about it. First we need to bid for it. So as of now 2000 crores project that we have bidden we are L1 in both the projects. So we are expecting that the order book of 10,500 crores where we are would be surely maintained that we have told last year as well. We have already bagged 6500 crores with L1 if you say so we will shortly maintain that 11,000 crores order book for the next year as well.

Shravan Shah: And the debt level for March end would remain in the same levels?

Kamal Gupta: There won't be any major difference in that.

Shravan Shah: Even for the next year also, FY20 also?

Nalin Gupta: No FY20 we are expecting some reduction in the debt.

Shravan Shah: How much?



Nalin Gupta: It will be 500 to 550 crores.

Shravan Shah: The debt level will be around 500 to 550 crores by FY20?

Nalin Gupta: Because lot of equipment long-term payments will be done.

Shravan Shah: You are saying the debt level at the end of FY20 would be around 500 to 550 crores?

Kamal Gupta: Yes.

Shravan Shah: In terms of any update from the SEBI side or it's the status quo?

Kamal Gupta: SEBI, the final hearing has already been done on December 19 and we have also given our final submission on 14th of January. So from our side we have done all the compliances now we are waiting from SEBI to hear.

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

Harsh Shah: Just to follow up on the SEBI settlement, we are looking for one-time settlement option as well, right? Is that on the cards or we are going out with the long procedure of going through the audit?

Kamal Gupta: We will be looking for that option when it comes at the right moment. Right now that option is not available so when the option is there we will surely explore that and go ahead.

Nalin Gupta: There is no clear allegation that has been proved on us, number one. So *prima facie* the point of doing a settlement does not arise but we are open to that option if required.

Harsh Shah: So what's the next procedure now after giving the final submission, now? So you just have to wait till....

Kamal Gupta: We have to just watch SEBI what order they are passing.

Harsh Shah: My second question was on the receivable cycle. Can you just tell me what is the receivable amount outstanding as of Q3?

Kamal Gupta: 588 crores.

Harsh Shah: Is there any possibility for it to go down because last time I believe in Q2 there was some when we dug underground there were lines coming up that's why we had a high receivable cycle.

Arvind Gupta: But since the revenue is going up so debtors will go up.

Harsh Shah: But generally we have a one-month billing cycle, so your receivable should be around 300-350 crores odd that's my only concern. If it's a one-month billing and last Q2 I remember when we



had done for Metro line there were some pipes coming up that's why we had to incur the cost and update the bill same to the government...?

Kamal Gupta: There were some segments and all like we don't get paid of that but now some churning is started so we are getting the payment but these debtors will be almost the same.

Harsh Shah: 588 crores you said, correct?

Kamal Gupta: Yes its 588 as of now.

Harsh Shah: When you talk about is Gujarat GMRC 178 crores, is this the same project that IL&FS was denied, and you have got it?

Kamal Gupta: Yes that's the same project.

Harsh Shah: Are there any more similar projects in pipeline that we expect from IL&FS that ex of IL&FS or old projects of theirs or this was the only one?

Kamal Gupta: We had got 100 crores worth project from DR Agarwal's work as well for the East-West corridor that J Kumar was doing we had the elevated wider but these stations were been off-loaded from DR Agarwal and almost like 90-95 crores job was given to us. That is already under execution and this is 170 crores job additional which is from North-South corridor of IL&FS. So they are behind us to good jobs of other companies as well but we are trying to stay and do our job as J Kumar has sufficient work to do on its own.

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

Venkatesh B: I just had one question, quarter after quarter two people have been executing extremely well, you have been winning good orders but the stock price still seems to be depressed primarily because of this SEBI order overhand. So, are there any steps you are planning to take a signal to the market that you're confident about your business, other than the fact that you could possibly go for a consent settlement and finish this thing back so that people can actually ignore the SEBI part and actually start looking at the business which is been doing very well? Is there any plans of doing a buyback or anything like that? I'm aware that the promoters had started buying some amount of stock at the start of the quarter but that buying has also stopped now. So is there anything on the cards which can be done to increase the confidence of the investors?

Nalin Gupta: I would like to say that you guys are the right people who can really take this stock up. By promoters with the amount of capital that we have, we have already bought more than 1,10,000 share and this is not the only thing that can be done. The stock price I guess is low because of two reasons mainly; one is because of the stock market not doing so great and also because of the SEBI matter. But as you all know that the matter of SEBI is so minuscule is that it should not have any impact and a matter which is 8 to 9 years old it should not really bothered you guys for



the confidence level that you should have in us because J Kumar has been doing excellently well in terms of its order book, in terms of its execution. So it's you guys who have to really see that the stock is at such a lower price where you guys can take it and of course I don't believe in short-term but in a long-term all you guys would take more than 100% to 200% profit in this stock being this price being around 125. If you see before the SEBI matter the stock was doing around 250 approximately. So it is totally on you gentlemen, the investors to take the stock price up. If you have the confidence that yes we have been doing excellent then I guess nothing can stop this stock from going up.

Venkatesh B: Just one thing, what kind of order inflows would you be wanting to target, order inflows for the next year, is there anything in mind or is it too early to discuss?

Kamal Gupta: Mr. Venkatesh we are targeting between 11,000 to 12,000 crores of order book to be maintained for next year as well. So whatever we will consuming this year we will positively take orders in this coming year and we will maintain order book of around 12,000 crores.

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

Venkat Subramanian: I have a similar question and it's for the entire management team. The stock price depression is not the only thing that matters, meaning all of us are long-term investors we understand what's happening. But I think we still need a signaling from the management. We probably will have close to about 200-225 crores of cash flow next year, why can't you possibly signal in terms of a possible share buyback because that will still reduce capital by almost 8% to 10% or probably even more. While all of us are convinced and all of us are probably very happy buyers now, meaning the value distraction is actually the maximum for the promoter family and this is actually a good form of dividend distribution which is pretty healthy.

Kamal Gupta: Mr. Venkat what we can show you is our execution skills and execution capabilities and I think that's very much seen. But we will shortly explore the possibility what you have suggested and we will talk internally with the board and if that gives the confidence to the investors we will surely try what best we can do about that matter.

Venkat Subramanian: It's clearly a win-win, it's not money spent without a reason because it will reduce share capital and it will automatically increase your stake. Its tax efficient and JKIL actually as a company has that kind of cash flow coming next year.

Kamal Gupta: You are right.

Venkat Subramanian: When you don't signal that that's really when actually market gets even more despondent. It something that in the normal course people will automatically extent because we are probably going at about five times earning and if at this point in time the promoters are not doing this if anything it will send the further negative signal.



Kamal Gupta: We take your point Mr. Venkat and we will surely try to do best possible and we will discuss internally about this what best we can do.

Venkat Subramanian: Can we possibly discuss this? A lot of time to suggestions are thrown and then we don't see a feedback, can we possibly have some uncertain next one or two quarter conference calls?

Kamal Gupta: Mr. Venkat we will surely try to do that within one or two quarters itself. But as you guys had suggested we already bought 1,10,000 that was from our side.

Venkat Subramanian: I'm talking about actually as the cooperate entity when we have that kind of a cash flow coming which is really what all of us are betting on when we buy additionally.

Kamal Gupta: We will surely discuss it.

Moderator: The next question is from the line of Vikas Jain, an individual investor. Please go ahead.

Vikas Jain: My first question is about the 10,500 crores order book that you have, could you please help me get a split of how these orders constitute of?

Kamal Gupta: 10,500, so it's like around 6500 from Metro all put together, so it's like Bombay, Pune and Ahmadabad and the others are from different places which constitute a bigger one 1350 from Dwarka Expressway, Delhi and the bigger one is NBCC Delhi is around 550 crores.

Vikas Jain: What kind of EBITDA margins are we expecting from the Metro project because that constitutes to be the biggest pie?

Kamal Gupta: It's almost 55% off or order book as of now, so the margins in Metro and these flyovers are similar to as what you are saying 16%-17% EBITDA.

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

Vijay Shetty: MMRDA is coming out with lot of tenders like the Line 9, 5 Extension 6 and the bridge, so is J Kumar bidding for any order?

Kamal Gupta: Yes we are surely going in for it because it's like Metros, we are very much around 40% to 50% we are taking care of it. So we will be shortly going in for Line 9 and 5.

Vijay Shetty: No update on the Delhi Metro side because it's been some calls we have talked about it.

Kamal Gupta: Delhi Metro Phase 4 is coming up and it should come up by somewhere around September-October approximately is what they are expecting. Already the DBRs are in place, GC tenders has been floated and some of them are also awarded. But the civil contract should come in by August or September is what we are expecting.

Vijay Shetty: Any slowdown in the orders because of the elections once the new government comes in?



Kamal Gupta: Absolutely not because the tenders which are already floated are not stopped. New tenders cannot be floated 20 days prior to code of conduct. So these 2-3 months of course there won't be any new tenders

Vijay Shetty: And all these contracts which have been put to tender by MMRDA when do you expect the award?

Kamal Gupta: These tenders like they should be submitted somewhere in March and April, so by May or June you can see the tenders to be, April-May-June whatever we the....

Vijay Shetty: But not before the elections?

Kamal Gupta: Not before the elections.

Moderator: The next question is from the line of Aditya Chandrashekhar from Edelweiss. Please go ahead.

Aditya Chandrashekhar: The revenue of 686 crores can you just give a broad project wise breakup?

Kamal Gupta: The revenue of 686 for Q3 compromises from Line 3 it is around 210 crores and from Line 2 and 7 it is 160 crores and JNPT it is around 130 crores and rest all 20-30, 20-30 which goes up to like to 686.

Aditya Chandrashekhar: Can you also give a segment wise breakup of the order book?

Kamal Gupta: Segment wise?

Aditya Chandrashekhar: Yes as a percentage maybe of how much is from Roads and how much is from Metro?

Kamal Gupta: From the order book?

Aditya Chandrashekhar: Order book yes.

Kamal Gupta: Order book like from civil it is around 10% and Transportation is around 90% which includes the Metro as well as the Bridges-Flyovers and Dwarka Expressway.

Aditya Chandrashekhar: How much would be Metro and how much would be the Expressway and Flyover?

Kamal Gupta: Around 60%.

Aditya Chandrashekhar: In just a broad status update on the Mumbai Metro project.

Kamal Gupta: The Mumbai Metro projects are going excellently well, the elevated as well as underground both. So as you may be seeing like going across on Western Express Highway or the Linking road since it is elevated you can see the work is going at very good speed. Even the underground the land issues everything has been sorted, so all the five tunnel boring machines are doing very



well. In fact on 20th of Feb we are doing the first breakthrough and from Feb onwards in all the months, these are coming five months will be doing five breakthroughs by the five machines. So all the machines will be completing one-one drive, so all the Metros are doing very well and the new Metro project what we have started in Pune and Ahmadabad, Pune is already started and Ahmadabad will be started now. The addition work has been awarded to us.

Moderator: The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just a follow-up question on the previous speaker. If you can give some broad idea about the 3000 crores of revenue which you are targeting in FY20, how much will come from the top 3-4 projects which is Line 3, Line 2, 7 JNPT and others?

Kamal Gupta: Basically we are expecting a top line close to around—I could give you a broader perspective with respect to some major projects but I cannot give you in detail for all like Metro Line 3 we are expecting a top line close to around—1000 crores followed by 2 as around 300 crores, 7 of nearly 100 crores and Ahmadabad we are expecting another 100, Pune Metro we are expecting around 150 to 200 crores. Again Metro Line 6 we are expecting close to 150 to 200 crores, so that so it's close to around 2000 crores approximately is what we are expecting from Metro and around 1000 crores from others.

Amber Singhania: Just wanted to know the status of NBCC Delhi project what exactly the status, how far is the work completed there?

Kamal Gupta: Delhi these two projects of NBCC and Dwarka, NBCC has not yet started because of some land issue there. We are yet to take off and Dwarka we've already mobilized. We've got the order, so by next month we should start that project.

Amber Singhania: Dwarka we can see around 300-400 crores of revenue next year?

Kamal Gupta: It should be around 250 crores.

Amber Singhania: NBCC projects you think you need to remove from the order book?

Kamal Gupta: It is still there but that's taking their time. What I can see that it will take another 2-3 months to get it floated. But it will surely come, not an issue.

Amber Singhania: But the project is fine on that part?

Kamal Gupta: Yes project is fine. We've already mobilized also there.

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

Vipul Shah: I want to know what is our total cumulative CAPEX for all Metro lines orders together.



Kamal Gupta: We don't have a breakup as such for Metro and Flyovers separately. But as we had already mentioned that in FY18-19 we have done a CAPEX of 82 crores till now and we are expecting another 20, so 100 crores this year and followed by 50 crores to 60 crores in the next year.

Vipul Shah: But predominantly it should be all related to metro?

Nalin Gupta: Metro and that too also for our Dwarka Expressway is what we are expecting.

Vipul Shah: This tunnel boring machines we have around five?

Kamal Gupta: We have seven.

Vipul Shah: Once this Metro projects are over so what will be doing with those machines?

Kamal Gupta: There are a lot of Metro projects which are coming time and again, like Metro Line 9 which is recently coming up which is already in bidding and the submission is on 6th of March. So, there we will be requiring two tunnel boring machines anyways. Phase 4 again you require a lot of TBMs. Ahmadabad, Surat is coming up, so they don't so they will be requiring. Every metro project whenever it comes up around 30% of the project is underground on an average. So that's how these machines would be required and more than 50% of the machine value is already amortized on the projects. We have to keep it in the yard that's it and also whenever even if you don't bag the orders there are resale opportunities which are coming up throughout the world actually.

Vipul Shah: I just want to know whether transcripts of this calls are put on the company's website because I'm not sure I tried to find out one, but I couldn't find?

Management: Can you come back with your question again please?

Vipul Shah: The transcripts of this conference call, we put it on our website or not?

Kamal Gupta: It's already on the website.

Vipul Shah: I did not find it so whom should I contact, on which section it is because I couldn't find it maybe it's my fault.

Arvind Gupta: Just call me, Arvind Gupta.

Kamal Gupta: You can call Mr. Arvind Gupta and you can make sure it is available on the site.

Nalin Gupta: Our board line numbers are already there published on the websites so there you can contact and Mr. Arvind Gupta our CFO would be more than happy to help you out.

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



Parikshit Kandpal: This Dwarka project, what is the land status. It is going to be elevated but what is the land status?

Kamal Gupta: Dwarka, the land is available with them. So, there was some Airport Authority land which is already acquired by them so land is not a issue. There is some tree cutting permissions, they have proposed so that should be available with them in another by this month end, Feb end. So, we can start the project by first week of March.

Parikshit Kanpal: Camp and all you have already started?

Kamal Gupta: We have already started mobilizing the other things, resources.

Parikshit Kandpal: What will be the total mobilization advance as of now and how much we are expecting from the new orders balance?

Kamal Gupta: The mobilization advance as of now stands to 586 crores.

Parikshit Kandpal: How much you are expecting further incrementally?

Kamal Gupta: So, whatever is the additional work will do there like to 2000 and 2004 so it's around 300 crores, 200 crores to 300 crores.

Parikshit Kandpal: This employee cost has gone up during this quarter to 77 crores so any particular reason and what will be the...?

Kamal Gupta: With the increase in huge amount of the work that the company is bagging and the variety of work that we are doing, it's all specialized jobs where the cost of employee is reasonably on it because we need all specialized and much qualified people. We have recently introduced two senior level management people also so all these people they come with a cost because when the company is growing you cannot work with a proprietary style. So, you need to get more and more professionals so that's what the company is knowingly doing it.

Parikshit Kandpal: These 77 crores to 80 crores a quarterly run rate so this will be maintained from here now or how much should we assume?

Kamal Gupta: Salary is around 20 crores per month so it's around 240 crores per annum which will be stable where you shouldn't see much difference because the main increase work because of the company's order book going 3X but right now as we are maintaining the same, I don't see any major shoot up in the salary and also maybe this is because of the bonus that the company has released due to Diwali. Bonus and increment, every 1st April there is an increment which is given so that effect is together it is being seen.

Parikshit Kandpal: What will be the inventory levels now in the books of inventory?

Arvind Gupta: The inventory as of now is dated as 887 crores.



Parikshit Kandpal: This elevated road project will be on the Thane-Belapur road or it will be having some drilling portion and it will be cutting through the hills and then going connecting to?

Kamal Gupta: You are talking for Line 5?

Parikshit Kandpal: No, elevated road to Katai Naka, Airoli to Katai naka?

Kamal Gupta: This is from Airoli flyover, Airoli bridge when you cross towards the other side not the Eastern express side. It starts from there and goes all the way through Thane-Belapur road and end of that there is other passage which cuts the hill and goes inside.

Parikshit Kandpal: That package is also that you or?

Kamal Gupta: That package is not with us. That's the other thing.

Parikshit Kandpal: That has been bided out already?

Kamal Gupta: Yes, we didn't bidden for that.

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

Harsh Shah: I just wanted to follow up if on this order book are there any orders which have not picked up for the last 6 months or orders which are not being executed right now?

Kamal Gupta: There is only one order that is your Delhi NBCC, apart from that there are none projects which have not started.

Harsh Shah: You don't report those orders; we don't exclude them from the order book if the order has not been picked up?

Kamal Gupta: No that is only this project and I briefed you that in this project there was a land issue, change in land issue so that's why it has time and it will take another 2-3 months.

Harsh Shah: Just for my business understanding you said on 20th Feb it is the first breakthrough for the TBMs. Can you please explain what that is, like the TBM machines are going to meet each other at a particular point or?

Kamal Gupta: So, this is like we have launched a five TBM machines at different locations, different stations from Dharavi to International Airport. The first machine from T2 that is International Airport it is coming towards Sahar station and so we have completing that drive, launching is done it was moving towards Sahar so this will complete this line, this will come out at the station so when the retrieval is done we call it as a breakthrough that it has completed the tunneling and will be coming out to the station. So, we will remove this, retrieve this and launch it at the other location.

Moderator: The next question is from the line of Vipin Anthony from Equitree. Please go ahead.



Anup: This is Anup from Equitree India Business. I was asking about that contingent liability in the books, in annual report there was a guarantees of 2365 crores. What would be the figure right now and can you just elaborate on what these are, what's the timeline of these guarantees? I understand we have the guarantees given by J Kumar to projects already executed.

Arvind Gupta: This is contingent liability of line of actually non-fund with guaranty limit and this busy period is almost near about the completion of the period as well as the DLP of the project site. Maybe it's near about 2 to 3 years.

Jatin Anthony: What would be the figure right now, amount?

Arvind Gupta: 2300 crores.

Moderator: The next question is from the line of Sunil Shah from Turtle Star Portfolio Managers. Please go ahead.

Sunil Shah: We have undoubted capabilities on our execution. Now just going back to the SEBI matter a little bit, there are 2-3 parts to it. Their allegation or the entire problem area is that some 8 to 10 years ago we had done some work for some shell company and so SEBI has put a question mark on, they are also alleging that we are a shell company; am I getting this correct?

Kamal Gupta: Firstly, I would like to reply that the time of 2008-2010; the time when we took this subcontract from PACL it was not a shell company, number one. Number 2, that was the time where you appreciate that that there was a global recession from 2008-2010 and there was infra works on EPC mode which were coming up in a big way. So that time to maintain the fixed cost of the company we had taken up this job and which was subcontracted to other person when subsequently as we had work and there was nothing much to be done from our side. So this is purely a thing which is been done when the company was not a shell company and as far as our company is concerned, SEBI has already clarified during the hearings and correspondence that we are not looking at J Kumar as a shell company so now it's only the matter of clarification of the transaction which is purely by cheque and the entire transaction, money has been received by cheque and has been given by cheque and just a amount of Rs. 4 crores has been earned as profit out of which 1 crore has been paid in the way of tax and it's only 3 crores that the company is has made as the profit. So as one of the gentlemen in the earlier in this con-call has suggested. In case even if they; it is been there if you already have an option of filing a settlement through consentum so we will explore those opportunities and I guess you guys would have faith on J Kumar that with all odds we have overcome all the problems and yes this is a issue which we are very-very confident that we will get out of this because the amount is very-very meniscus.

Sunil Shah: This amount of 3 crores has resulted in your operation of about 1000 crores over market cap? I am just putting it in perspective; I'm completely on your side but just to give a sense to how the market is behaving. Is this my understanding correct on that side?



Kamal Gupta: This cannot be fully attributed towards that. It also, because of some of the perception of some infra companies which has failed. It's a combined effect of all that but we cannot really tell how much because of this matter the prices have gone down.

Nalin Gupta: If the market is not doing good that's I guess one of the reasons and as Kamal has already explained it is because of some other infra company is not doing good so that's how the whole, the perspective towards the infra companies; they fall into a different picture but as far as J Kumar which is our company I would like to say that the numbers are speaking in terms of year-on-year basis, in terms of order book, in terms of the revenue, in terms of the profits so the company is doing extremely well and we can surely give you an assurance that we will not let you all down.

Sunil Shah: SEBI was asking us to have this forensic audit done, so any update meaning when you say that you have submitted the papers by mid of Jan; is it that we have submitted the forensic audit from your side or that is still pending in SEBI is going to do the forensic audit for whatever their transaction was in the past?

Kamal Gupta: SEBI has told like they ask us some questions, they said if you don't reply in 30 days the forensic audit will be done so we have already put our appropriate reply in place, so we are just waiting for them now.

Nalin Gupta: And even if they want, if they put a forensic audit, we are not at all worried about it. It is only we were being against it to put our point that we are correct. We don't want any outsider to come and sit in our office for no reason. So, we were trying to put our point. In case SEBI is not satisfied with our reply and they want to conduct a forensic audit they are more than welcome to come and check our books.

Moderator: The next question is from the line of Rachit Kamath from Anand Rathi. Please go ahead.

Rachit Kamath: I just wanted to know the breakup of your 713 crores debt. I just wanted to have an idea how much has gone on for working capital needs and how much it is for equipment financing?

Arvind Gupta: Debt breakup is from a long-term debt is 155 crores. Current majority compromises of 83 crores, short-term debt is 497 crores.

Rachit Kamath: Your banking limits that you have, how much will they be, your banking limits fund based and non-fund based limits?

Arvind Gupta: It's around 3900 crores approximately out of which utilize limit is around 3300 crores.

Rachit Kamath: Given that we will be going ahead for some of the bigger projects Dwarka in the coming months so are we going to enhance our facilities?

Kamal Gupta: Yes, in a non-fund base it will exactly go up.



- Rachit Kamath:** Is there any amount that you are thinking of?
- Nalin Gupta:** Should be around 500 crores. It is around 10% of the contract value that we bagged we have to pay as performance guarantee so whatever order we bagged we have to pay 10% without fail for that and again 10% for if you want to take a mobilization advance for it.
- Rachit Kamath:** One more question on Dwarka project, NHAI project so this would come under the new RFP or the old RFP because we will wait for the project and there is new RFP was not in place but then now given the new RFP is already been floated so would be come under the new RFP or the old and how are the project within we are already L1 now?
- Kamal Gupta:** So, the first project was of course from the old RFP with the package to where we are L1 partly it is from old RFP and partly it is from the new RFP. In the Package 2 they have given us a DLP of 10 years that's the only change.
- Rachit Kamath:** And how about the mobilization advance and mobilization advances would carry bank rate plus 300 basis points or only in bank rate?
- Kamal Gupta:** It will carry bank rate plus 300 basis points.
- Rachit Kamath:** Second project would come under the new RFP.
- Kamal Gupta:** That's true.
- Rachit Kamath:** How would this have changed over the way we would have bid for the projects so essentially you would have built higher margins in your estimates?
- Arvind Gupta:** This is a cost to us so we do inbuilt costing. Whatever the bank rates if they give interest-free that we do discount that and if they put a interest we do this as a cost to us and we do account it in our costing. So, the bidding is according to that.
- Rachit Kamath:** This again with the JV with the same joint venture partner?
- Arvind Gupta:** No this is standalone in J Kumar's name.
- Moderator:** As there are no questions, I now hand the conference over to the management for their closing comments.
- Kamal Gupta:** Firstly, I would like to thank everyone for giving their valuable time and attending this con-call and we will surely take into consideration the suggestions made regarding SEBI by all you gentlemen and with the overall performance I guess everyone would appreciate that. The numbers are going excellent and we assure you guys that we will maintain the growth and the profitability in top-line and bottom-line both and even the SEBI issue we will try with the time it is to be sorted. We expect full support from all the Investors like we have been getting from



the past one decade from you gentlemen and thanks a lot again for attending this call. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen on behalf of Anand Rathi Shares & Stock Brokers that conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.