

## Conference Call Transcript

### J Kumar Infraprojects

#### Q1FY17 Results

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#### *Corporate Participants*

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**Mr. Kamal J. Gupta**  
*Managing Director*

**Mr. Nalin J. Gupta**  
*Managing Director*

**Mr. Arvind Gupta**  
*CFO*

## Questions and Answers

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the J Kumar Infraprojects Limited Q1FY17 Results 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 phone. I now hand the conference over to Mr. Parvez Qazi from Edelweiss Securities. Thank you and over to you sir.

**Parvez A Qazi:** Good Afternoon. On behalf of Edelweiss Securities, I welcome you all to the Q1 FY17 Conference Call with J Kumar Infra. Today, we have with us Mr. Kamal Gupta – the Managing Director and Mr. Arvind Gupta – the CFO of the company; Mr. Nalin Gupta – the Managing Director will also join us shortly. I would now hand over the call to Mr. Kamal Gupta for his opening remarks. Over to you, sir.

**Kamal J. Gupta:** Hi! Good Afternoon here. This is Kamal Gupta. This quarter was really good for J Kumar. If you see there was a good inflow of the orders. All the three big metros what we were looking for has materialized. Taking into the figures of this Q1 of '16-17, the top line has gone up to Rs.403 crores as compared to Rs.363 crores of the similar quarter of '15-16 which has increased by 11% and the EBITDA is Rs.68 crores which was Rs.67 crores in the same quarter of previous year which is 16.9% as of now and the PAT has gone up by 15.6% to Rs.29.5 crores as compared to Rs.25 crores in the previous year. The order book position looking on 30<sup>th</sup> June stands at Rs. 8,650 crores plus Rs. 1,200 crores of Line-II for which we have got the LoI for that and agreement is pending. So that is why we are not considering the order. So that taking it to Rs.9999 crores, almost Rs. 10,000 crores.

**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 Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** I just wanted to know with regards to MMRDA, so we have already got LOA from DMRC who is a project consultant and we also understand that we have also arranged for the bank guarantee. So why is there a delay in signing of the agreement which has already been signed in other metro projects?

**Kamal J. Gupta:** We had to give 1% bank guarantee from our Chinese partner also in this. So we have given the bank guarantees and all, it is done, they have already given the LOI and that agreement was pending because 1% has to come from our Chinese partner. So because of this bank formalities of Chinese government and Chinese bank and Indian bank, it took some time. So, this will

be done in this coming week of time. So the agreement will be signed. The work has already started on this package as well.

**Parikshit Kandpal:** 1% is what -- the share of Chinese partner?

**Kamal J. Gupta:** No, as per the tender conditions, our foreign partner is to give 1% of the bank guarantee. So because of this banking issues of Chinese banks and Indian banks that was taking some time. That was the only thing. The physical work also on this package has already started.

**Parikshit Kandpal:** Second question was, there was this news flow recently that MMRDA seeking AG's basically advice on allowing JKIL to bid for the Trans Harbour link package and also suggests that he has given a favorable view in favor of the company that one project should not set a precedent for barring the contractor to bid for the other projects. I just wanted your views on that. Is this package also waiting the clearance from AG?

**Kamal J. Gupta:** Once they have issued the LOA, it is done already. As I am telling physical work also started on this package and the agreement will be done in these two weeks' time, we are just awaiting for that 1% of the bank guarantee from our counterpart of China. Secondly, the AG's opinion MMRDA has taken for all future work of MMRDA and other departments. It was not because the work which was already done. So in this also if you are seeing in the paper and all, so they have given a very positive opinion about this that like you cannot debar or restrict anybody from quoting any other department because of this BMC issue, you have to see like your performance with that particular department. I think that was a very good thing for us, J. Kumar like whatever concerns, all the investors had should be addressed now because of this.

**Parikshit Kandpal:** But will MMRDA blindly go with that decision of AG or it could be like further within the board they have to still deliberate that whether you should be...what is the status as of now, can you bid for...?

**Kamal J. Gupta:** This opinion is like the authority like, he is the Advocate General of Maharashtra which is above the high court also. So I think that should matter a lot for all departments.

**Parikshit Kandpal:** So you would be allowed to bid for the Trans Harbour now?

**Kamal J. Gupta:** Yes, absolutely boss, like for any work there cannot be any concerns on.

**Parikshit Kandpal:** What is the status in BMC – are we blacklisted, are we deregistered, because they have been different reports where people have been...?

**Kamal J. Gupta:** BMC issue right now, Parikshit, is the same status which was three months back, they have issued us a show cause notice. So that means like in the show cause notice they have deregistered us for registration for quoting further work in BMC in that particular department. There is no blacklisting, no department, anything till now.

**Parikshit Kandpal:** So we cannot bid for the Coastal Roads Project as of now?



**Kamal J. Gupta:** They have right now suspended our registration for the road department. Coastal is specialized work. I do not think that should affect it.

**Parikshit Kandpal:** Within the registration also, there could be segmentation that for Roads you cannot be allowed but for other specialized work...?

**Kamal J. Gupta:** You are right, there are different levels and different verticals in BMC, so this is particular for the road work.

**Parikshit Kandpal:** If you can just update us on what is the status of SLP in Supreme Court against the BMC which you have filed for cancellation of your projects?

**Kamal J. Gupta:** Even there like we were successful in getting the orders in our favor. So they have issued suo moto stay on this thing. So BMC cannot proceed with that now. It is status quo for that thing and the next hearing is done on 29<sup>th</sup> of this month.

**Parikshit Kandpal:** Status quo means they cannot rebid the project until and unless there is some decision which happens on this project?

**Kamal J. Gupta:** That is what, they stayed that high court order for the time being, it is a status quo.

**Moderator:** Thank you. The next question is from the line of Srijan Sinha from GAM. Please go ahead.

**Srijan Sinha:** My question is with respect to the order book. If I am not mistaken, last quarter we ended with Rs.3600 crores worth of order book ex of Mumbai Metro and if this year we do something like Rs.1700-1800 crores I think predominantly that will come from the non-Mumbai Metro order book. So that will significantly erode our non-Mumbai Metro order book. So are we bidding for the additional project to shore up our order book, what is the visibility that we have?

**Kamal J. Gupta:** I am a bit confused, Mr. Sinha, with Mumbai Metro, right now, we are talking the consolidated because initially the Mumbai Metro was getting delayed, so all the line-2, line-7 and line-3 are with us, all the three are physically started... investigations and all, so we are talking all with metro now.

**Srijan Sinha:** So if we take out the Mumbai Metro, what is the order book currently standing at?

**Kamal J. Gupta:** Mumbai Metro is Rs. 10,000 crores, so without Mumbai Metro it will be around Rs. 2,700 crores.

**Srijan Sinha:** This year we are trying to achieve Rs.1700-1800 crores of top line. So revenue recognition on the Mumbai Metro will be very small. Am I right?

**Kamal J. Gupta:** Comparatively small.

**Srijan Sinha:** So in that case, my order book is getting eroded barring the Mumbai Metro. So are we bidding for additional project to shore up that?

**Kamal J. Gupta:** I do not know why you are considering Mumbai Metro separate and other order book separate, Mr. Sinha, because previously also

when we were doing this work of Ahmedabad Metro or New Mumbai Metro or Delhi Metro was there, so Metro was always part of our order book. Apart from Mumbai Metro, why should we talk? We should talk like with the order book combined with Mumbai Metro.

**Srijan Sinha:** With respect to the pledge of the promoter stake, how much is it currently?

**Kamal J. Gupta:** Total is one crore five lakh shares.

**Srijan Sinha:** Do we plan to release them anytime soon?

**Kamal J. Gupta:** Yes, of course. We are in talks with those guys because initially like this 25 lakhs shares were recently pledged by the company for enhancing the bank limits for this Mumbai Metro Project we have to submit the bank guarantees of 11% for this Rs. 8,000 crores project, almost Rs.800 crores of bank guarantees are supposed to be given.

**Srijan Sinha:** So once we receive the mobilization advance, is that when we are looking to release this, is my understanding correct?

**Kamal J. Gupta:** No-no, because of this bank guarantee enhancement, 25 lakhs shares were pledged and this will be released in due course because at that time the appraisals were not done by the bank, on ad hoc basis they require some security from us. That is why we pledged it for the bank limit for giving the performance guarantees. So once the appraisal is done, they will release the equity shares.

**Moderator:** Thank you. The next question is from Dhruv Agarwal from Crest Investment. Please go ahead.

**Dhruv Agarwal:** Just to clarify on the order book, your total order book you said is Rs.8650 crores, right?

**Kamal J. Gupta:** Yes.

**Dhruv Agarwal:** The L2 orders are around Rs.1200 crores, so which makes up to around Rs. 10,000 crores.

**Kamal J. Gupta:** Correct.

**Dhruv Agarwal:** Just one update on the tax authorities which you had your interaction with them sometime back. So what is the update on that – have they given any demand on tax amounts, etc.?

**Kamal J. Gupta:** No, Mr. Agarwal, we had this routine income tax search and there is no disclosure, not a single demand has been raised.

**Dhruv Agarwal:** So that has been done away with right now?

**Kamal J. Gupta:** Yes, that has been done away.

**Moderator:** Thank you. The next question is from the line of Subramanian Yadav from Shubhkam Ventures. Please go ahead.

**Subramanian Yadav:** Sir, can you reset the top line guidance? You said Rs.1700-1800 crores. Does it include anything from the Metro orders this year?

**Kamal J. Gupta:** The figure what you are talking for this FY17, that is around Rs.1700-1800 crores, that is including the Metro Project.

**Subramanian Yadav:** How much would be from Metro this year?

**Kamal J. Gupta:** Metro will be around I think Rs.200 crores.

**Subramanian Yadav:** Sir, this would be basically from the new Underground Metro or the one which we are doing in Aarey Colony?

**Kamal J. Gupta:** No, we have one Underground which is Line-III; Line-II and Line-VII are Elevated from Dahisar to Andheri. I am talking about from all the three put together.

**Subramanian Yadav:** From our existing order book, execution would be roughly then only Rs.1500 crores as per your estimate, right, that would be a bit lower than what we were expecting earlier, because with Metro we were expecting around roughly maybe Rs.2000 crores something and without Metro around Rs.1700 crores. So is there any slowdown in the execution or something like that?

**Kamal J. Gupta:** Metro projects unfortunately it was delayed for awarding by about 5-6-months. So in coming like whatever will be done in the coming these two quarters only.

**Subramanian Yadav:** But earlier also without Metro you said Rs.1700 crores and now you are saying with Metro maybe Rs.200 crores from Metro and existing is Rs.1500 crores, so Rs.200 crores gap is there. That is what I was trying to understand.

**Kamal J. Gupta:** All the projects have just started – JNPT, this Motagaon, New Mumbai. We are not concentrating on other work like for order inflow because the company has got enough work for the time being. So coming four to five months like we are going slow on taking new orders because this unexpected inflow was there from metro side.

**Subramanian Yadav:** Next year from Metro, how much would be the execution?

**Kamal J. Gupta:** The total thing what we are looking is for FY18 is around Rs.2300-2400 crores including Metro.

**Subramanian Yadav:** In the JNPT order, we had around 50% stake earlier. But you said that execution you would be doing 100%. So have we included that order also in the order book?

**Kamal J. Gupta:** Yes, JNPT orders are also included in this.

**Subramanian Yadav:** Finally, the BMC is likely to come out with a second list of investigation. So, does it include any of our projects or testing has been done in or any of our projects?

**Kamal J. Gupta:** BMC second list we have not got any notice from them now. We have not received any letter like our name is not in that second list.

**Nalin J Gupta:** Whatever has been done in that locations, they are like well

under control. So there are no major issues with regards to those and it is quite fine. So there is no any major discrepancy as such in those roads.

**Subramanian Yadav:** The existing Rs.360 crores in the order book from BMC, are we on schedule to execute this or what is the status on that?

**Nalin J Gupta:** There are a lot of encroachments and some utility issues on those areas. So that is why the work has quite slowed down and we have told them clearly that unless the utilities and stuff are cleared, we will not be making efforts in executing those. So even if there is a saving and if we close down those works, we are fine.

**Moderator:** Thank you The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

**Nitin Arora:** Sir, just two to three questions from my side. Can you just quantify the physical execution on your progress on your both Elevated Metros and the Underground Metro, just wanted to get a sense how well we are versed at this point with respect to the equipment ordering, how much progress we have done already on our side?

**Kamal J. Gupta:** The work on all the three metros have physically started in terms of survey and soil investigation, ordering of the equipments, we have already received some of the equipments, barricading has started, mobilization has started, the casting preparation off site, all works are going in full swing for all the three metros.

**Nalin J Gupta:** Rs.20 crores bidding has already been done for the Elevated Metro which we will get it in this quarter.

**Nitin Arora:** So that is for the Line-II, right?

**Nalin J Gupta:** Line-II and Line-VII.

**Nitin Arora:** For both you are saying Rs.20 crores billing already being done?

**Nalin J Gupta:** Approximately yes.

**Nitin Arora:** Sir, on the JNPT Road order, has now everything moved finally for us let us say from this month or from the previous month?

**Kamal J. Gupta:** Yes, JNPT, billing has started. So we have already done Rs.30 crores of billing in JNPT and the work is like because of monsoon of course it is bit slow, from 1<sup>st</sup> of October since there is lot of earth work and all, will be started in full swing from coming October.

**Nitin Arora:** Sir, you made a point in the concall that to focus on our bigger projects which is Mumbai Projects. We somewhat will restrain ourselves from taking fewer new projects. Is the restraint part only from the upcoming Metro only or also in the let us say area which is lower on the technology aspect like roads, something if we get it we can still take it?

**Kamal J. Gupta:** Mr. Nitin, we have got enough orders as of now. So coming four to six months, we want to stabilize this big order. So we are not going aggressive for new orders for coming four to five months. It is not that we are not quoting. We are quoting for all the future works after that. So for coming



four to six months, we are going slow for picking up new orders now.

**Nitin Arora:** What would be our fund and non-fund limit as of now, I think the guarantee has already been provided with the bankers and all, so how much it has got raised to?

**Arvind Gupta:** Nitin, fund-based limit as on date is Rs.460 crores and non-fund-based limit is near about Rs.1300 crores, this is ex-Metro line-III and all this thing. If you see the Metro line-II and III, it is near about Rs.800-900 crores, it means Rs.2100-2200 crores is the non-fund based limit as on date.

**Nitin Arora:** Sir, with respect to this non-fund limit, if I have to take next project on a cash contract basis, only for the metros, is it something still a requirement for you to increase it again or you think in this limit I can easily go ahead because we have the cash as well in our balance sheet?

**Kamal J. Gupta:** Yes, because some of the internal accruals will also be there, Mr. Nitin and some projects will also be completed in due course when we take more. So the limit as and when required of course can be arranged, it is not a very big thing. Only the non-fund based limit, that is the bank guarantees we may require to enhance. Apart from that the working capital and the fund-based should not be a problem.

**Nitin Arora:** Sir, with respect to your Underground Metro, as you have already highlighted us earlier as well that maximum of it will come in the third and fourth year of the execution part. Then in that sense should we conclude that your equipment ordering for TBMs and all will eventually start in the next four to five months, not right now?

**Kamal J. Gupta:** Nitin, we have already ordered the equipment, TBM and all, but the disbursement of course starts in the next year, it is not in this year. So the capex for this year will be very less; will be around Rs.75 crores or so, it is not much, next year it will go up because of the TBM.

**Arvind Gupta:** Lot of material is coming from our Delhi Metro which is already on the verge of completion. Our two TBMs for the initial work and lot of supporting structural steels and moulds and many more things are already free from Delhi which will be transported here.

**Nitin Arora:** Nalin sir, you told us earlier that I think your Delhi work should be over by October?

**Nalin J Gupta:** No-no, not told you for October, I do not know, there is some confusion, tunneling work will be completed before October only and two TBMs are already free and the project will be completed by June end.

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

**Vibhor Singhal:** Sir, just wanted to get a perspective from you, apart from these metro projects and the Trans Harbour link that we are bidding for in the State of Maharashtra, are we looking at some of the projects like Ahmedabad Metro and let us say the fourth phase of DMRC which DMRC is planning to come up very soon?



**Kamal J. Gupta:** I told you like coming this four to six months, we are going slow, Mr. Singhal. So of course, these projects will come, there is still time for all these DMRC Phase-IV and all these MTHL work we will quote for that.

**Nalin J Gupta:** Even the DPR has not been approved by Delhi Government. So right now the Phase-IV is going to take at least a year's time to come.

**Vibhor Singhal:** But whenever it comes, we would probably have some interest depending on the order book that we have?

**Nalin J Gupta:** We will go for it.

**Vibhor Singhal:** I am sure even if we are not bidding I am sure we are meeting different authorities of different metro upcoming projects across the country. So over the last four or six months have we seen some kind of say reluctance or the authorities questioning us on the project execution because of the entire fiasco that has happened the BMC matter?

**Kamal J. Gupta:** No, there was some confusion because in this MMRDA, BMC issue was there, so they have taken this AG's approval, you must be aware. Everybody knows this is purely politically motivated story. So everybody is aware of that, but just to make them double sure, MMRDA has also taken this AG opinion which was very much in our favor you must have seen. There is absolutely nothing like this, boss.

**Nalin J Gupta:** Initially, some people were confused and concerned as to what is this whole mess, whether there is something really big happened or something. But now each and every person means let it be from the contractual area or from any government department, they all know that this is a political issue which is created for the upcoming election. So everybody is clear as to what these things are and J Kumar's performance is known and seen at each and every project. So there is absolutely no issue why people would have a concern. Otherwise, should not have been awarded such big contracts by DMRC, MMRDA and MMRC.

**Vibhor Singhal:** Can I have the gross debt at the end of this quarter?

**Kamal J. Gupta:** Gross debt is Rs.360 crores.

**Vibhor Singhal:** That would probably be almost same as the last quarter ending?

**Kamal J. Gupta:** Almost same, this year also it will be almost the same figure for the debt.

**Vibhor Singhal:** You do not see that increasing much, right?

**Kamal J. Gupta:** No, not for this year.

**Moderator:** Thank you. The next question is from Adhidev Chattopadhyay from Elara Capital. Please go ahead.

**A Chattopadhyay:** FY18, this year you are saying Rs.1700-1800 crores of revenue, so for next year which Metro-III is expected to start, so what is the range you would like to work with?

**Kamal J. Gupta:** Around Rs.2300 crores for FY18.

**A Chattopadhyay:** Sir, just to understand now this Metro, what have they told you – they will give you the land or is it a done thing or there are still some issues to be sorted out, that metro car shed issue and all those things?

**Kamal J. Gupta:** Both the packages...I am talking about Underground Line-III, most of the land is in our possession, we have to take some land permission for BKC and all, otherwise land wise we have major land in possession with us, even the casting yard has been allotted to us now off site. So land is not a problem in our package at all.

**A Chattopadhyay:** So all the projects Metro-III, Metro-II and Metro-VII combined, what is the total CAPEX requirement for the company?

**Kamal J. Gupta:** Total CAPEX will be around Rs.500 crores.

**A Chattopadhyay:** Then over the next two to three years, how will this Rs.500 crores be spread out roughly?

**Kamal J. Gupta:** This year as I told you it will be around Rs.75 crores.

**Arvind Gupta:** Broadly, it is 30% each year.

**Kamal J. Gupta:** This year will be less; Rs.75-80 crores, and next year it will be Rs.250-300 crores and then again it will be Rs.25-50 crores, that is all.

**A Chattopadhyay:** Just again on the Metro-III, now as per the original deadline what we have read in the press that by end of 2019 was the target to finish the civil work for the project in Metro-III, so now whatever delay has happened, so is there any fresh deadline which they have given considering the delay in the start of the project?

**Kamal J. Gupta:** The project time duration is 54 months for Line-III and for Line-II and VII it is 30 months, so 54 months start from July 20<sup>th</sup> so it will go on till Jan 2021 for the completion.

**A Chattopadhyay:** So they are okay, meaning they are not pressurizing to complete it earlier, just to understand because this is what we read in the papers?

**Kamal J. Gupta:** The work cannot be completed everything like before this election what they are looking for. So it will be like some finishing work and all will be going on, the tunnel will be completed, lot of stations will be completed. So substantial work can be seen and complete it at that time, but not operational of course.

**A Chattopadhyay:** In Delhi Metro still Rs.350 crores of work to be done balance. So when does this get over?

**Kamal J. Gupta:** 95% of the project which is like the majority of portion would be completed by June end and there would be some like petty jobs, 2% to 5% of the contract amount which are dependent on the interface of the other agencies like air-conditioning, ducting, signaling, all these people have to work due to which there are certain activities which are on hold. So that also we are expecting, but still that can spill over for another like a couple of months. But



the substantial completion would be there before June.

**A Chattopadhyay:** Sir, we will have enough time to deploy the TBM for Delhi Metro in the three projects, so there is no...?

**Kamal J. Gupta:** TBMs are already free as I mentioned before and two TBMs which are there are already on the final stage and before 15<sup>th</sup> of October the balance two TBMs would also come up and we are bringing only two TBMs out of Delhi Metro to Mumbai and those TBMs are already lined down in Mundka in the yard. So there is absolutely no dependency on or doubts about mobilizing the same to Mumbai.

**Moderator:** Thank you. The next question is from the line of Jaspreet Singh Arora from Systematix Shares. Please go ahead.

**Jaspreet S Arora:** Just on the margin, do you still maintain for the full year this next year we can do 17-18% or is any changes to that?

**Kamal J. Gupta:** Yes-yes, we are very confident like 17-18% of operating margins will be maintained, what we have been doing in the previous years also.

**Jaspreet S Arora:** On this earlier thing that you had mentioned on the pledge of shares, so that you mentioned we had done to ensure the bank guarantees for the new projects that we got recently. So all of that has been done away with, in the sense that is there any other BGs left still to be for which we might need to put in more pledge?

**Kamal J. Gupta:** No, we do not need to put any more pledge. This pledge was also done because the appraisals were not done and this almost Rs.3000 crores came in very suddenly. So like appraisal take some time with the bank. So on an ad hoc basis we have given 25 lakh shares as pledge. It will be released in due course once the appraisals are done. We do not require any further pledge in future.

**Moderator:** Thank you. The next question is from the line of Ankita Bora from B&K Securities. Please go ahead.

**Ankita Bora:** Sir, my question was on profitability from the Mumbai Metro Line-III Project. So basically we have an international partner in this. So how would the profits be shared with the partner? Is there any royalty that we have to pay to them for their technical assistance? What would be the net margin that we will make in this project?

**Kamal J. Gupta:** The margins on this Line-III and all the Metro Projects coming forward we will be able to maintain 17-18% of operating margins area also. So that is not an issue. The bottom line is sound enough and secured. Coming to the partner's revenue, of course, we have to share the royalty with them, which is the similar like what we have been doing for Delhi and other projects.

**Arvind Gupta:** That is the nominal percentage that we need to share with them and it is similar to Delhi. So it is absolutely nothing to worry about the margins.

**Kamal J. Gupta:** Royalty would be around 1.7% to 2% of the project cost.

**Ankita Bora:** So this is the royalty. Apart from that anything from the EPC work also that we do, anything from that would also go to them?

**Kamal J. Gupta:** No madam, nothing.

**Ankita Bora:** Ex of this royalty, we are talking of 17-18%?

**Kamal J. Gupta:** Absolutely, Ankita.

**Ankita Bora:** How much would be the working capital days? Have we seen any improvement versus last quarter?

**Arvind Gupta:** Working capital cycle right now is 180-days near about because the stock actually work in progress has reduced, because at March WIP working cycle is near about 200-days, now it is 185-187-days and averagely we can say that working capital cycle should be 150-155 days near about coming forward.

**Ankita Bora:** How much have we recovered from the DMRC Project?

**Arvind Gupta:** DMRC Project is still in the work-in progress phase actually, but now the project will be completed in the next year. So maybe obviously it is reduced in the coming future.

**Ankita Bora:** So this improvement is largely led by versus last quarter?

**Kamal J. Gupta:** We have finished this Rajasthan Alwar Project also which was a big project and now the verge of completion, the Pune projects are almost completed. So all these projects which are completed are helping us to get it done. As Mr. Arvind was saying, coming forward we are looking for working capital cycle of 150-155-days.

**Moderator:** Thank you. The next question is from Gaurav Sanghvi from Bajaj Allianz. Please go ahead.

**Gaurav Sanghvi:** Just on the same question working capital, so if we look at inventory on the March '16 is around Rs.500 crores and receivable of around Rs.800 crores. So generally given the execution of the Metro Project and other projects which we are planning to bid, what is overall outlook on the working capital whether these new projects will have a lower working capital cycle or how we look at?

**Kamal J. Gupta:** Here in these projects, the payment cycles are comparatively better and we are getting the mobilization advance as well, 10% on all the three projects interest-free. So we do not expect the working capital cycle to go up, it will rather come down.

**Arvind Gupta:** Because the difference is like earlier in Delhi Metro it was the first time in the history of J Kumar that we have taken Underground Metro Projects and everything from tidbits, small items we had to buy, but here it is like because lot of things already which are available with the company, so the procurement time will also be less and the material availability is also less. So the working capital would not be getting affected this time.

**Gaurav Sanghvi:** For this quarter, we have seen increase in other income. If you can just highlight that?

**Kamal J. Gupta:** You are talking about the Rs.6 crores other income, right? So this is basically Rs.2.5 crores is from the dividend from the mutual fund and Rs.2.7 crores is from the interest on FDR and Rs.90 lakhs is from others. So this is the income what you see Rs.6 crores.

**Moderator:** Thank you. The next question is from Kishan Gupta from CD Equisearch. Please go ahead.

**Kishan Gupta:** I would like to know what would compel you to do less business in Maharashtra in future?

**Kamal J. Gupta:** I do not think Mr. Kishan anything will compel us to do less business in Maharashtra or elsewhere. So wherever the opportunity will be there, whether it is Maharashtra, Gujarat, Rajasthan, Delhi or anywhere we will be there.

**Kishan Gupta:** Is it not that you are overly exposed to Maharashtra and probably so is there a strategy where you want to diversify?

**Kamal J. Gupta:** Mr. Kishan, if you see five years back we were working only in Mumbai and in Maharashtra. So from last five years, we have ventured everywhere, there is Gujarat, Rajasthan, NCR, Delhi, Lucknow. So this is just a matter of opportunity. If we get sufficient work in Maharashtra, of course our first choice will be Maharashtra because we are based in Maharashtra, but it is not that the company cannot perform outside, we have worked outside, we have showed and proved that fine, we can work successfully with the similar EBITDA margins, operating and successfully we come out of that. So whenever we get the opportunities we will do that. It is nothing that we have exposed ourselves to Maharashtra more because there was sufficient work right now in Maharashtra and luckily we could get. Of course, our order book mainly right now is coming from Maharashtra.

**Nalin J Gupta:** It is a matter of choice, Mr. Kishan and opportunity available.

**Kishan Gupta:** As you said there is always a preference to work in Maharashtra, so I think you are striving for more orders also in Maharashtra compared to other states?

**Nalin J Gupta:** You always get the benefit of optimum utilization of resources when you are working in a geographically concentrated area. So we have lot of opportunities in Maharashtra, we are trying to hit here. So it totally depends upon the order book. We are getting lot of orders here; we are trying to focus here. In 2010-11, economy slowed down and we were totally focusing into EPC, we had no other choice but to work. Now, as we are having lot of opportunities, we are again trying to concentrate in Maharashtra.

**Kishan Gupta:** How much would be the potential penalty if JKIL is convicted in the BMC project?

**Nalin J Gupta:** The total liability which is there which has been mentioned by BMC themselves is Rs.7 crores and that Rs.7 crores has already been paid back to BMC without prejudice to our right and most importantly which is to be noted here is that the six roads which are under the question have not been done by J

Kumar at all. So whatever Rs.7 crores demand had been raised by BMC, four roads have been done by the JV partner and two by the subcontractor. So that is what I am saying that as far as even JV is concerned, there is not even a single penny where J Kumar is liable.

**Kishan Gupta:** Even if you are convicted, you would not be forced to pay anything?

**Kamal J. Gupta:** What Nalin is saying is that in the JV, KR Construction's share was Rs.6 crores and around Rs.1 crore is J Kumar share and J Kumar share is also be sub-let to our contractors, so that Rs.1 crore is also given by our subcontractor. So there is no financial liability of J Kumar. Whatever Rs.1 crore has been deposited by the subcontractors of J Kumar. So there is no financial liability. Whichever was there is already deposited by our subcontractor.

**Moderator:** Thank you. The next question is from the line of Sunil Shah from Axis Securities. Please go ahead.

**Sunil Shah:** Just I am connecting the dots from what you have been saying, that for the next four to six months would be slightly going slow on our order book and I think the BMC elections are also scheduled somewhere in the month of February. So are we just kind of allowing this political storm to kind of pass out and wait patiently because we have like Rs. 10,000 crores of order on hand, so let us just execute, is that a strategic call to just pass this time and that is why we are going slow on future orders also at the other projects?

**Kamal J. Gupta:** Mr. Sunil, this is of course thought over strategically but not to pass the time. Do you understand? These are very big orders. Our order book is almost 2.5x what we were having previously of Rs.3500 crores. So it is almost 2.5 to 3x. So our first thing is to stabilize this order in coming four months because we are known for execution work, we do not want anywhere the execution should go slow. So our first thing is to stabilize this and then coming forward we will of course bid for the projects. That is what we have been telling. It is nothing that we are not quoting or we would quote.

**Nalin J Gupta:** Mr. Sunil, we were expecting that you would really appreciate the performance and the orders taken by J Kumar which is 3x the order book of our previous years. So there is no question of any reason of being like we are trying to avoid orders. Rs. 10,000 crores which is 3x the order book of our previous years which itself is taking J Kumar to a different league. So in fact this is the correct strategy to slow down for the next couple of months, stabilize this work, take that work slowly and properly and then think of other works.

**Sunil Shah:** Sir, it is in the sense of appreciation itself because of the kind of work in hand, time to cool off and then maybe move ahead with the next league, so.

**Kamal J. Gupta:** This is after climbing the stairs, this is mid-lining for us.

**Sunil Shah:** One more point is when it comes to Metro Projects, who actually become the final governing authority there, meaning is it the district level people, the state level, the railways board, which is really team the governing

thing when it comes to Metro Projects?

**Kamal J. Gupta:** Here, what you are talking are three metro lines. So one metro line is Metro Line-VII which has been executed by MMRDA, Line-II has been implemented by DMRC and the client is MMRDA. So the decisions will be taken by DMRC and MMRDA. Coming to Line-III which is SPV between state government and central government, but the implementing authority is MMRC, so MMRC has a board of directors which meet every quarter and like all the due diligence activities have been cared by the directors and the MD.

**Sunil Shah:** So it is a joint venture between the centre and the state when it comes to MMRC?

**Kamal J. Gupta:** MMRC plus JICA is also there, JICA is the funding agency for the MMRC Line-III.

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

**Shravan Shah:** Sir, this Andheri Dahisar metro for which we have won LOI, the amount earlier you said it was Rs.1350 crores, now you are saying it is Rs.1200 crores.

**Kamal J. Gupta:** No, it is Rs.1350 crores only.

**Nalin J Gupta:** There are two contracts that has been awarded under Line-II by DMRC which is costing Rs.1350 crores which is exactly like Rs.700 and Rs.650 crores, that is Rs.1350 crores is the total for it. The other line is Line-VII which is Rs.360 crores separate which takes the total to Rs.1700 crores from Elevated portion which is Line-II and Line-VII.

**Shravan Shah:** Sir, this Metro-III, in terms of the announcement it came on the 5<sup>th</sup> July but we have considered in order book as on 30<sup>th</sup> June, am I right, or shall it be a part of 2Q 17 inflow?

**Kamal J. Gupta:** No, we have not considered before it came, it is only considered after it came.

**Shravan Shah:** No, we are seeing an order book as on 30<sup>th</sup> June including Metro. So it came on the 5<sup>th</sup> July?

**Kamal J. Gupta:** Yes, this is LoI before 30<sup>th</sup> of June, LoI was received at that time. So that is why we have considered it as a received order no.

**Shravan Shah:** No, LoI came on 5th July?

**Kamal J. Gupta:** No, that is the notice to proceed, LoI is on 30<sup>th</sup> of June.

**Arvind Gupta:** We are considering the L1 actually, not for the part of the order book in March.

**Shravan Shah:** Secondly, the MMRC says that the Package-V and Package-III, the cost is Rs.4935 crores given on MMRC website on the date of 5<sup>th</sup> July when they have announced the signing of this LoI and as per our calculation we say it is Rs.5012 crores, so there is a difference of Rs.77 crores. So you can explain?

**Kamal J. Gupta:** I will check it and come back to you, Mr. Shravan on that,

because of some US dollars' rate of conversion this difference would be there, because around Rs.500 crores will be paid in US dollars to us. So like maybe that amount conversion rate, something I will like to check this and come back to you.

**Shravan Shah:** Secondly, if you can specifically say Metro-III expected revenue in '17 and '18?

**Kamal J. Gupta:** Metro-III around Rs.500 crores or Rs.600 crores in '17-18, in '17 I told you around Rs.200 crores all Line-III put together, Line-II, Line-VII.

**Shravan Shah:** Sir, if you can give us the balance sheet number, inventory, debtors, cash, other current asset?

**Arvind Gupta:** This is inventory as on 30<sup>th</sup> June is thereabout Rs.439 crores and debtors near about Rs.338 crores and cash and bank balance including the FDR is near about Rs.175-180 crores and then amount lying in the investment actually for the mutual fund and all this thing is near about Rs.180 crores.

**Shravan Shah:** Short-term loans and other current assets?

**Arvind Gupta:** Short-term borrowing is near about Rs.319 crores and long-term borrowing excluding the current maturities near about Rs.9 crores and current maturity of long-term borrowing is Rs.33 crores. Non-current assets, we will revert on this.

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

**Parikshit Kandpal:** Can you just update us on the JNPT project execution, how much was the revenue recorded during this quarter?

**Kamal J. Gupta:** Rs.30 crores is recorded from JNPT, Mr. Parikshit.

**Parikshit Kandpal:** This project has just taken off, so...?

**Kamal J. Gupta:** Because this Q2 is monsoon period, from October it will go in full speed.

**Parikshit Kandpal:** Now we have almost close to Rs. 6,800 crores of Metro orders in hand and the mix is basically getting concentrated towards Metro. So what kind of human source requirement we have right now and how are we basically meeting up with that because so many projects coming in Mumbai there will be obviously shortage of manpower and how it will impact our P&L? Second question on same impact on the raw materials. How are we going to source our materials like cement, because there will be a huge requirement of cement in this, lead to escalation and then margin impact?

**Kamal J. Gupta:** Parikshit, firstly, coming to the personnel, in Elevated and Underground, both these projects like our Underground Delhi Metro as Nalin was saying it is on the verge of completion. So lot of people have got free from there, plus we have appointed lot of new people whether it is expats or Indians, and similarly for our Elevated also, our New Mumbai Metro, Delhi Elevated Metro, almost finished, whether it is equipment or whether it is manpower, we are getting from there. So sourcing of manpower is absolutely not issue, boss,



they are sufficient manpower available in the market because lot of other companies are in distress, so that gives an edge to J Kumar again. Secondly, coming to the material, what you are talking about whether it is cement or other thing, firstly, all of the projects are covered with price variation clause and price escalation. So there will be no impact because of rise of any prices of any raw materials. The availability of raw materials is huge. So there is absolutely no problem about cement and this. Since J Kumar has gone from backward integration, we have our own plants for concrete mixing and own plants for treasures for creating metal and sand. So there is no problem for material as well, boss, absolutely, we do not foresee any issues.

**Parikshit Kandpal:** In the near-term, when you said that for some time you want to basically lie low in terms of new orders bidding part, what about the Trans Harbour links, so are we going to be a bidder there or we let it go off?

**Kamal J. Gupta:** Yes, we are bidding there, but like it will take its own time my dear, that this is just a prequalification stage, Parikshit. All these orders, nothing is coming before six months, but we will be bidding for that.

**Parikshit Kandpal:** So within six months, even in Mumbai there would not be a major inflow of new projects basically, so it coincides with how we are thinking of basically lying low for six months?

**Kamal J. Gupta:** You are right.

**Moderator:** Thank you. We will take the last question from the line of Ambar Singhania from Asian Market. Please go ahead.

**Ambar Singhania:** As you mentioned that you would not be bidding aggressively in next three to six months, but if you take a one-year horizon, what are the major projects in pipeline which you have and we are confident that we will be able to bid despite all these BMC fiasco happening and we will be eligible to that, if you can just throw some light?

**Kamal J. Gupta:** Like this BMC fiasco is stopping us from taking any project that you have already seen here, boss. This all the Mumbai Metro Line-II, Line-VII, Line-III, all have been awarded after the BMC issue. So first thing we should understand is that this thing is not stopping us from taking any project. This is our choice of course. So coming forward, there are a lot of projects coming; the Coastal Road is coming, MTHL is coming, annuity projects are coming, the Mumbai Nagpur line is coming, the Ahmedabad Metro Mega further phases are coming, as we were talking about the Delhi Phase-IV is coming. So huge projects, boss. I think order inflow for coming 5, 10-years is no dearth.

**Kamal J. Gupta:** There were some news about this Goregaon Mulund Link Road is put on hold because of some environmental issues as well as in Metro Project, again car shed issues have been cropped up again which was planned in Aarey Colony earlier. So what is the update in those projects sir as of now?

**Kamal J. Gupta:** Of course, Goregaon Mulund Link Road there is an environmental issue, so the alignment, study is going on again with them. So it will take some time to finalize everything. That is one. About the Mumbai Depot

Line-III, of course, Aarey is the only site where the car shed will come up. It is a government call, nothing to do with us. Our packages are untouched because of that as well.

**Ambar Singhania:** Sir, according to your understanding, which are the large projects in Mumbai will take off first out of these five, six which we are aiming to, that is Coastal Road, Nhava Sheva, Sea Link, Goregaon Mulund Link Road and all and any approximate timeline which has been prescribed by the government to you guys?

**Kamal J. Gupta:** It is all big projects, if you see this Line-III and all these lines also, they have been planned since last two years and all, it takes its own time, preparing the DPR, calling for the tenders and finalizing and the next to starting the work, it takes some time for all these projects. Of course, government is after that to start it earlier because of these 2019 election, but it will take its own time, boss.

**Ambar Singhania:** I believe it is slightly early but just to understand your thought process sir, would you be interested in bidding projects like Mumbai Nagpur Expressway and all in the future?

**Kamal J. Gupta:** Yes, I told you, Mumbai Nagpur is coming, so we will be quoting for that, Mumbai Baroda, lot of projects are coming.

**Moderator:** Thank you very much. Ladies and Gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Parvez Qazi for closing comments.

**Parvez A Qazi:** Thank you, everyone for attending this conference call. We would also like to thank the management of J Kumar for giving us this opportunity to host the call. Good day.

**Kamal J. Gupta:** Thank you so much, Parvez, thanks all. Bye-bye.

**Moderator:** 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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