



# “J Kumar Infraprojects Ltd. Q3 FY22 Earnings Conference Call”

**February 09, 2022**



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KUMAR INFRAPROJECTS LTD.  
MR. NALIN GUPTA – MANAGING DIRECTOR, J KUMAR  
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MR. PRAVEEN KUMAR BHANDARI – CHIEF FINANCIAL  
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**MODERATOR:** **MR. VIRAL SHAH – YES SECURITIES**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY22 earnings conference call of J Kumar Infraprojects hosted by YES Securities. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations for the company as on date of this call. These statements are not the guarantee of future performance and involves risks and uncertainties that are difficult to predict. As a reminder, all participants' 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. Viral Shah from YES Securities. Thank you and over to you, Mr. Shah.

**Viral Shah:** Thank you, Margaret. Good afternoon, everyone. I welcome all the participants to the 3Q FY22 results conference of J Kumar Infraprojects. We have with us Mr. Kamal Gupta and Mr. Nalin Gupta who are the Managing Directors of the company. We would commence the call with the opening remarks from Mr. Gupta to give an overview of the company's performance. Post that we will be having a Q&A. Over to you, sir. Thank you.

**Kamal Gupta:** Good afternoon, everyone. A very warm welcome to all of you for this Q3 FY22 earnings conference call. Along with me I have Mr. Nalin Gupta - MD, Mr. Praveen Kumar Bhandari, our CFO, and our IR team. I hope everyone had an opportunity to go through the results. The presentation and press release have already been uploaded on the stock exchanges and our company website.

Let me start with sharing some important updates. Appointment of Mr. Siddharth Kapoor as an Independent Director. Mr. Kapoor is a Chartered Accountant and CS. He is currently on the Board of NOIDA International Airport, also a strategic advisor, AIF SBI Mutual Fund and Senior Advisor and Consultant in airport and infrastructure sector. He has a track record of over two decades in strategic leadership and leading complex businesses. Mr. Kapoor's induction will be immense value to our board. I'm also glad to announce the appointment of Mr. Praveen Kumar Bhandari as Chief Financial Officer, he is a CA by profession with 28 years of great experience. A majority of these like 16 years was with ABG Shipyard, we welcome him.

We have also been awarded project totaling to Rs.1,811 crores during nine months of FY22.

Coming to our performance, standalone performance highlights for Q3 FY22, our revenue from operations for Q3 grew by 18% to Rs.966 crores. The operating margin for Q3 stood at Rs.139 crores, the margins of Q3 is 14% and PBT for Q3 grew by 33% we did the growth, and the PAT grew by 31% to Rs.59 crores.

Coming to standalone performance highlights of nine months ending December 31st, '21, the revenue from operations for nine months FY22 grew by 53% to Rs.2,413 crores. The operating margin for nine months stood at Rs.345 crores. The PBT for nine months grew by Rs.300 crores

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to Rs.179 crores. The PAT for nine months FY22 grew by 323% to Rs.132 crores as compared to the previous year-on-year. The company continued its focus on working capital management and quality of good order book. The company has been able to reduce its debt level by Rs.53 crores despite increase in exhibition disruption caused due to COVID-19. Our total order book as on 31st, December 2021 stood at Rs.10,636 crores.

Before taking the Q&A, I would like to reiterate the vision of the company. Our target is to achieve revenue of Rs.5,000 crores plus by FY2025. Although we have a comfortable debt position, our endeavor is to reduce gross debt every year. Objective is to continuously improve shareholder's return ratio by investing in people, technology, and process. With this now I leave the floor open for questions. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Shravan Shah from Dolat Capital Markets, please go ahead.

**Shravan Shah:** Welcome Mr. Praveen Bhandari and hope he will be adding value to our company. The first question is now we have already done our good in terms of the execution. Previously we guided Rs.3,200 to Rs.3,500 crores for this year. Definitely we will be touching even crossing Rs.3,500 crores. Just wanted thought from your side, can we see at least some growth YoY in the fourth quarter so that will lead to a Rs.1,000 crores plus revenue, we will be ending Rs.3,500 crores plus and at the same time in terms of the margin though we were guiding at 14% to 16%, but still, we are on the lower band 14.3%. Any thought process that we can at least inch up to 15% kind of level?

**Kamal Gupta:** As we had mentioned that we will be doing a top line of Rs.3,200 crores to Rs.3,500 crores for FY22. We have narrowed down our expectation to Rs.3,400 crores to Rs.3,500 crores looking at the performance of Q3 and to have crossing Rs.3,500 crores would be our target as well. But it all depends on the execution, but yes, we should be in the range of Rs.3,400 to Rs.3,500 crores.

**Shravan Shah:** For the next year, then can we see 20%, 25% of growth on the top line front?

**Kamal Gupta:** On the top line front we expect that we should be growing at the rate of 14% to 15% CAGR. With regard to margins, we have been maintaining actually around 14% to 15% and you can see in nine months also, we have achieved EBITDA margin of 14.3%. The current order book that we have of around Rs.10,600 crores, they are all with a similar margin of around 14% to 15% EBITDA margin.

**Shravan Shah:** In terms of the inflow already we got Rs.1,811 crores how much more are we expecting? How much we bid and what's total bid opportunity size currently available?

**Kamal Gupta:** We have bid for around Rs.3500 crores to Rs.4,000 crores jobs already for Gujarat Metro, Kanpur, Agra. We are in the process of bidding for new projects as well. So, it all depends upon

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when the tenders are opened and which other bids, we are able to submit, but there is a lot in the pipeline and the opportunities are very good. There are various projects coming up, even this year's budget has been excellent. The government's focus has been totally on infrastructure with around 25,000 kilometers of NH roads, 100 ports and building works, your metro project. There is lot and lot of opportunities, which is there. Currently we are about to bid for projects more than Rs.10,000 crores in a short span of time. Order book should not be an issue for our company as we see.

**Shravan Shah:** You rightly mentioned that Rs.3,500 crores to Rs.4,000 crores already bid, can we expect at least Rs.1,500 crores to Rs.2,000 crores kind of inflow by March?

**Kamal Gupta:** See the time period available as of now, if you see we are already in mid of February, so in one and one and half months' time with election being also there, I don't see that there would be a huge jump of order book coming in as of this time, but in the near future, maybe in Q1, we should have a good set of order book coming in for our organization.

**Nalin Gupta:** We are expecting to achieve inflow around Rs.5,000 crores for the coming fiscal year.

**Shravan Shah:** Lastly, I need a number from the balance sheet front, mobilization advance, retention money, trade receivables, inventory payables, cash?

**Praveen Bhandari:** We have an inventory of Rs.905 crores and we have term loan of Rs.80 crores. We have working capital loan of Rs.395 crores. Added to that, our total loan is around Rs.477 crores and we have receivables at around Rs.900 crores, partly have been received and realized in this month, January and February put together and we have a bank balance of around Rs.410 crores, which is consisting of FDR of Rs.350 crores. That's, what we are keeping for margin as LC and Bank Guarantee, all put together is this. Net, net if you ask me, we are Rs.39 crores of net debt position as of now.

**Shravan Shah:** What is the mobilization advance, retention money and unbilled revenue number?

**Praveen Bhandari:** Mobilization advance as it stands today is Rs.540 crores and security deposit and all the retention money is Rs.200 crores. Unbilled revenue is Rs.541 crores.

**Shravan Shah:** You said inventory is 905 and payable is 900 crores. So, what is the receivable number?

**Praveen Bhandari:** Payable are Rs.533 crores and receivables are Rs.900 crores. We have realized a major chunk of this, account receivable in January and February months put together.

**Moderator:** The next question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

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- Mohit Kumar:** First question on the ordering pipeline, I think you mentioned Rs.10,000 crores number. Is it possible to give more granular details which segment these tenders are, apart from Kanpur, Agra and I think Chennai? Is there something else which form is part of this order? Secondly, coming to Mumbai opportunity, how is the opportunity in Mumbai at this point of time and do you think some of the large tendering opportunity will be available in FY23?
- Kamal Gupta:** There is a sufficient opportunity in Mumbai itself in MMR region. As it is we are doing a lot of metro work in and around Mumbai, MMR, and flyover projects. There are lot many coming in also. In terms of metro, in terms of flyover bridges in MMR, by MMRDA, by Mumbai metros, CIDCO and in terms of the project pipelines, apart from metros in Agra, Nagpur, Chennai, Kanpur and MMR, Surat, we are also focusing on bullet train projects. We are also focusing on waterline and institution buildings. This is also our focus area. It's not only this it's like, as budget also says we will also go for this river linking project. So, there's lot in pipeline.
- Mohit Kumar:** What is the status of Ghodbunder-Mulund link road. Are you participating in that? Have you put in the bids?
- Kamal Gupta:** It is Goregaon-Mulund link road. So, we have only submitted our pre-qualification for that project, and it is under scrutiny. There are two projects of around Rs.3000 crores each.
- Mohit Kumar:** Most likely this will get finalized in FY23?
- Kamal Gupta:** Yes, in early 2023 I should say.
- Mohit Kumar:** Is there impact of raw material inflation in the Q3, in the margin and if you can quantify that number?
- Kamal Gupta:** There has been escalation currently in this month, the prices have shot up again for steel, but as we have been saying that the prices, all our contracts are fully covered by price variation and escalation clause. The effect comes later or sooner, but that is always covered under the price variation, escalation clause. So, it doesn't impact our bottom line.
- Mohit Kumar:** So, 14% margin, the kind of margins to sustain they do not material impact?
- Kamal Gupta:** That's what we look at.
- Mohit Kumar:** Lastly on this the guidance for a FY23 at 15%, 15% kind of growth. Given that we have a large order book, the 15% looks to be on the lower side, is there a chance that we will be 20% or 25% revenue growth in a FY23?

- Nalin Gupta:** As we have been saying, we grow at CAGR of 12% to 15% always. Like, we always want to say a conservative figure and try to achieve best possible. It depends like, how the exhibition goes. So, we're hopeful we should cross these numbers.
- Mohit Kumar:** Is there any debt target, debt number your mind, which you want to reduce your debt or debt to in a couple of years?
- Kamal Gupta:** We are expecting debts of around Rs.500 crores going forward. If you look at the debt levels currently also, we are at a gross debt of around 0.23 and with the net, which is almost a net debt free company. Even with the, what is important to be noted is that even with the growing revenue, the debt levels have not been increased. Maintaining a debt of Rs.500 crores approx. would be a good number I feel, and further our endure would be to reduce it as far as possible for sure.
- Moderator:** The next question is from the line of Vasudev from Edelweiss, please go ahead.
- Vasudev:** The first question would be, can you give the project status of the major projects that we have, like CIDCO project, Metro project and Dwarka Expressway?
- Kamal Gupta:** Like, your Metro line three, we have completed over 80% of the project, total tunneling is over, and the station work and finishing and PNM works are on. Major second one is Dwarka, so Dwarka both the projects are going in full swing, package one and two, and we are hopeful to complete it by next year June one package and the other one by another couple of months. So, this is Dwarka. CIDCO the major other projects are completed, we have recently bagged one project of Rs.170 crores of six stations, even that project has started in full swing. We are hopeful to complete it in this year-end by December, CIDCO will be completed. With regards to Mumbai metro line two and line seven, they have been completed 98% you can say, because both the lines would be put into operation by this month end or by 15th of March is the target by the government. The CMR inspections are going on so it should be operational to public by 15th of March, we can say, and other metro lines are also in full swing. All the works are in proper execution, and we should see good progress coming in from Metro again in FY23 also.
- Vasudev:** Also, could you please give some light on the Pune and Surat metro project?
- Kamal Gupta:** So, Pune metro we have two projects, one is underground of around Rs.300 crores and one is elevated. The elevated project is, again the entire completion from J Kumar side would be in March or April. All the major work has been completed and we are on the verge of the balance petty works. It should be completed by March or April. Surat, we have recently started, there were a lot of land acquisition issues. The entire stations we were expecting to take some more time, but for surprise for the better is Gujarat government has demolished all the shops and everything and we have got a clear-cut site. We have mobilized our machineries and yesterday

we have done our first de-wall for the station. Now we should see some good revenue coming in, even from Surat metro.

**Vasudev:** On the coastal road project, we were waiting for forest clearance, have we received it, or it is still pending?

**Kamal Gupta:** The CIDCO coastal road project aromatic plains are in advanced stage. I think it will take a couple of more months, but we have already started mobilizing there and like the casting yard, the design work has already started.

**Vasudev:** And next on the CAPEX front, what is the CAPEX that we did in this quarter and what are our plans for the next quarter?

**Kamal Gupta:** This quarter we did 20 crores of CAPEX. Like till now we did Rs.64 crores for 9 months. Like we are expecting around Rs.80-100 crores by the year end wherein you will understand if 5% is like for the maintenance CAPEX and some incremental CAPEX. Total will be around Rs.80-100 by the year end.

**Vasudev:** This quarter, sorry, can you please repeat how much was for this quarter?

**Kamal Gupta:** 20 crores.

**Vasudev:** Finally on the order intake, what is the order intake that we're expecting in the next quarter like this Q4?

**Kamal Gupta:** In Q4, we don't expect some big numbers to come in because there is hardly one and a half months left. It all depends on when the tenders are opened and when do they award for the ones that we have already bid. So, we don't have much high hopes as to some good number to come in the Q4, but in the Q1, we are expecting some good amount of orders to come in.

**Nalin Gupta:** As you see like lot of states have gone for election. This is that code of conduct period nothing happens in during this period.

**Vasudev:** Finally, sir, can you give the working capital days, the debtor, creditor inventory and the networking capital cycle days?

**Praveen K Bhandari:** Networking capital cycle is 122 days till date for YTD and we'll try to improve it, but this will remain almost in this range.

**Moderator:** The next question is from the line of Faizal Hawa from HG Hawa and Company, please go ahead.

**Faizal Hawa:**

My question, is this entire last decade, we've been able to survive bad infra cycle and now things are turning around. Unfortunately, our stock price does not reflect the same reality, whereas we have actually bagged orders, done some very good execution. The main problem is your ROE and ROCE. Is there a thinking within the management to change that status quo and how will we do it? Is it because of the legacy orders that this ROE and ROCE doesn't come up or is there now a new thinking for the orders which are upcoming? Second question, now there are large corporation like Adani bagging orders on the strength of their balance sheet, but their subcontract rules projects. So, is they're thinking within the management to take up these subcontracts and third is, are we qualified to take up very large HAM projects also?

**Kamal Gupta:**

Hi Faizal, first of all like of course we are qualified to take up HAM projects. We have bid also for HAM project of this Mumbai Delhi project, but we were not L1, unfortunately. We, of course we have been qualified. Secondly, we are sure that our ROE in ROCE will improve going forward. We have brought major changes also in the organization. We appointed KPMG as our consultants for drafting the SOPs, streamlining the processes wherein our efficiencies will go up. The margins will be better, and cost will be less. Major changes, Mr. Pravin Bhandari has joined as CFO. We expect a lot of value addition from there also. Our Independent Directors, Mr. Siddharth Kapoor has come in with a great infrastructure experience. So, I think there'll be massive changes. As you know that we have great exhibition capabilities. There's no doubt about that and the history says that, and we are fully prepared to capitalize on the infrastructure boost given by the government in this budget also. Of course, we are very sure that the market will also very soon acknowledge this and give the appreciation to us. We have recently also shifted towards new corporate J Kumar's house at Ville Parle (East) in Mumbai. So, everybody is under one roof. The efficiency level should also be increasing with the best facilities available to the J Kumar team and with regards to taking subcontracts with this large cap players, we are open to such opportunities if we get the work which are if they are with our margins, but what is important Faizal is as J Kumar's individual experience and the past certificates of work done that we have, we do qualify for individual projects like HSR, like GMLR, huge Metro project, flyovers, if you see Dwarka Expressway, which is like Rs.1,500 crores, Mumbai Metro line nine, which is Rs.2000 crores plus and various projects, like we took our line three on a joint venture where we call it, of course it was execution is by J Kumar. Still now we qualify for the works on a standalone business what I just want to say. Now we are going to bid for HSR, which is the Rs.8,000 crores plus project. That also be qualified individually, but to hedge our things, we may partner with somebody let's say a business strategy, but when J Kumar qualifies on its own for large projects of Rs.5,000 crores, Rs.8,000 crores we had also bid for HSR C2 and C4 projects, which was Rs.20,000 crores. So, but we were unfortunately L2 in that. So, there is lot of business opportunities as a main contractor. That would be our primary objective to focus as a main contractor. If we get works from people like Adani we wouldn't be staying back. If it is available at our margins, we would look forward for it also.



**Faizal Hawa:** You see some kind of short squeeze happening where the projects itself are too many. There aren't enough people who are qualified to do it. Or a lot of people have even gone bankrupt over the last decade. Do you see short squeeze happening, you had a career for so many years, and you may have seen that situation? Where orders are so many, but very few people do get it done. That leads to a huge order backlog for each of the existing players. You may be even able to dictate the margins to tune of at least 2% to 3%?

**Kamal Gupta:** What happens is some people become aggressive when they like for example, like right now, J Kumar, we got an order inflow of only Rs.1800 crores. Now how stable your organization is, your team is the management needs to have a very patient approach towards bagging the projects. If we get aggressive that, no we are not getting and we start taking projects. Like I wouldn't like to name companies, but if you look at Chennai, Delhi some people have been over aggressive. Taking up the work and just filling the order book without good bottom line, I think that's should not be an approach for any good organization. That subsequently leads for the failures of infra companies. I think when there is so much on the table for each one of us you won't find good contractors to execute with the ample amount of work available as of now in the market. I think in FY23, you will see all the good companies being flooded with the orders. I think it's a matter of time where we all need to be patient and select the right project for our organization.

**Faizal Hawa:** Being flooded you mean that most good companies would have orders for like four years, three and five years?

**Kamal Gupta:** Right now, if you look at J Kumar's order book, we have an order book of Rs.10,600 crores, which takes care of the top line for the next two years, very comfortably. In this fiscal year, as we have already mentioned that we should be bagging Rs.5,000 crores plus order book, we are quite confident that the order book coming in FY23 would be Rs.5,000 crores plus not less. That is what I want to say with flooding of the orders.

**Faizal Hawa:** You are headed for almost Rs.5000 crores? In either FY23 or failing which FY24 you are headed for at least Rs.5,000 crores sales per month, per year sorry?

**Kamal Gupta:** Are you talking about order inflow?

**Faizal Hawa:** The order inflow that you're talking about in FY23 or even FY24, you may be able to do Rs.5,000 crores sales.

**Nalin Gupta:** FY23 is what I am talking about. Like this year we had inflow of nearly say just 2000 crores, but in FY23, we will be having an inflow of more than 5000 crores.

**Kamal Gupta:** And we are expecting a revenue of around (+) 5000 crores in FY25.

**Moderator:** The next question is from the line of Dhwanit Savla, an individual investor.

**Dhwanit Savla:** I have just one question This is regarding the various different kind of assignments we do. I wanted to know from a profitability standpoint which of these assignments have the highest margin? And if so, are we planning to increase our margin by picking up more projects of those kinds?

**Kamal Gupta:** Of course, what we are working, that is a very niche area, whether it's because we are mainly into structures, whether it is flyovers, bridges, Metro, elevated or underground, plus some institutional building. So, these are of course niche areas, wherever we take, we take with our own margins of this 14% to 15% EBITDA. So, it's a mix of these projects. You cannot say that this particular vertical will give you higher margins. There are people in all verticals. We have our strength in this vertical, so we are able to maintain this good margin of 14% to 15%. And going forward also, we will pick our all projects with minimum these margins.

**Management:** If you look at the track record of J Kumar, we have been making this margin which is coming mainly from the transportation sector mainly focusing in two structures. Like elevated metros flyovers that we have been mentioning. So that we would try to be focus on it. And also, underground Metro, as J Kumar is among the very few companies in India who have seven tunnel boring machines in its fleet.

**Dhwanit Savla:** Just one more thing. Is that 14% more like an accept reject kind of a rule that suppose some project is not giving us such a margin, then we probably would not go for it?

**Kamal Gupta:** That's what. What happens if there is a project joining to your project, so there your cost goes down. So, of course, this 14% will be maintained going forward also.

**Moderator:** The next question is from the line of Prem Khurana from Anand Rathi.

**Prem Khurana:** Just to continue on the status that you shared with us on some of these Metro lines. If you could help us with the line 9 as well. I think last time you spoke we were made to believe that there was some land acquisition issue with our underground section, and we were also awaiting approval for that 2-kilometer flyover. So, what's the status there? Has the work started or is it yet to begin and the issues are yet to be resolved?

**Kamal Gupta:** Line 9 is a total project worth around 2000 crores wherein this 2-kilometer line, actually it is 1.8 kilometers towards Bhayandar end which was under dispute due to the location of depot. But the MMRDA, we have finalized a location for the depot, and now it's on the verge of finalization. But there was also the underground portion, as we had mentioned earlier, was on hold because of the AI land acquisition. So, we have received the permission from Airports Authority of India and the work has physically started. We have demolished the residential buildings in the airport colony, and also the main station box five foundation work has already been started. So, line nine now we can say the entire job is in our hand.

- Prem Khurana:** And how about line 3? Any change in the completion timelines?
- Kamal Gupta:** Line 3 as I told you, we have completed around 80% of the project. The total tunnelling is completed, NATM is almost completed. It's only the station work which are gone. Finishing and the accuracy or finishing plus some RCC work and ENM work that is going on. So, we expect it to be operational. You are talking about completion of our part?
- Prem Khurana:** Yes. Completion of our part.
- Kamal Gupta:** The completion of our part should be in coming June 2023.
- Prem Khurana:** I think initially we were targeting to finish it by March, so it is three months.
- Kamal Gupta:** Second half.
- Prem Khurana:** Sure. And I was looking at the recent Chennai Metro bridge and it seemed as if we had partnered with Patel for this. Was there any reason why it was required to partner with Patel because we have our in-house execution capabilities and we have been doing underground Metro for so many years now, we have capacities as well. So, why would you go with Patel and not go solo? And also, we did not bid for the second package, the underground package too, any specific reason for that?
- Kamal Gupta:** It was a very strategic call that the company had taken as Patel is already a working company in Chennai. For J Kumar, we haven't worked in Chennai before. So, it was just a strategic call that we had taken for the first work, because to know the city, to know the pricing, to know the resources, it was just a very strategic call. But we don't have any long-term plans or anything going in for joint venture. Like right now also we will be bidding for Chennai Metro. Again, those tenders have come back. There were 5 station tenders and one tender of tunnelling, that is UG06, which will be totaling to around 8,000 to 10,000 crores with these six packages put together. So, J Kumar would be going in for those tenders now any which way. So, it was just because of the new geography that we had taken a joint venture with them.
- Prem Khurana:** In your opening remarks as well as an answer to one of the questions earlier you spoke about a healthy prospect by applying for next year. Possible to put a number how many bids, how are we placed, what is the conversion ratio that you are expecting given the fact that you also spoke about heightened competitive intensity wherein people have been very-very aggressive. So, do you see conversion ratio to go down which is where to have your share of ₹ 5,000 crores of orders next year, you would be required to bid for more projects than you usually would have done in an ideal situation.
- Kamal Gupta:** As we mentioned that we will be bidding for Chennai Metro project, 6 packages would be around 8,000 crores. We will be bidding for HSR C2 package which would be of 8,000 crores. And we

are also bidding for a project of around 600 crores riverfront development work for Pune. And similarly, there are Metro jobs coming up in Ahmedabad, Surat, Nagpur Pune. So, I think there are ample amount of projects. Again, there are projects of NHAI that we are about to bid. So, there are altogether around 28,000 crores worth of projects that we would be bidding in a very short span of time, that is, 3 to 6 months' time. So, getting order of 5,000 crores, that's how I said that would be a very comfortable position for us and we are very confident that we should be able to achieve this 5,000 crores target that we have for FY23.

**Prem Khurana:** Just one last from my side, a bookkeeping question. How much mobilization advance are we yet to avail from our existing order backlog?

**Kamal Gupta:** There is around 200 to 250 crores of mobilization advanced which is still pending to be taken and which we will take in a short span of time depending upon the progress of the work so that we are going to take. And they are mostly interest free advances.

**Prem Khurana:** One last, if I may please, ₹ 3,500 to 4,000 odd crores of bids that you have already placed, possible to break it down into which all projects would these be?

**Kamal Gupta:** Kanpur and Agra Metro and also this GMLR project where in our share we are still in joint venture so that will be around 2,000 crores. And Kanpur and Agra Metro will be around 2,000 crores.

**Moderator:** The next question is from the line of Shravan Shah from Dolat Capital Market.

**Shravan Shah:** Just coming back to the original number that you said. You said that inventory is 905 crores, trade receivables 900 crores and payable 533 crores. If that is the number, it seems from September the number has increased significantly. So, inventory was 347, now we are saying 905 crores. Trade receivables 665 crores and now 900 crores. In which projects the money got stuck?

**Management:** This inventory includes unbilled revenue.

**Shravan Shah:** Is it possible apple-to-apple so means September the inventory was 347 crores, so what's the number against that?

**Management:** 347 crores inventory has become 362 crores inventory. Only 20 crores got increased.

**Shravan Shah:** And trade receivables 665 crores has become 900 crores.

**Kamal Gupta:** Yes.

**Shravan Shah:** And unbilled revenue you said it is 440 crores now.

- Management:** 541 crores.
- Shravan Shah:** What was the number as on September?
- Kamal Gupta:** 538 crores.
- Shravan Shah:** And this trade receivables where the money got stuck, in which project and has the number reduced by now?
- Kamal Gupta:** In trade receivables there is no money stuck. Its only like if you see December end was the start of this third wave COVID, so because of that the payments could not be realized. But major payments have come in in January and first week of February. It's already been realized. More than 300 crores we have realized in January itself.
- Shravan Shah:** So, now again the number will be around 600-650 crores once again.
- Kamal Gupta:** Absolutely.
- Shravan Shah:** You mentioned 3,500 crores the previous answer. The Agra and Kanpur Metro value is how much?
- Kamal Gupta:** Around 2,000 crores.
- Shravan Shah:** And what was the remaining one you said?
- Kamal Gupta:** Goregaon, Mulund link Road, which is 3,000 crores each project, that is 6,000 crores but our share is around 2,000 crores in that.
- Moderator:** The next question is from the line of Meet Parikh from Anand Rathi.
- Meet Parikh:** My first question would it be on the Navi Mumbai Metro Line 1? What is the status of that project?
- Kamal Gupta:** Navi Mumbai Metro Line 1 we have completed our part of the project, whatever was with us before. Recently we have been awarded two months back 170 crores of 6 stations construction. So that work is in full swing. We see that they are planning to start the operations in another three months, four months' time.
- Meet Parikh:** In the last call you had mentioned that due diligence for the underground packing for HSR, the BKC Bhiwandi which was of around 8,000 crores. Any update on that or can you throw some light on that project?

- Kamal Gupta:** We are bidding for that project and it's somewhere around March end is submission of that tender. So, March or April we should be submitting that bid.
- Meet Parikh:** And the size would be around 8,000 crores?
- Kamal Gupta:** Yes.
- Meet Parikh:** So, these 8,000 crores will be different from the 8,000 crores which you said will be bid next year for the HSR project or is it the same one?
- Kamal Gupta:** That is the same project that we have been saying that out of the 28,000 crores which we have shortlisted and which we will be bidding 8,000 is part of it.
- Meet Parikh:** Last two questions. One is for the Mithi Package 4. What is the status on that project? The micro tunneling job.
- Kamal Gupta:** We have already bagged that order? We have already, means the shaft from where the TBM has to be launched, that's already been started, the excavation and construction of this shaft has already started. The tunnel boring machine has also been shifted to the location and Dharavi, So, the work is in proper swing, and we are on the timelines. In fact, we are a little before the time we can say that because the machine was available with our JV partner, so we are well in time for everything.
- Meet Parikh:** When do you expect to complete this project, what is the timeline in terms of when do you expect it to complete?
- Kamal Gupta:** It's around 3-3.5 years is the timeline for that project and work is going on. As I have mentioned that we are ahead of time in that project because of the resources available. And the timeline is around 3-3.5 years.
- Meet Parikh:** Last one. On this Sewri-Worli elevated connector project what is the typical progress at the end of the quarter and has it started to contribute to the topline from this quarter?
- Kamal Gupta:** We have around like 43 crores coming in from Sewri-Worli for this Q3 and till now for nine months we have received 58 crores 60 crores from Sewri-Worli. The project is going in full swing there. There are a lot of ROW issues of encroachments and acquisitions which the government is putting full thrust to get it cleared. So, the project is going really well.
- Moderator:** The next question is from the line of Aditya Sen from RoboCapital.
- Aditya Sen:** Congratulations on these numbers' sir. The figures have been very much in line with the guidance that we previously received. I just want some outlook on the execution rates that we

will have going forward. Like will have the same execution rate around 33%-37% or will look forward to improve this?

**Kamal Gupta:** The growth of the execution you are saying, right?

**Aditya Sen:** Yes.

**Kamal Gupta:** As we told, year-on-year our CAGR will be (+) 12%-15% every year. And by FY25 we will be doing (+) 5000 topline.

**Moderator:** The next question is from the line of Tarang Agarwal from Old Bridge Capital.

**Tarang Agarwal:** Four questions from me. One, as you scale up into UP and Chennai, one of the things that happens is get advantage of maybe regional scale that you have in Maharashtra and the advantage of mobilizing equipment, workforce. That sort of slightly dilutes. So, what gives you confidence that you will be able to maintain your current 14% or 15% margins considering that you will have regional players in those respective territories also being competing for those projects.

**Kamal Gupta:** If you see, J Kumar is no more restricted to Maharashtra itself. We are already working PAN India. UP also we are already doing two projects which are on the verge of completion. So, whether it is NCR, UP, Gujarat, Maharashtra. And also, what we are talking is this specific sector wherein our strength is very good as compared to all. So, we are very sure to maintain this 14% to 15% of margin whatever order book is with us and going forward also.

**Management:** If you look at the strategy that J Kumar always follows is that we don't take one work in one city. Always our focus and our target is that once we take one job, we keep taking jobs in the same vicinity. So, the same benefit that we share in Maharashtra, like if you look at 2010 to 2013 our major order book had been shifted outside Maharashtra. So, we were focusing totally into Gujarat, Delhi, and Rajasthan. So, our order book had reversed, the situation had reversed. So, it doesn't make a difference for J Kumar what is the geography? We don't take one work. So, the benefit of the entire resource utilization and optimum utilization of our resources is maintained. Like right now also Delhi we have 3,000 crores. In Gujarat we have more than 1,000 crores job. So, we always try to focus in that manner. So, the margins will always be intact. If we take one project, the ticket size is big.

**Tarang Agarwal:** The second question is on your current fixed capital base. Can we expect you to execute up to maybe say 4,500 crores without incurring significant CAPEX?

**Kamal Gupta:** Yes, easily. Like these 5,000 crores of topline may not require much CAPEX. Only if there is some particular type of work which will require like whether it's Metro elevated flyovers or

underground, we do have the required resources. If there's some other vertical, of course the CAPEX will be there.

**Management:** So, on an average we have been doing a CAPEX of 8,200 crores including your maintenance CAPEX, like we sell off some old machines, we write it off and we buy new machines. That's the only thing. So, it's a very incremental CAPEX that we have been doing.

**Tarang Agarwal:** Are you seeing some kind of relaxations in terms of BG requirements by the awarding authority to make the operating environment more conducive?

**Kamal Gupta:** As of now, if you see that the bank guarantee requirements the government is already relaxed, and I think with the positivity in the infrastructure segment even the banking sector has become more cooperative, a business-friendly approach has been given. So, I think there is no issues with regards to bank guarantee. Like J Kumar right now also, the banking limits that the company enjoys of around 6,000 crores and we have utilized only 65% of it. Also, in this budget there was a discussion about the surety bonds. So, that would also give another level of comfort for this industry.

**Tarang Agarwal:** I might have missed out the opening comments, but was there a particular reason for the current CFO to resign?

**Kamal Gupta:** The current CFO has been in the company, and he's been attached with the company for a pretty long time, and he has been elevated as the Vice President for taxation. He continues in the company very well and he's heading the entire taxation department.

**Moderator:** The next question is from the line of Sreeram Ramdas from Green Portfolio.

**Sreeram Ramdas:** Compared to the Q1 and Q3, the Citco project is on a standstill in terms of order book. So, are we still facing any delays and what is the progress here?

**Kamal Gupta:** This is the only project which has not kicked off till now, which is Citco coastal project costing 400 crores, our part. There are some environmental issues which need to be taken. So, out of our order book of 10,636 crores, this is the only project of 400 crores which has not started. As I told you before also it will take another two to three months to actually start the work on site. We have already started the offsite work like the designing, survey, and the casting yard development. So, we will start the offset work immediately.

**Sreeram Ramdas:** Second question, recently we incurred a fine of around 1 CR for a collapse. I think it was a bridge that collapsed which was under construction, and I am sure that we are taking steps to mitigate this. But can you just tell me what was the reason behind this and what steps are we taking moving forward?



- Kamal Gupta:** This was an unfortunate accident and fortunately there was no deaths, and this was an accidental case. It was not like some other mistake of J Kumar, but of course it is unfortunate. This did happen. It should not have been done. We have already replied to the government saying it is not our mistake. This fine should not be levied. We are in the process of saying that. Also, we have taken this very seriously. We have already appointed some senior teams in terms of safety and audit to take care of such things. We have designed some checklist for this. We already doing some awareness initiatives with our workers for safety protocols. Safety of course, is our first priority and we are taking all due possible precautions for that going forward.
- Sreeram Ramdas:** My question is a bit out of the box, but in terms of promoter pledge, do we plan to un-pledge these shares anytime soon?
- Kamal Gupta:** This is only with Bank of India, which was pledged much back against the limit. Its collateral.
- Management:** If I take it on the other way, I will say that that should increase the confidence of the investors with the point that the promoters are so confident on the company that even pledging their own shares for the betterment of the company, for better limits, is not a worry for us.
- Moderator:** The next question is from the line of Faisal Hawa from HG Hawa & Company.
- Faisal Hawa:** Please tell me three to four steps that KPMG has actually told us to take, and which can really improve the ROCE and the efficiency within our company?
- Kamal Gupta:** First of all, these guys have done the study of every position of our company. Then they have designed the systems which will be more suitable tailor made for our organization. So, here we have also decided to go paperless. They are working towards that. All the working which was in physical paper will be removed and this will improve the efficiency as well and the speed of the work. Secondly, they are designing all the SOPs, that is Standard Operating Procedures for all the verticals of J Kumar wherein like there will be no confusion between any sites, there will be standard methods and a standard checklist, standard way of giving the daily reports, monthly reports, and standard method of operating and standard method of procurement plus job responsibilities, even the performance evaluations will be done now by this method which was usually previously done manually. Also, the monitoring system will be much efficient going forward. They are also doing HR procedures of grading as per the industry standards. So, a lot of the things are there. It is like a comprehensive thing. And we are also going forward with performance of our existing people. So, the key position people will be evaluated, everybody studied and given training, how to improve their efficiency better.
- Faisal Hawa:** Any new people that we have hired and where are we hiring new people from?
- Kamal Gupta:** Across the industries. You are talking of our professional people for J Kumar, right?

- Faisal Hawa:** Yes.
- Kamal Gupta:** Half the people come in through reference of our in-house staff, that these are the people who have worked before with them, so half the people join that way. And half from the industry, the placement agencies as well, so people from this industry only join us.
- Management:** We have people from all the large cap companies who have been attached with us, let it be L&T, HCC, Afcon, Tatas, so basically when they come, they come with a reference of each other, and this is how the industry works.
- Moderator:** The next question is from the line of Mohit Kumar from DAM Capital Advisors.
- Mohit Kumar:** My question is as we enter FY23 which are the Metro which are up for tendering? Post this first set of tenders which you are talking about, Chennai, Agra, Kanpur. Is there something in the offing apart from all this?
- Kamal Gupta:** Also, like Nagpur has come up with their phase two. Ahmedabad has come up with phase two. Surat has called for phase two projects. Also, Mumbai there are new projects that are going to come up. Delhi Metro, there were four packages, all the four packages had been bided, but due to the lower estimates, only two packages were awarded. So, another two projects of nearly 1500-2000 crores each has been called off. We will be submitting our revised bid on this 17<sup>th</sup>. So, I think there are a lot of Metro opportunities as well as other infrastructure projects that's available. That's how we are very confident about the order book.
- Mohit Kumar:** On the Chennai Metro, are you bidding for all the packages which are likely to get finalized in this fiscal year? I think roughly around 7,000 crores is open as I understand.
- Kamal Gupta:** There are six packages. After the two packages that IDT bagged of UG01 and UG02, there are five station packages and one package with stations and tunneling. So, we will be going for all the six packages.
- Mohit Kumar:** And this is going to get finalized in this fiscal year, am I right?
- Kamal Gupta:** Not this fiscal year, it is not possible because we have only 45 days left, and the bid submission is ranging from 22<sup>nd</sup> of February till March end. So, there is no chance that these orders would be converted into order book in this fiscal year. So, it would be in Q1 we should say.
- Mohit Kumar:** And last one, The BKC on the HSR packages, there is one more package of Mumbai-BKC station, are we bidding for it?
- Kamal Gupta:** Surely, we will be going in for that.



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- Mohit Kumar:** For both the orders, for the tunnel and for that station.
- Kamal Gupta:** Yes.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Viral Shah for closing comments.
- Viral Shah:** Thank you all for participating in the call. We once again, thank the management of J Kumar Infra for giving us an opportunity to host this call. Sir, any closing comments from your end?
- Kamal Gupta:** Thank you everyone for joining the call. We hope we have been able to answer your queries. Please stay safe. For any further information, we request you to get in touch with our CFO and IR team. Thank you so much.
- Moderator:** Thank you. On behalf of YES Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.