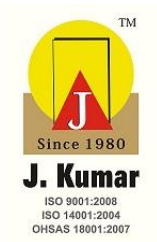




“J. Kumar Infra Projects Q2 and H1 FY2020 Earnings Conference Call”

November 15, 2019



ANANDRATHI



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

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



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Moderator: Ladies and gentlemen, good day and welcome to the J. Kumar Infra Projects Q2 and H1 FY2020 Earnings Conference Call, hosted by Anand Rathi Shares & Stock Brokers 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. Rachit Kamath from Anand Rathi. Thank you and over to you Sir!

Rachit Kamath: Thank you Rayomand. Good afternoon and warm welcome to all participants on behalf of Anand Rathi Shares & Stock Brokers. Today from the management we have Mr. Kamal Gupta Managing Director, Mr. Nalin Gupta, Managing Director and Mr. Arvind Gupta, CFO. We shall start with the brief update from management for Q2 and H1 of FY2020 and then proceed to a Q&A session. Without further ado I will now hand over the call to the management. Thank you and over to you Sir!

Kamal Gupta: This is Kamal Gupta. Thank you, Kamath. Good afternoon everyone and warm welcome to our Q2 and H1 FY2020 earnings conference call. Along with me I have Mr. Nalin Gupta and Mr. Arvind Gupta, CFO. I hope everyone has had an opportunity to look our result. The presentation and press release have been uploaded on stock exchanges and our company’s website.

It was yet another remarkable quarter as we clocked 2020% year-on-year growth in our total income and 58% in our PAT. We are upbeat with our performance during the first half of the financial year despite challenges faced by the company in terms of non-availability of labor during the first quarter and extended heavy rainfall disrupting operations during the second quarter. We are glad that we were able to maintain our growth momentum. We grew despite the weakening business cycle which was a validation of how we had selected to grow the result. Our careful project selection criteria, strong bidding and estimation capabilities, efficient project planning and management coupled with asset ownership are key to our success. With a healthy order book and strong pipeline, we remain confident of our continuing strong performance in the foreseeable future. Now allow me to give you all of an overview of operational performance during the quarter.

Our standalone financial performance for Q2 and H1 are as follows. Total income for Q2 quarter of FY2020 grew by 22% to 638 Crores as compared to 524 Crores in Q2 of



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preceding year FY2019. The total income for H1 of FY2020 grew by 14% to 1311 Crores as compared to 1447 Crores in H1 of preceding year FY2019.

Our operating margin for Q2 has grown by 18% to 108 Crores as compared to 91 Crores of Q2 of preceding year and the operating margins H1 of FY2020 has grown by 15% to 219 Crores as compared to 191 Crores in H1 of preceding year.

The PAT for Q2 grew by 58% to 56 Crores as compared to 35 Crores of Q2 in the preceding year. The diluted EPC for Q2 FY2020 stood at 7.4 per equity share as compared to 4.6 per equity share of the Q2 of the proceeding year and the PAT for H1 of FY2020 has grown by 28% to 97 Crores as compared to 76 Crores in H1 of FY2019.

Our diluted EPC for H1 FY2020 stands at 12.8 per equity share as compared to 9.9 per equity share of H1 of FY201.

Coming to the key ratios of H1 FY2020, our debt equity ratio is 0.41. The networking capital days are as 134 days in the net asset turnover ratio is 3.8%.

Coming to our order book, our order book as on September 30, 2019 stands at 13166 Crores. Metro accounts for almost 57% followed by flyover bridges which accounts for almost 30% of our order book.

In this Q2 our order inflow was a whopping 4289 Crores further, it is a pleasure to announce that a receipt of in the orders Mumbai Metro Line 9 project of MMRDA worth almost 2000 Crores that is 1998 Crores, this project has been awarded on a standalone basis. This is a testimony of our strengthening qualification criteria and capability. Along with this we also bagged in this Q2 a project of NHAI in Delhi, Dwarka Expressway costing 1540 Crores plus there were two more projects one was from SIDCO Coastal Road costing 408 Crores and one more metro elevated of MMRDA that is on Thane-Porbandar Road, in Gaimukh costing 342 Crores taking it to 4289 Crores in this Q2.

Thank you and now I leave the floor opening for question please. Thank you so much.

Moderator:

Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.



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- Mohit Kumar:** Congratulations on good set of results and on the getting a relief from SEBI. Sir myself two questions primarily on the fact, given the fact that the order book is 13300 Crores how do you see in H2 and FY2021 panning out? Is it possible to give some guidance on FY2021 numbers now and something on the margin?
- Nalin Gupta:** With the order book of around 13300 Crores that we have, we are expecting a topline of close to 3200 Crores for the FY2020 followed by 3600 Crores is what we are expecting for FY2021 and we are pretty sure to maintain EBITDA margin of 15% to 17% that the company has been maintaining till now.
- Mohit Kumar:** Secondly, given the fact you already have a large order book, do we have more appetite to bid in the future metro projects or do you think that you will slowdown for the near future?
- Nalin Gupta:** Well, as a company strategy, of course, we will not stop from bidding new orders but we will be surely focusing in the same geographies where we are already bidding as taking up the same projects in the same geography that we are already established I think we will surely try to bag some new orders, but will be very careful and we want to have a strategic bidding whenever we bid for the new ones and as of now even we have already a bid a project of around 1000 Crores which is in bidding process.
- Mohit Kumar:** Sir last one is Sir is it on the Dwarka Expressway, has the work started or started this quarter?
- Kamal Gupta:** Well the Dwarka Expressway we got the appointed date on October 17, 2019 so work has already started but because of some Supreme Court pollution issue from last one week it is standstill.
- Mohit Kumar:** Thank you understood.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Congratulations on good set of numbers and also for getting a clean chit from SEBI. Sir continuing the previous question, so now first of all, if you can clarify this 1000 Crores which kind of project and where it is and also how much more now more appetite we have in terms of getting the order and also at the same time what kind of opportunities are there



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in MMRDA and plus Delhi or any other Metro 1 are we looking only at the metro currently at least for the next 6 months or maybe be couple of road projects from NHAI also?

Kamal Gupta:

Thank you Shravan. First of all, as you said there is a huge opportunity that there is Delhi, Mumbai or any other geographical area but as told by Nalin it is also we are very conservative and we will focus on the areas where we are working on the same geographical areas. We do not want to expand apart from these some other new place. So there is lot of opportunities. Of course, like we are again bidding very strategically also and we look for our capex should not go up whether in the same overheads our turnover goes up, so we are looking for that sort of project, which are in and around and we have bid for one 1000 Crores project that is for Mumbai only, this is Worli-Sewree connector which is a part of extension of MTHL and of course we are bidding for some of the way, we are going very conservative, not very aggressive now because we already have a order book of 13000 Crores plus so we are not going very aggressive.

Mohit Kumar:

Sir just trying to understand in terms of what kind of more metro projects are there. Last I think you spoke about line 10, 11 which are at different stage so when the tendering come so this is in Mumbai, in Delhi what kind of metro opportunities are there or which can come up at that on the tender stage in next four to five months.

Kamal Gupta:

Well Metro lines 10, 11 and 12 we are already in DPR stages and will be surely keen on going for it and we should expect the tenders to be out in next six month's time. Also Delhi and Ahmedabad we are coming out of few projects, Ahmedabad is coming out with phase 2 as well Delhi, already tender of phase 4 has started in the bidding line around 6 tenders are already out. NCRTC again bidding for new project so metro projects as on goes there are lot of opportunities as we have already explained and in six month's time itself we should see a lot of tendering happening all across the country.

Mohit Kumar:

Sir is it possible to get a rough, broad value in terms of whatever opportunities we have spoken whether it is line 10, 11, 12 or Ahmedabad and Delhi?

Kamal Gupta:

These lines that we are talking of are like 10, 11, 12 would be in the range of at least like 3000 Crores approximately so around 10000 Crores to 15000 Crores worth order book is what Mumbai would be coming out with and Delhi would be another like close to around 30000 Crores for phase 4, so it is a huge opportunity for all the bidders in the industry and I think this will help in having a rationale bidding all across.



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- Mohit Kumar:** Lastly couple of data points in terms of what is our gross debt right now and how do we see at the end of the year and what capex, are we looking at for this FY2020 and or maybe in FY2021 will there be a rise in the capex?
- Nalin Gupta:** Gross debt is on September 30, 2019 718 Crores and will be same for the financial year, March 2020 and then for capex side it is a capex as on September 30, 2019 786 Crores and for this half year we have capex increase by the 50 Crores and we are targeting capex is near about 70-80 Crores in FY2020.
- Mohit Kumar:** On the working capital, lastly Sir. How do we see we will can we see some kind of improvement in working capital going forward?
- Nalin Gupta:** Working capital if you see the inventory days has been reduced actually 120 days reduced to 106 days and then working capital cycle stood at 134 days as on September.
- Mohit Kumar:** So can we expect some kind of an improvement going forward also?
- Kamal Gupta:** Yes, surely yes.
- Mohit Kumar:** All the best and thank you from my side.
- Moderator:** Thank you. The next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.
- Mohit Bansal:** Thank you Sir. Thank you for taking my question. Sir I just wanted to understand your views on any risk arising from possible change in government in Maharashtra on the projects here because of bulk your order book is dominated from projects in to Maharashtra especially Mumbai?
- Kamal Gupta:** Mohit, here if you see most of the orders that we are talking of which are already bagged by J. Kumar are EPC contracts and which are already in pipeline even if there is a change in government whenever happens there will be no impact on the existing contracts that J. Kumar has already bagged. If we have any implication whether there are new tenders coming or not or what is the policy of the new government but existing contracts are not at all affected in any manner.



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- Mohit Bansal:** In terms of any funding constraint from because there are rival parties in the center and state, any historical precedent on this that you have experienced in the past?
- Kamal Gupta:** You would always appreciate that with the change in the situation all across the country, people have become more and more positive and everybody wants to prove themselves better than others, so everybody would try to further enhance the speed and the cushion that is required for completion of the public projects, so I do not think this will have any impact on the existing contracts at all and I think we should have more and more support from all the government because they would try to prove that after they join in there is an improvement in the working atmosphere, in the decision making, so I think it should be not all affecting the existing contracts of any organization.
- Mohit Bansal:** That is it from my side. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.
- Viral Shah:** Good afternoon Sir. Congratulations on a great set of numbers. Sir can I have a revenue break up for the quarter in terms of project wise contribution for key projects contributed during the quarter?
- Kamal Gupta:** We have done 1300 Crores for H1. Metro comprises almost 79% of that so that is 1000 Crores and around 100 Crores from non-metro work. So you wanted further classification also?
- Viral Shah:** Yes, in terms of project wise that too helpful?
- Kamal Gupta:** Well in this underground line 3 comprises of almost 650 Crores and the line 2 is 140 Crores, line 6 and 7 is almost 100 Crores and then Pune metro is around 75 Crores and Ahmedabad Metro on the verge of completion is around 15 Crores to 20 Crores, Delhi was 25 Crores and Navi Mumbai Metro was 30 Crores.
- Viral Shah:** Navi Mumbai metro was 30 Crores?
- Kamal Gupta:** Yes.



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- Viral Shah:** Sir apart from the current project which you had mentioned any other project where we are looking at in terms of bidding?
- Kamal Gupta:** In future?
- Viral Shah:** Yes, in future so as of now we bid for one project which is 1000 Crores, right?
- Kamal Gupta:** Yes.
- Viral Shah:** Any other bid pipeline which is there, which you would contemplate?
- Kamal Gupta:** We have not bid, but we are evaluating, so let us see at the right moment we will take a call on that. So there is lot of projects as we spoke before also there are lots of projects in inflow, so we will tap the right project which suits us the best.
- Viral Shah:** What is the status on our Mumbai Metro underground project, on the DBMs basically?
- Kamal Gupta:** All the five DBMs are working very well. In fact, one DBM the whole track is completed so in a DBMs are working out of 5, so last week only we finished the time of the first DBM that is through now like 14 is working and by coming April-May, may will be completing the whole tunneling part of it, out of 4 tunneling should improve by coming May 2020.
- Viral Shah:** What is the work completed as on date in terms of percentage?
- Kamal Gupta:** It is around 50%.
- Viral Shah:** 50% is expected to be completed in next half?
- Kamal Gupta:** 50% is expected to be completed in another two or two and a half year.
- Viral Shah:** Thank you so much and all the best.
- Kamal Gupta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shrey Pujari from HDFC Securities. Please go ahead.



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- Shrey Pujari:** Sir I had a small question. From this quarter you have opted for a new corporate tax rate so I just wanted to know can you quantify the impact it would have on your reversals and the deferred tax liabilities which are accruing for this quarter?
- Kamal Gupta:** Mr. Pujari, we have adopted this from Q1 itself and we have made a provision for 10 Crores in the last quarter as a deferred tax and which we have done a reversal and that is why you see the growth in the PAT from around 58% in this quarter that is mainly because of the reversal of the deferred provision that you have done.
- Shrey Pujari:** Okay so the 10 Crores at the end of first quarter, the reversal of that?
- Kamal Gupta:** Yes.
- Shrey Pujari:** Going forward for this financial year so we can assume that your tax rate would be around 25.3%, I am right?
- Kamal Gupta:** Yes.
- Shrey Pujari:** That is from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Good afternoon Sir. Thanks for taking my question. Sir just I missed the debt number, what would be debt number at this end of this quarter as a standalone level?
- Kamal Gupta:** 718 Crores.
- Vibhor Singhal:** As compared to the last year number, this number seems to be a bit on the higher side, so do we expect this to probably remain at around this level or do you believe it might come down by the end of this year by March?
- Kamal Gupta:** So this last June was also 710 Crores, it was not very low like we are telling the almost the same numbers so now 117 and 118 Crores and coming forward in March 2020 we are looking at a figure of around 700 Crores only. We would like to add here that if you look at the September 2018 figure, we were at 771 and if you look at the H1 figure of September



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2019, there is a reduction of almost 50 Crores in that, so it is not increased though it is 15-20 Crores as compared to Q1 and Q2 if you see.

Vibhor Singhal: Right Sir. I completely understand. I was actually comparing it to the March 2019 numbers. I agree Sir I think this is just one is to one H basis, it is definitely declined by around 40-50 Crores. So Sir in terms of the projects that we are doing at this point of time, any projects that you would want to call out where the maybe the execution is slow or the payment is slow, or all our projects are pretty much well on track on execution and we are not facing any problem anywhere?

Kamal Gupta: If you talk of projects there are some tit bits here and there, but as an overall picture if you talk of, the business is running quite smooth and I think we are known to be one the fastest contractors before execution and being appreciated by all the government organizations and all the projects are moving on a proper speed and the payments have never been an issue because in EPC contracts, we get payments on a very timely basis.

Vibhor Singhal: Sure Sir. No payment issues or execution issues on any of our projects?

Kamal Gupta: Yes.

Vibhor Singhal: Great Sir. That is Sir. That is all from my side. Thanks for taking my question and wish you all the best.

Moderator: Thank you. The next question is from the line of Shekhar Mundra from Individual Investor. Please go ahead.

Shekhar Mundra: I just wanted to understand regarding you book keeping question, so if I add your current borrowing it is 511 Crores and noncurrent liabilities are 111 Crores so then the total debt comes to 622 Crores? Yes, so just wanted to understand what are the other financial liabilities and other current liabilities?

Nalin Gupta: This is 95 Crores is the current maturity which is shown under the other financial liabilities. This comes to 718 Crores

Shekhar Mundra: What are the other current liabilities of 477 Crores comprise of?

Kamal Gupta: It is mainly from the mobilization advance. It is 463 Crores is a mobilization advance.



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- Shekhar Mundra:** It is basically from an advance from the government is that right?
- Kamal Gupta:** Yes, Sir.
- Shekhar Mundra:** What are the other financial liabilities comprising of?
- Kamal Gupta:** Other is near about 24 Crores is other so all comprises near about the 307 Crores.
- Shekhar Mundra:** Leased liability. What is leased liability exactly can you explain me?
- Nalin Gupta:** This is 116 accounting Indian accounting firms from the first of April so that any payments before the rent account, if any financial is there then it is shown under the finance lease, so whatever rent amount you have paid, so bifurcating the discounting factor and then creates leased liability and leased asset, so that is the leased liability comes to 26 Crores and this will reverse within a 3 or 4 years time period, it will reverse.
- Shekhar Mundra:** Just wanted to understand if we have a bank balance of around 350 Crores so this is like a security we have to keep in front of our project, is it?
- Kamal Gupta:** This is FDR. This FDR are against whatever EMDs are there, the bank guarantees we give, so part of them are towards the margin money and part of them are towards the bank guarantees what we submit to them.
- Shekhar Mundra:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir what are our fund based and non-fund based limits and have we increased it or planning to increase it?
- Kamal Gupta:** Our sanction funds based limits around 605 Crores and non-fund based is 3300 Crores.
- Shravan Shah:** Okay, so are we planning to increase it by next six months or this will be fine?
- Kamal Gupta:** Any new coming worth like any non-fund based will slightly go up, as per the performance guarantee and mobilization guarantee is what we require, so for the performance guarantee



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it will slightly go up. Utilization if you see the non-fund based 3300 utilizations is only 2500 Crores because we keep repaying the mobilization advance it keeps going down.

Shravan Shah: Sir mobilization advance, we got so many new projects, so how much are still more mobilization advance to come and how much can come in next six months?

Kamal Gupta: We are entitled for nearly around 250 Crores to 300 Crores of interest in mobilization advance so as per the requirement and as per the milestone achievement we will keep taking this advance.

Shravan Shah: Thank you and all the best.

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

Rachit Kamat: Thank you Sir. Sir you said our current mobilization also stood at 463 Crores. I just wanted to understand how much of this we received in H1 or most specifically of Q2 of FY2020?

Kamal Gupta: We do not have that figures right now Mr. Rachit, but the outstanding as of today is 463 Crores. We can give you the details later on if you want. Major advance as such we have received in H1.

Rachit Kamat: Major advance is received in H1?

Kamal Gupta: So you are talking of received or deducted?

Rachit Kamat: Received.

Kamal Gupta: New ones received? No, we have not much in this H1. We do see much coming in H1. We have received only 54 Crores in line 6 in H1.

Rachit Kamat: Line 6 54 Crores we received right?

Kamal Gupta: So that means it is very nominal. Major thing had been taken before that.

Rachit Kamat: Like you said March the proceeds.



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- Kamal Gupta:** Yes.
- Rachit Kamat:** One more question from my side. We had a few projects like NBCC of 590 Crores project was there in Delhi, was taken so wanted to know is there any progress on that project?
- Kamal Gupta:** This project had some land issue there like so that is still not taken up. The project still not started. We have mobilization and then there is some land issue because it is a commercial building which is coming up. It was a headquarter for south Delhi Municipal Corporation, so because of that there is some land use issue is still pending so they are working on them so we will see for a couple of more months, if not we might withdraw them.
- Rachit Kamat:** Sir Dwarka Expressway Package 2 is also appointed or this is only appointed package or not appointed right now and October 15 appointed date?
- Kamal Gupta:** So Package 2 we have got the appointed date, Package 1 not yet and we already started the mobilization, casting yard work, the soil investigation, initial, silo test is done, everything is going very well, so we plan to complete it before time.
- Rachit Kamat:** One last question would be on the environment of working, so you are one of the companies that has a chunkable portion in belt of Delhi, UP region, and recently that region has been affected by lot of Supreme Court, pollution bans and these environmental issues, which is the reason quite a lot of people who are in that region are facing the revenue booking delays because of these issues, so I just wanted to understand how serious or significant are these issues?
- Kamal Gupta:** Mr. Rachit, this issue comes every year and this is basically it is not only Delhi. This is in and around Delhi that is like Haryana and Punjab which compromises its issue of pollution at Delhi. In every year, about 4 days 5 days there is some stoppage of the work by the government, so this year also it stopped like particularly we are hopeful that by another week next week it will be started and as I said like you know NCR region constitute around 20%-25% of our order book position, which is coming from Maharashtra as of now.
- Rachit Kamat:** Sure Sir. That is all from me, right now. I will come back in queue if I have further question. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.



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- Rakesh Vyas:** A few questions; one on projects that are slow moving apart from NBCC are there any other projects that are slow moving which has risk of to be taken out from the order book?
- Kamal Gupta:** Mr. Rakesh all the projects that we are talking of are right now actively started including the Metro Line 9 and Metro Line 4 as well as our Dwarka Expressway, everywhere we have already mobilized and the substantial work has already been done and other than these new projects all the works already giving you revenue contribution in H1 itself, so even the new projects that we have bagged recently are fully active, so other than this project we do not have anything which is slow moving or having any doubts of getting cancelled and even this NBCC to be clear is we are not starting it because the land is not clear and it on us, if they are not giving us for a substantial time whether we continue or we back out so it is not anywhere which is like the government is withdrawing or cancelling the work.
- Rakesh Vyas:** What is the issue pertaining to Dwarka Expressway Package I, is there land acquisition that has got delayed why it appointed date is still pending?
- Kamal Gupta:** There is a clause till 90% of the things are clear, they cannot give us appointed date, though we have already started work apart from actual work mobilization and utility shift, preliminary work we already started but we are awaiting the appointed date which should be given by next month end.
- Rakesh Vyas:** By December you mean?
- Kamal Gupta:** Yes, by December 15.
- Rakesh Vyas:** Okay.
- Kamal Gupta:** It is totally it is a clear job and there is no doubt of it because it is an old package comprising of 5-6 packages together so they cannot even mean there is no remote possibility also of cancelling such type of orders.
- Rakesh Vyas:** Sir I am slightly curious given the context of how are project execution is, almost all projects are we are taking to that full-fledged execution phase, your FY2021 revenue guidance seems to be slightly more muted because lot of these projects will achieve the big kind of ramping up during FY2021, so the number on revenue should have been higher?



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Kamal Gupta:

Rakesh Ji, here I would like to emphasize on two points, firstly J. Kumar has always been very conservative when we speak about numbers and we try that other investors are not lead down by having some rosy pictures so that we always the company has given better results than what we have said and we hope that we will do some better numbers than what we have told you and moreover when you talk about any new projects like you see around 4260 Crores of projects that we have bagged in the current quarter, these projects are being on the preliminary stage, the initial six to nine months are always grown in preparation in the geotechnical investigations, survey, JV finalization, so with preliminary works which are involved are more important and which is much time consuming once the work is started, then it takes on and you can see the revenues being contributed in all the quarters, so we expect maybe we do something better than 3600 Crores but to be on the safer side and what we expect the realistic number, we have given these numbers.

Rakesh Vyas:

Last question from my side. Sir given how commodity prices have weakened, so is there is a scope for us to improve our margins based on how we bid or most of the contracts that you have won as a commodity pass through already?

Kamal Gupta:

All the escalation clauses that are involved in all the tenders are both ways, plus and minus, so right now like I would say six months back we were getting escalation in the prices which were on the positive side, but right now if you look at most of the escalations, they are on the negative side so in this scenario it does not really impact it is a very pass through sort of arrangement which is there, so it does not add on effect in terms of the margins that we have.

Rakesh Vyas:

Great. Thank you so much and best of luck.

Moderator:

Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar:

Thanks for the opportunity once again. Sir our margin profile is expected to improve in FY2021 or do you maintain this kind of margin which you are making right now?

Nalin Gupta:

The margins of course because of this reduction in the tax, there has been some improvement, otherwise we are sure what we are maintaining, we would not be lower than that and I guess this margins we are making is one of extremely good numbers that you can compare it with the peer competitors, so I think maintaining this itself is a big challenge for most of the infra companies.



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Mohit Kumar: Absolutely Sir. Sir does your margin performance differ between metro and the other projects?

Kamal Gupta: Most of the project that our company is executing around 90% of the contribution is from the transportation engineering which basically we are into structural works that is metros and flyovers so in this scenario I would say like because like metro which is contributing around 57% and flyover to the tune of around 30%, so around 87%, 90% is from flyovers and metro which the EBITDA margins are similar to 15%-17%, so will be surely able to maintain that.

Mohit Kumar: Out of all the metro projects, which will be coming for bidding is there anything you find more interesting compare to a very good like to bid compared to Delhi Metro, Bengaluru metro would you like to stick to Mumbai only?

Kamal Gupta: We are Mumbai and Delhi both the places we are very strong and we have already been doing so it is very sure that Mumbai and Delhi will be trying to hit hard.

Mohit Kumar: If you have to go out for new metro project like Surat, Ahmedabad or let us say Patna, so how we will we know?

Kamal Gupta: Again we are active in Ahmedabad. We are already doing. We are the first contractor to complete the metro line, which is opened by the Honorable Prime Minister, so Gujarat, Delhi and Maharashtra, we are already active and Surat will be part of Ahmedabad Metro only. So eventually try to do our bid there.

Mohit Kumar: Pune Metro 3, are the tenders out?

Kamal Gupta: Pune Metro is already actively into execution and Reach I, Reach II and Reach III, there are three Reaches which are currently into execution and we at J. Kumar also we have a contribution of round 8000 Crores to 900 Crores order book from Pune metro, which is in full swing.

Mohit Kumar: How do you see it for Chennai? Is Chennai Metro have started coming out tender phase 4?

Kamal Gupta: Chennai is going to come but we are not very sure whether we will go for it or not.

Mohit Kumar: I understood Sir. Thank you.



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- Moderator:** Thank you. The next question is from the line of Rachit Kamat from Anand Rathi. Please go ahead.
- Rachit Kamat:** Sir just one last question. I missed the data points regarding the revenue contribution from the line 3 project?
- Nalin Gupta:** Revenue contribution from line 3 H1 this year was around 640 Crores.
- Rachit Kamat:** And line 2 you said 140 Crores right?
- Nalin Gupta:** Yes.
- Rachit Kamat:** So just I wanted to confirm line 2 revenue was 140 Crores right?
- Nalin Gupta:** 140 Crores, yes.
- Rachit Kamat:** That is it. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nirav Sharma from Edelweiss. Please go ahead.
- Nirav Sharma:** Congratulations for a good set of numbers, so I wanted to know the reason could you throw some light as to why the inventory days have down as you mentioned earlier?
- Kamal Gupta:** Because of the efficiency has been increased and whatever works we have done in the previous quarter it is materializing actually.
- Nirav Sharma:** Can this improvement go further for the year end FY2020?
- Kamal Gupta:** Yes. As we are working in the same geography and the amount of works which were already into execution, whether it was elevated or underground metro, the inventories which were been already built up and not paid has started getting paid off, so we expect something better to come up.
- Nirav Sharma:** Thank you so much Sir.



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- Moderator:** Thank you. The next question is from the line of Abhijeet P from Individual Investor. Please go ahead.
- Abhijeet P:** I wanted to understand what is the competition intensity currently and whether we had bid for the Delhi phase 4 couple of contracts have been announced which I think KEC has won, so have we bid for those contracts or we are looking to bid in future?
- Kamal Gupta:** Well for the Delhi Metro project, we had not bid for this 3 projects which were there, DC 1, DC 2 and DC 3 and as we were not very keen on that particular projects due to certain reason but there is another project of underground also coming up for which we are about to bid for it.
- Abhijeet P:** Okay and how the competition intensity generally in the various projects that you have bid or which you have won recently?
- Kamal Gupta:** Mr. Abhijeet, see we are working on a very niche area. So here the very few people who compete for this sort of project, so like you know since the inflow is very good, I do not think there will be getting into fight in this round. So people are reasonably quoting now so.
- Abhijeet P:** That is great to know Sir and Sir about that bullet train project, anything which is happening and any ground work, so it was expected to happen somewhere I think in September or October I think it has been delayed a bit.
- Kamal Gupta:** By January and February. There are some major changes happening in the contracting system where instead of Japanese contractors, they are allowing Indian contractors to participate on a standalone basis so that is how there is some strategic change which is happening and so all the contracts have been put on hold as of now. There is no clear visibility as to when these tenders are going to be bid but it will be expected soon yes.
- Abhijeet P:** And we will be interested in the same?
- Kamal Gupta:** Yes, let us see. We are trying for it.
- Abhijeet P:** Thank you.
- Moderator:** Thank you very much that was the last question. I would now like to hand the conference back to Mr. Rachit Kamath for closing comments.



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Rachit Kamath: We thank the management for having given us this opportunity to host the Q2 and H1 FY2020 earning conference call and we wish the best luck to the management for the coming quarters. Thank you Sir and over to you!

Kamal Gupta: Thank you everyone for joining on the call. We hope we have been able to answer all your queries. For any further information, we request you to get in touch without team. Thank you so much.

Rachit Kamath: Thank you.

Moderator: Thank you very much. On behalf of Anand Rathi that concludes the conference. Thank you for joining us. Ladies and gentlemen you may now disconnect your lines.