



## “Ahluwalia Contracts (India) Limited Q4 FY-15 Earnings Conference Call”

**May 22, 2015**



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**MODERATOR:** **MR. AMBER SINGHANIA – ASIAN MARKETS  
SECURITIES PRIVATE LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Ahluwalia Contracts Limited Q4 FY15 Earnings conference call hosted by Asian Markets Securities. 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. Amber Singhania from Asian Market Securities. Thank you and over to you, Mr. Singhania.

**Amber Singhania:** Good afternoon everyone. On behalf of Asian Market I welcome you all to the 4Q FY15 Earnings Conference Call for Ahluwalia Contracts Limited. Today with us we have Mr. Shobhit Uppal – Deputy MD and Mr. Rohit Patni – Investor Relations from the company as such. I now request Mr. Uppal to take us through the quarterly results and the highlights and then we shall begin the Q&A session. Over to you, sir.

**Shobhit Uppal:** Good afternoon everybody. Along with Rohit we also have Satbeer – our CFO, with me here. We closed out this financial year FY15 at a topline of Rs. 1,060 crores and this means there is a growth of about 10% because FY14 we closed at about Rs. 960 crores. We had projected a topline of Rs. 1,100 crores so there is a slight shortfall there. But we have exceeded the other parameters that we had projected. Our EBITDA margin is 11.8%; our PAT margin is 6%. Our corresponding projections for this was 11% and anywhere between 5% to 6%. The new orders that we have received in the last financial year aggregate to about Rs. 1,380 crores. In the last three months itself we have bagged orders worth Rs. 1,000 crores. Our total or our net order book today stands at about Rs. 4,100 crores. So that is a snapshot of our performance and I am ready for any questions.

**Moderator:** Thank you we much. We will now begin the question and answer session. Our first question is from the line of Shravan Shah from Karvy Stock. Please go ahead.

**Shravan Shah:** Sir, in the press release you had mentioned that now government order book is close to 65% that is the government share. So what was it in at the end of 4Q FY15?

**Shobhit Uppal:** It was about anywhere between 50% to 55%. We have picked up orders in the last two weeks we picked up orders close to Rs. 680 crores. These are primarily I think only one order of about Rs. 40 crores is private otherwise all are government orders.

**Shravan Shah:** Sir, in terms of what was the order inflow for FY14 and for the 4Q FY14?

**Shobhit Uppal:** Total order inflow in FY14 it was about I think Rs. 700 crores. I do not have that figure readily available with me. FY15 it was Rs. 1,380 crores. You wanted to ask about FY15 or FY14?



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- Shravan Shah:** FY14; FY15 I have but for FY14 there was slight.
- Shobhit Uppal:** Yes, there was a dip because as I had explained to you gentlemen earlier we had gone on a consolidation mode so it was anywhere between Rs. 700 crores to Rs. 800 crores.
- Shravan Shah:** And sir, in terms of the out of total order book how much is fixed at the end of 4QFY15 and as of today?
- Shobhit Uppal:** How much is, sorry come again?
- Shravan Shah:** Out of total order book how much is fixed price contracts?
- Shobhit Uppal:** Fixed price contracts. As things stand today I think the fixed price contracts would be about Rs. 400 crores so about 10%.
- Shravan Shah:** And so sir, we are now for FY16 and FY17 now we are sitting on a very robust order book so in terms of the topline growth how our guidance is and for the EBITDA margin also?
- Shobhit Uppal:** We are targeting a topline growth of about 15% to 20% in this financial year and EBITDA margin of about 12%; 1% point increase. It will be between 12% to 12.5%.
- Shravan Shah:** But looking at this robust order book do not think the kind of inflow is coming we will not be able to surpass our target of Rs. 1,700 crores by FY17?
- Shobhit Uppal:** We may but we are cautiously optimistic you are right our target for this financial year new orders was about Rs. 1,600 crores and as I said in the last three months only we picked up orders worth Rs. 1,000 crores. So we should be able to surpass that but at the same time we do not want to kind of get too far ahead of ourselves. So we want to keep our growth conservative.
- Shravan Shah:** And sir, in terms of the working capital how do you think now because last time you have spoken that the private real estate is not still not picking up so how the things are standing today?
- Shobhit Uppal:** It is the same the private side is not picking up. In fact over the last two to three months it has worsened; the position is worsened as all of you would be knowing. So that is why our focus continues to be on the public sector and when we spoke last it was about 50/50 our order book now it is 65/35 and I think we will take it to about 70% on the government sector side. So private sector side I see no substantial improvement in this year.
- Shravan Shah:** Sir, just about the Kota project how much is now leased out?



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- Shobhit Uppal:** Kota project about we have leased out about 55% and we are launching that project in September-October around Diwali time around when the festival season begins from that time I think we are looking at revenues close to about Rs. 70 lakhs to Rs. 80 lakhs per month.
- Shravan Shah:** Last question if you can give the order book breakup segment wise?
- Shobhit Uppal:** So commercial is 4%; hospitals are 4%; hotels 2%; industrial 1%; infrastructure this includes the metros this 15%; institutional is 22% and residential is 52%. Our major chunk of this residential order book is a large order from Delhi Development Authority of about Rs. 350 crores.
- Moderator:** Thank you. Our next question is from the line of Rajendra Mishra from IDFC. Please go ahead.
- Rajendra Mishra:** Just wanted to check on the new order Rs. 650 crores that you have received. Could you just throw some light on what kind of order it is and what kind of margins is probable on this?
- Shobhit Uppal:** Out of this about Rs. 550 crores are two new hospital blocks which are to come up in AIIMS, Delhi. One is a Mother and Child block and is a new OPD block. And Rs. 163 crores is the new Income Tax building in Bandra-Kurla, Mumbai and there is a one small order of about Rs. 15 crores for a commercial building for Kumar Builders in Mumbai. So this is the breakup of this Rs. 676 crores. And the margin is double digits margin it should be anywhere between 11% to 12%. It comes with an escalation clause.
- Rajendra Mishra:** And would it be possible to know who would be L2 in these three or primarily in this AIIMS order this large ticket size Rs. 550 crores?
- Shobhit Uppal:** These are two; Rs. 550 crores is split in to two as I said. So I think in one of the jobs it was JMC and one of the jobs it was Larsen & Toubro. In one of the blocks I think there were only two pre-qualified parties L&T and Ahluwalia.
- Moderator:** Thank you. Our next question is from the line of Manish Valecha from Anand Rathi. Please go ahead.
- Manish Valecha:** Sir, my question was firstly on the interest cost. So despite paying on we have repaid quite a lot of debt in the last two quarters so there has not been no reduction in interest cost. Am I missing some point or is it the financial charges which are taking it up?
- Shobhit Uppal:** No, it is a valid question because the interest cost also include the interest which is accrued on the mobilization advance because all government contracts they charge interest on the



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mobilization advance. There is approximately Rs. 90 crores worth of MA on which the interest is accrued.

**Manish Valecha:** So has it increased in the last three months or so?

**Shobhit Uppal:** Our interest cost if you see is virtually the same it is not increased. But yes, all the new orders that we won the advances that we have taken so the interest meter is running on that.

**Manish Valecha:** And what is the gross debt currently at?

**Satbeer Singh:** Manish, also I am a part of the interest cost if you owe a debt in the last one year is approximately Rs. 100 crores but most of the debt is the term loan from the Kota project there interest cost will be capitalized and not impact on our P&L account. The loan repay but not an impact on for financial cost.

**Manish Valecha:** So gross debt figure?

**Satbeer Singh:** Debt figures?

**Manish Valecha:** Yes.

**Satbeer Singh:** Rs. 146 crores short term project including Rs. 421 crores unsecured loan and Rs. 9 crores for long term debt.

**Manish Valecha:** And sir, what would be the accumulated losses now?

**Satbeer Singh:** The losses are Rs. 40 crores.

**Manish Valecha:** So how is the overall order booking scenario looking like in the building space? So you mentioned that you will be concentrating on government orders. Also I wanted to get an idea on from the private sector how are the debtors shaping up well because the debtors seemed to have been stable or actually have gone up slightly from the last year?

**Shobhit Uppal:** I have already answered both these questions. The order book is robust we have already picked up orders worth Rs. 1,000 crores in the last 3 months as I said Rs. 676 crores in this month or the last 15 days and last month we won a large IIM contract, Indian Institute of Management in Haryana for about Rs. 300 crores. So order book is robust and we should easily surpass our target of Rs. 1,600 crores this year. As far as the private sector is concerned there is no improvement.

**Manish Valecha:** And on the debtor side also there is no improvement from the private sector?



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- Shobhit Uppal:** Very little improvement.
- Moderator:** Thank you. Our next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir, just two things. One, you mentioned about the fixed price contracts of Rs. 400 crores this is the same absolute number in terms of the low margin contracts?
- Shobhit Uppal:** Yes.
- Nitin Arora:** And sir, we will be executing completely these Rs. 400 crores in the next one or two quarters?
- Shobhit Uppal:** Yes, we should be. Look our target was as I told you guys that we should finish it in the first half of this financial year. But the private sector continues to move very slowly. So if anybody guess but our endeavor is that latest by the end of this financial year we should clean out these projects from our balance sheet.
- Nitin Arora:** And when you are giving the EBITDA margin 100 basis points increase you are including your other income in to that?
- Shobhit Uppal:** Yes, we are including.
- Nitin Arora:** Sir, in terms of execution I mean considering our execution as we have strength always so Rs. 1,350 crores what we used to I mean when you missed about this Rs. 30 crores billing here in this year so that will definitely come up in the year. So surpassing Rs. 1,300 crores next year would be difficult in terms of revenue?
- Shobhit Uppal:** It will not be difficult why because as you heard now our order book 65% comes from the public sector and what we are seeing is these public sector contracts are moving. It is only the private sector contracts which are not moving at all. So that because those contracts did not move that is why this Rs. 30 crores to Rs. 40 crores shortfall is there. So I think meeting the topline targets for FY16 is not going to be a problem.
- Nitin Arora:** And sir just last thing on the debt reduction strategy which we maintained about Rs. 90 crores by FY17 assuming now the advances are coming at a good interest rate as compared to what bank rate we are getting at points. So reducing debt from here on now just wanted you guidance on that?
- Shobhit Uppal:** That is what we are working on. For FY16 there is not going to be a substantial reduction because we are also burdened with the slow moving contract the Rs. 400 crores worth of slow



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moving contracts and our receivables from our private sector clients. But by FY17 we should be able to take it down to sub Rs. 100 crores levels.

**Moderator:** Thank you. The next question is from the line of Ranjeet Singh from Axis Capital. Please go ahead.

**Ranjeet Singh:** Sir, actually if you can just help us with the understanding in detail what has been the reason for the shortfall in revenues and there has been also this pollution control thing in the NCR region which could have impacted some construction projects. Will we see the impact of that thing in Q1 of FY16?

**Shobhit Uppal:** I already answered a part of your question that the shortfall has been on account of the slow moving which the private sectors virtually had a standstill. In fact in the last quarter normally what has been seen is that the last quarter of every financial year is the most remunerative and where the topline growth is the maximum though we have also when you compare it to the corresponding quarter of the last year we have also gone surpass that but still it has been slowdown by the private sector. So that I think will continue to impact the topline growth but now since we have 65% of our order book from the public sector I think we will meet our targets for the topline growth for this year. And as far as the pollution control all these things are affecting the private sector today. And this has been another sort of nail in the coffin. So those projects are hardly moving. So if this thing will impact our revenues from the private sector for the year.

**Ranjeet Singh:** Sir, on the order pipeline front we have definitely got a very good order inflow during this first couple of months in the Fiscal year so what is the kind of pipeline looking like and the large DDA project which you had mentioned in the previous quarter's conference call so how is the progress on that particular contract?

**Shobhit Uppal:** No, the pipeline also I mentioned we won these orders in the last three months Rs. 1,000 crores and we should surpass our target of Rs. 1,600 crores. As far as the DDA projects are concerned one project we have already started we are awaiting it is a design build project we are awaiting environmental clearance which should also come in-in the next 15 to 20 days and we will break ground. As far as the other projects are concerned we have bid for two other large projects for DDA aggregating about Rs. 600 crores where I think the number of pre-qualified parties are 3 in each case. So let us see those bids should be opened also in the next one month or so.

**Ranjeet Singh:** So in terms of the future pipelines of Rs. 600 crores from DDA is in the pipeline but apart from that any other states or any other agencies in terms of the educational institutions we are targeting or we have bid for?



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- Shobhit Uppal:** Yes, there are lots we are targeting as I said we are already doing an IIM in Rohtak we are bidding for another IIM in Raipur. We are bidding for two large NBCC projects; we are bidding for two large HSCC projects which are hospitals. We are bidding for a couple of large private sector jobs also. And then there are some tenders which have already been put in but which have not been opened. So our two of our DDA projects which I mentioned.
- Ranjeet Singh:** Sir, if you can just quantify the total value of these orders which we have bid for or which we are going to bid for?
- Shobhit Uppal:** No, the jobs which we have already are under bidding or has bid for are close to Rs. 2,000 crores.
- Ranjeet Singh:** And sir, you have definitely seeing the competitive intensity now being lower in most of these projects and how is the thing in the future tenders you are seeing that in the tenders which you have bid for?
- Shobhit Uppal:** Yes, it is lower and I think at least for a year or so it will remain like this.
- Moderator:** Thank you. Our next question is from the line of Parikshit Khandpal from HDFC Securities. Please go ahead.
- Parikshit Khandpal:** Sir, for the last many years what has been the peak order intake which we have done?
- Shobhit Uppal:** I think the peak order intake has been about Rs. 1,500 crores to Rs. 1,600 crores.
- Parikshit Khandpal:** So we have again reach backed that so we have again reclaimed that so this year within Rs. 1,680 crores and similar kind of number we are targeting for this financial year, right?
- Shobhit Uppal:** Yes.
- Parikshit Khandpal:** I just want to understand the opportunity for you in the affordable housing segment which seems to be upcoming big opportunity in the upcoming years so how are we positioned in that segment and what could be the opportunity for us and technology wise how are we positioned to seize that opportunity in the housing segment?
- Shobhit Uppal:** That is a good question. Affordable housing segment is I think it is just waiting to take off and that is why we have this tie up with the Russian company for Pre-Cast Technology. It was because for mass affordable housing Pre-Cast we feel is going to play a major role. So we are already doing a project though with a private sector player in Bahadurgarh that project is half complete it should be completed in the next 7 to 8 months where we are using this for showcasing this Pre-Cast Technology. We feel going forward a lot of state governments as





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well as the government at the center are going to use the Pre-Cast Technology for mass housing.

**Parikshit Khandpal:** But does this tie up give you that PQ I mean for qualification to basically bid for this affordable housing project?

**Shobhit Uppal:** You see at the moment it is not decided what the pre-qualification criteria is going to be because there are a number of parameters that various departments consider and we have done large housing project. So that whether they were Pre-Cast or not I do not think should matter. Majorly the criteria is going to be having executed large residential projects. So pre-qualifying should not be a problem. As long as we have the technology to execute pre cast work which we have now.

**Parikshit Khandpal:** Just last question. If you see this order intake of Rs. 1,680 crores largely lopsided towards the last three months where these department also have to meet their budget they have to award these contracts. So will this ordering will long more normalized over the next 12 months or again it is like first 6 months or 9 months will be lull and then again the fourth quarter will be very good and if that is the case if that is not the case then probably the order booking may be still very high so if it is more normalized?

**Shobhit Uppal:** No, in fact if you see the Rs. 1,000 crores that I mentioned in the last three months out of this Rs. 676 crores is actually coming in May. It is not that as if it is coming in the last.

**Parikshit Khandpal:** It is a last year's order which basically gets awarded so I am saying how is the pipeline is it more widespread over next 12 months and more normalized or it is again be like fourth quarter will be again lopsided and where the department so where is the department wants to basically give awards and first nine months will be a lull?

**Shobhit Uppal:** No, there would not be. I think it will be more. Now that the government has found its feet and it seems to be moving forward actively so I think it will be more normalized.

**Parikshit Khandpal:** So then what is the limiting factor for taking these orders now I mean is there any capacity line we are running at the peak capacity for taking orders or the order size can be still more and Rs. 1,600 crores could be Rs. 2,400 crores or Rs. 3,000 crores so what does the limiting factor there then?

**Shobhit Uppal:** It is self-imposed. As I said in the beginning we want to grow conservatively because we do not want to grow too fast and fall in to the same rut again that all of us had fallen in to.

**Parikshit Khandpal:** You mean government I was particularly coming from the government contract side?



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- Shobhit Uppal:** So even government contract side there has to be execution there has to be and also we want to not move out of our comfort areas we want to kind of keep stay focused in geographies where we have a strong presence.
- Moderator:** Thank you. Our next question is from the line of Manoj Kumar from Taurus Asset Management. Please go ahead.
- Manoj Kumar:** Your sales has been increased and your employee benefit has reduced from Rs. 77 crores to Rs. 69 crores?
- Shobhit Uppal:** Efficiencies has increased and also in terms of absolute numbers we have downsized a bit.
- Manoj Kumar:** We have seen the other income of Rs. 11 crores from where this other income come sir?
- Satbeer Singh:** Other income is a part of the FDs and Annual Life.
- Manoj Kumar:** And you have completed the revision of that Commonwealth Games flats in Khelgaon whether you have received a full amount of that or money has to be received?
- Shobhit Uppal:** No, Commonwealth Games those residential apartments the village is under arbitration. The arbitration is going on. No money has been receive.
- Moderator:** Thank you. Our next question is from the line of Avinash Kumar from Dolat Capital. Please go ahead.
- Avinash Kumar:** I just had one question like employee cost has come down in the corresponding years so what is the reason for it whether our employees have been underutilized what is the mechanism there?
- Shobhit Uppal:** Not underutilized. I did answer that I did say that we have downsized the bid increased the efficiencies.
- Avinash Kumar:** So what is the reason for that; can you repeat again?
- Shobhit Uppal:** It has been a part of our consolidation process so we took certain steps were taken to reduce costs and downsizing was one of them.
- Avinash Kumar:** And sir, I just wanted to know how are the payments like in the government projects whether it is continuously it is coming nicely or how is the payment there?



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- Shobhit Uppal:** Government projects the payments happen on the working capital cycle is about 45 to 50 days so government side the payments have never been a problem. It is the private sector side which continues to be stressed.
- Moderator:** Thank you. Our next question is from the line of Navin Jain from JM Financial. Please go ahead.
- Navin Jain:** Sir, my first question was on again come back to the same thing basically on order inflow front given that the outlook is so strong and we have already got about Rs. 1,000 crores of orders in this year. What do we do I understand that we have a fairly conservative strategy as far as growth is concerned but given that there are so much opportunity that probably one is staring at currently. How do we really intent to sort of manage it?
- Shobhit Uppal:** Look I feel that this opportunity that is steering at us is going to be there for at least another three, four, five years and the number of projects in the pipeline are only going to increase now that the government has found its feet, one year is over of this government the execution is actually going to take off now. But we want to be conservative so FY16 we feel that we will meet the targets that we have set for ourselves which is about Rs. 1,300 crores. To do that we will need to grow at about 20% or more than 20%. And then FY17 is something that we are targeting to hit the peak that we had achieved four years ago. So that is how we aim to go about it we do not want to be very ambitious as of now.
- Navin Jain:** What I want to understand is that let us say since the pipeline is there and if the orders are coming at good margin at the price that you want it at. Would you still take the orders even if it is going beyond your target of order inflow for the year?
- Shobhit Uppal:** As I mentioned earlier if they happened to be in comfort zones or areas like geographical areas where we have a strong presence say in Delhi or in Mumbai or in Patna where we have large establishments or in Kolkata yes, we may.
- Navin Jain:** Second question was on margins front EBITDA margin excluding the other income. We started the year very strongly on that front and towards the latter half of the year the margin has somewhat come down compared to the beginning of the year. So was there any specific reason for that, did we see any sort of small write-offs or anything towards the second half the year?
- Shobhit Uppal:** It is the private sector which continues to pull us back. The last three months has actually seen a worsening of the situation on the private sector side. So the first six months of this year saw results of our downsizing which were apparent upfront. But we could not downsize more than what we already did. But our private sector contracts just have not moved. As I said the position is worsened the financial status of even the larger developers they are suffering very



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badly. So that has kind of pulled us back a bit. But our government sector contracts have helped us.

**Navin Jain:** And sir, more from a margin perspective so was there any small write offs or anything that you took towards the second half of the year I mean in fourth quarter may be particularly?

**Shobhit Uppal:** No, there have been no write-offs but there were certain initial in the first quarter or so there may have been other incomes which may have come in from sale of properties so on and so forth. But otherwise there have been no write-offs.

**Navin Jain:** Finally, so on the tax rate front so what would you expect in FY16 and may be even FY17 because for last two years our tax rate and especially this year has been pretty low because of the accumulated losses I guess?

**Satbeer Singh:** This year the tax rate is zero in FY15. FY16 firstly Rs. 40 crores is the accumulated losses cover up after their profit full tax rate of 30%. In FY17 if the government is decrease of 1.5% then the tax rate is 28.5% the full tax rate.

**Moderator:** Thank you. Our next question is from the line of Amber Singhania from Asian Markets Securities. Please go ahead.

**Amber Singhania:** Sir, my question is more towards the working capital and the balance sheet side. We have seen a significant reduction on the net working capital cycle this year. What was the major reason and how do we see going forward?

**Satbeer Singh:** The working capital debt if you are including all the other current liabilities our working capital is days is 50 days because mainly we have to repay of our loans or may be some of our revenues will be increased from last year to this year and our debtors are not much increasing. In other part second part inventory; inventory is also decreased from last year to this year. So our working capital will be improved and we hope in the FY16 we have a much better and FY17 may be we hope our working capital will be negative.

**Amber Singhania:** But if I take our net working capital cycle excluding cash it has come down from 132 days to 69 days which is a significant reduction without taking the debt in to consideration as such. So any major reason or any major milestone payment we have received from any account or what could be the reason behind it and how do we see forward because generally on the construction sector 50 to 60 days working capital is something which is very, very positive but generally 100 to 110 days is what average we got so what is your view and how do we see our company's working capital going forward?



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- Satbeer Singh:** See mainly our working capital decrease from this is the inventory. Initially we have if you have to think about the 31<sup>st</sup> December approximately 200 to at a time Rs. 166 crores the inventory. Major part of the decrease on the working capital depend on inventory.
- Amber Singhania:** And what is the total advances we have at present in the books?
- Shobhit Uppal:** It is also for short term advances are at Rs. 20 crores.
- Amber Singhania:** Advances from customers?
- Shobhit Uppal:** Advances from customer are to the tune of about Rs. 100 crores.
- Amber Singhania:** And vis-à-vis last year sir if you can just share that number?
- Shobhit Uppal:** We would not have that number we will get back to you with that figure to you. We do not that right now.
- Amber Singhania:** Second question is towards the DDA front like we had around Rs. 14 crores of pending claim from DDA what is the status of that and have we received that amount yet?
- Shobhit Uppal:** No, I do not think it is DDA I think you must be meaning CPWD?
- Amber Singhania:** The Commonwealth pending?
- Shobhit Uppal:** Yes commonwealth, that is from CPWD it has not come yet the final bill is under checking, it should happen in this quarter.
- Amber Singhania:** And sir, just I missed out on your guidance number for the revenue next year could you just repeat that?
- Shobhit Uppal:** Topline about Rs. 1,300 crores and EBITDA at about 12% to 12.5%.
- Amber Singhania:** And this EBITDA margin is after considering that Rs. 400 crores of fixed price contract which might have a lower margin?
- Shobhit Uppal:** Yes.
- Moderator:** Thank you. Our next question is from the line of Devang Patel from IL&FS. Please go ahead.



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- Devang Patel:** Sir, question was on the depreciation expense that we shown in the P&L of this amount is half of what we used to have two years, three years back is there a change in the gross block or is there are change in the depreciation method?
- Shobhit Uppal:** Again we lost out on the first part of your question?
- Devang Patel:** The depreciation expense is down by half compared to three years back if you can explain that?
- Satbeer Singh:** So the policies have been changed. Regarding the stuttering material that is previously we are depreciating 100% but last year we have revised the policies and that is according to the use of the entire life of the stuttering. That is why this is basically that has been one-third of the amount has been depreciated last year and now because of the increase in the rate of depreciation rate now this year you are going to see the depreciation has increased from Rs. 12 crores to Rs. 21 crores that is why the depreciation rates has been increased during this year.
- Devang Patel:** And what is the life of the stuttering material that we consider?
- Satbeer Singh:** It has been for four years.
- Devang Patel:** Sir, and a question on working capital cycle although we have started improving now for the last one year we are still higher than what we were in 2008 and 2009. When do you see ourselves improving further to those levels where working capital is under 30 days?
- Shobhit Uppal:** That I think is an idealistic position which I do not think will happen for another three years. Because until such time that the private sector does not improve or start matching the government sector that will not happen.
- Devang Patel:** You need much more advances from the private sector?
- Shobhit Uppal:** No, we would need regular payment from the private sector. The norm of the industry is the payment every month. So the government does it but the private sector is not in a position to do it at the moment.
- Moderator:** Thank you. Our next question is from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.
- Parvez Akhtar:** Sir, just a couple of questions. One is if you could give the net order book figure at the end of FY15?



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**Shobhit Uppal:** Net order book at the end of FY15 is about Rs. 3,400 crores and as of now it is Rs. 4,100 crores.

**Parvez Akhtar:** And second thing you had given the segment wise breakup of the order book was that for the gross order book or the net order book?

**Shobhit Uppal:** We are talking about net order book.

**Parvez Akhtar:** So that was also for FY15 end only I presume?

**Shobhit Uppal:** Yes.

**Parvez Akhtar:** And sir, just one last thing one housekeeping question. What is the debt outstanding on the Kota project?

**Shobhit Uppal:** No, there is no debt on the Kota project now it has been squared off in December.

**Moderator:** Thank you. Our next question is from the line of Chintan Seth from SKS Capital & Research. Please go ahead.

**Chintan Seth:** I have some questions; one on as you mentioned that you have accumulated losses of Rs. 40 crores as on date and we are currently doing at around Rs. 60 crores of PAT under bottomline side. What are your views on dividend policy going forward once the accumulated losses we have fully absorbed?

**Shobhit Uppal:** At the moment the management is debating on this, we have not yet taken a decision so we will kind of we will take another three months to decide on this.

**Chintan Seth:** And second question on your guidance like you mentioned that Rs. 1,300 crores is 12.5% of EBITDA margin. You did not mention about it includes Rs. 400 crores of fixed component orders which will get absorbed in next couple of quarters. That is the correct leading, right?

**Shobhit Uppal:** Yes, it is.

**Chintan Seth:** So we can see first half will be a bit slow on EBITDA margin side and then it will gradually inch up higher in the subsequent two quarters to end up the year at 12% to 12.5%?

**Shobhit Uppal:** Yes.

**Chintan Seth:** So we will be some pain in next one or two quarters given Rs. 400 crores of fixed component order will get executed?



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- Shobhit Uppal:** Yes.
- Moderator:** Thank you. Our next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.
- Divyata Dalal:** Just wanted to have the breakup of L1 at Rs. 350 crores that we have mentioned in the press release today?
- Satbeer Singh:** One project is an IITD Delhi they are a government project approximate Rs. 265 crores and second is **HSCC Hospital 41.20** project in Kolkata approximate Rs. 82 crores. They are the two L1 projects at present.
- Divyata Dalal:** And sir, what would be your cost of debt?
- Shobhit Uppal:** It is about 13%.
- Divyata Dalal:** Any plans to for this to come off in this particular year FY16?
- Shobhit Uppal:** No, as I said by FY17 we aim to get it down to less than Rs. 100 crores level about Rs. 80 crores to Rs. 90 crores.
- Moderator:** Thank you. Our next question is from the line of Parikshit Khandpal from HDFC Securities. Please go ahead.
- Parikshit Khandpal:** Sir, just a follow up. In FY15 you said the order closing book is Rs. 3,400 crores so what was the order inflow for just FY15?
- Shobhit Uppal:** FY15 it was Rs. 1,360 crores.
- Parikshit Khandpal:** And this Rs. 3,400 crores was what was this order FY14 and what was the order book?
- Satbeer Singh:** FY14 our order book is approximately Rs. 2,700 crores.
- Parikshit Khandpal:** And we had order inflows of Rs. 700 crores in that year?
- Shobhit Uppal:** Yes.
- Parikshit Khandpal:** And do you remember in fourth quarter how much was that I mean out of that Rs. 700 crores how much was in 4Q FY14?
- Shobhit Uppal:** No, we will get back to you with that figure we do not have it right now.





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- Parikshit Khandpal:** Will this margin improve in FY17 further I mean once this Rs. 400 crores like if the order book is out of the balance sheet so will it improve further from 12.5%?
- Shobhit Uppal:** Yes, it will. Our target is to that it will cross 13%.
- Parikshit Khandpal:** Okay in FY17?
- Shobhit Uppal:** Yes.
- Moderator:** Thank you. Our next question is from the line of Ranjeet Singh from Axis Capital. Please go ahead.
- Ranjeet Singh:** Sir, in the existing order book of Rs. 4,100 crores if you can help us like in the government projects are the clearances in place or and what is the execution time frame for this order book if you can give us more clarity on that?
- Shobhit Uppal:** The execution time frame varies from 2 to 3 years. In all the projects the clearances and permissions are there except one project which is the project with NBCC, Nat Grid which is a Rs. 160 crores job where there are some clearances issues on the land which NBCC is pursuing otherwise there are clearances in all other jobs. There is one design build job that we are doing with DDA I think I did mention that earlier where all design clearances and approvals have been received except for environmental clearance which will also come in by June end or within next 15 to 20 days.
- Ranjeet Singh:** And sir, if I look at you definitely gave us the bid pipeline in terms of Rs. 2,000 crores what we have bid for but if I have look at holistically what is the pipeline for the entire government sector is there a number to that like the projects which you would be bidding or something?
- Shobhit Uppal:** No, just to there is no absolute number but generally what happens is that our success rate is about 20% of the tenders that we bid which is relatively higher if we compare it to our peers so if we are targeting a new order inflow of Rs. 1,600 crores we would be bidding for orders worth Rs. 8,000 crores say 5x that. So anywhere between Rs. 8,000 crores to Rs. 10,000 crores is what we would be bidding for. And as I mentioned earlier already projects under bid are aggregating to about Rs. 2,000 crores.
- Moderator:** Thank you. Our next question is from the line of Navin Jain from JM Financial. Please go ahead.
- Navin Jain:** Just a small follow up. So what is the CAPEX plan for the year?



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- Shobhit Uppal:** The CAPEX plan we are not in as I told you gentlemen last time there is not a major CAPEX that we are looking at for the next two years. It should be anywhere between Rs. 15 crores to Rs. 20 crores.
- Navin Jain:** And Kota all the investments are already done whatever?
- Shobhit Uppal:** Most of the investments are done, yes.
- Navin Jain:** So what is the amount that has been invested in that project?
- Shobhit Uppal:** Totally I think it is about Rs. 70 crores.
- Navin Jain:** So I think you mentioned something about revenue generation from the project. It will start this year, right?
- Shobhit Uppal:** It will start this year; around October.
- Navin Jain:** Okay so what is the kind of?
- Shobhit Uppal:** Around Rs. 70 lakhs to Rs. 80 lakhs to begin with and then it will go up to about Rs. 1 crores a month.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the floor back to Mr. Singhanian for closing comments. Over to you, sir.
- Amber Singhanian:** On behalf of Asian Markets I thank everyone for joining this call and a special thanks to Mr. Uppal and his team for providing us insights about the company's business and the financial performance. Sir, would you like to give any closing comments?
- Shobhit Uppal:** No, that is fine. Thank you, ladies and gentlemen for all your questions and if we missed out on anything, feel free to write to us either through Amber or directly and we will give you the information that is required. Thank you once again.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Asian Markets Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.