"Ahluwalia Contracts India Limited Q1 Financial Year 2016 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ahluwalia Contracts India Limited Q1 FY 2016 Earnings Conference Call, hosted by Emkay Global. 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, please signal an operator by entering "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Arora from Emkay Global. Thank you and over to you Sir!

Nitin Arora: Thanks. Thank you everyone for joining us for the conference call for the Q1 FY 2016 Earnings for Ahluwalia Contracts, and I would like to thank the management as well for allowing us to host this conference call for them. Without taking much of the time, I would now like to hand over the call back to the management, Mr. Uppal for his opening remarks and then we will have a Q&A. It is over to you Sir!

Shobhit Uppal: Thanks Nitin. Good afternoon everybody. Ahluwalia Contracts India Limited announced the Q1 results yesterday. During Q1 FY 2016, the company achieved a turnover of 265.04 Crores and a PAT of 18.81 Crores in comparison to a turnover of 238.88 Crores and a PAT of 16.89 Crores in Q1 FY 2015. EPS of the company for Q1 FY 2016 is 2.81 as compared to 2.69 in Q1 FY 2015. During Q1 FY 2016, company's EBITDA margin was 14.03% as compared to 14.13% and PAT margin of 7.1% as compared to 7.07% in the corresponding period in the last financial year. The company secured new orders worth 676 Crores in Q1 FY 2016. Net order book of the company on June 30, 2015 stood at 3752.95 Crores as on date it stands at 4100 Crores. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Shravan Shah from Karvy Stock Broking. Please go ahead.

Shravan Shah: Thank you for the opportunity. Sir, now we have received close to 1000 Crores inflow in this FY 2016, so now what is our target in terms for the full year and also at the same time, if looking at the strong inflow, how do you see the execution. Are we revising our guidance in terms of the execution for 2016 and 2017?

Shobhit Uppal: No Shravan, as things stand today, we are sticking to our targets. Yes, we have got orders worth 1000 Crores and we are L1 in about 450 Crores, but, you know, we will now pick and choose as far as the rest of the year goes. So, we are sticking to our target of growth of about 20% to 25% in this year and in the next year also.

Shravan Shah: Okay, and also we maintain the guidance in terms of the EBITDA margin also?

Shobhit Uppal: Yes, we maintain that. Yes.

Shravan Shah: Okay and Sir, what is the debt level now?

Shobhit Uppal: Debt is at about 125 Crores.

Shravan Shah: 125 Crores, and Sir, now do you see the slight ease in terms of the private real estate developers in north region?

Shobhit Uppal: There is no ease as far as developers are concerned, but what we are seeing is that there are some movements happening where foreign funds are looking to come in and pickup distressed assets.

Shravan Shah: Okay and how about Sir, our bid pipeline? How much have we bided or planning to bid?

Shobhit Uppal: As on date, the pipeline is about 2000 Crores.

Shravan Shah: Okay, and Sir, can you give the breakup of order book?

Rohit Patni: In this 3752 Crores, order book is commercial 3%, hospital 16%, hotel 1%, industrial 1%, infra 13%, institutional 22%, and residential 44%.

Shravan Shah: Thank you, and Sir, can you give a slight update on the Kota, have we improve our leasing there?

Shobhit Uppal: Yes, we should launch it in October or November around Diwali time and about 60% of the project is leased out.

Shravan Shah: Thank you. That is it from my side and all the best.

Moderator: Thank you. We have the next session from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: Good morning Sir. Sir, my question was on the EBITDA margin trend. You know typically, for example, in the last year, we started the year on a fairly firm footing and towards the second half of the year, there were some pressures on the EBITDA margin side, so in this year, would you expect, you know, the current quarter to sustain or would you expect some pressure let us say in the second half of the year?

Shobhit Uppal: Generally, what we have seen is that the trend is almost similar year by year and you know, we had a target of about 11% last year, we ended at about 11.6% or 11.7%. This year, our target is 12%, so we will better it, but it will be thereabout.

Naveen Jain: Sir, in terms of order inflow pipeline, you mentioned the bid pipeline is about 2000 Crores. Which segment are these and you know, beyond these 2000 Crores immediate bid pipeline, what are the other large orders that you are looking at for the rest of the year?

Shobhit Uppal: The focus is on institutional and healthcare orders. We are, you know, staying away from private residential unless and until we are very sure about the financial health of the developer, the order pipeline, you know, we are looking at, there are some private players which are coming into education, so there we are focussed and then, as I mentioned earlier, there are certain foreign funds which are picking up distressed assets for commercial development, we are looking at that also.

Naveen Jain: Okay, so, are we going to participate in Metro project also?

Shobhit Uppal: Yes. We have been associated with Metro in Bangalore, Delhi and Mumbai. Now, with metros coming up in other places like tier II cities like Chandigarh, Ludhiana etc., we will participate yes.

Naveen Jain: Sir, this bid pipeline of 2000 Crores, does it include some metro projects also?

Shobhit Uppal: No, not at the moment.

Naveen Jain: Sir, other thing was on the tax rate for the quarter, you know about 19% odd, would we expect similar rate for the rest of the year?

Shobhit Uppal: Yes.

Naveen Jain: Sir, what is the reason for it being lower, you know, also last year it was pretty low?

Rohit Patni: In tax rate.

Naveen Jain: Yes.

Rohit Patni: Yes, we have losses in FY 2012-2013, so we have accumulated losses 2012, 2013 and 2014. We have accumulated losses from this year it is 14 Crores. After 14 Crores, we have a full tax rate of 13%. At presently, there is a 23 Crores before tax rate profit, we have annualized and that 40 Crores will be less and other is 60 Crores, so into 33% tax rate, it will be divided in all four quarters.

Naveen Jain: Got it. So, 40 Crores of accumulated loss will be set off in this year?

Rohit Patni: Yes. The tax rate is 30 instead of 20.

Naveen Jain: The last question was on this Kota project. What is the annualized lease rental that one can expect, you know, let us say, the next year, FY 2017, when the entire project is operational?

Rohit Patni: Next year, we hope to (indiscernible) 9:37 we have 80 to 90 Lakhs per month, and after second or third year, may be 1.1 Crores or 1.2 Crores.

Naveen Jain: Thank you.

Moderator: Thank you. We have the next question from the line of the Janaki Raman from Franklin Templeton. Please go ahead.

Janaki Raman: Good morning Mr. Uppal. I am a bit curious about your order book, so roughly about half or 44% comes from residential and if one looks at the residential market, one is not seeing much traction in terms of incremental volumes, so can you throw some light on the mix of the residential order book that you are having?

Rohit Patni: In residential order book, we have also government orders from DDA. Approximate 10%, 335 Crores is a government order in residential. As other is a good client, they will be on work on progress, there are not any liquidity problem from their client at presently.

Shobhit Uppal: You know, our percentage or dependency on residential has come down, if you would track our numbers, it is about 44%, that would be about 13-1400 Crores is residential, out of which 335 Crores is a DDA order, a government order. Rest is private, out of which some is slow moving and some is moving okay, like India Bulls is one of the clients where it is moving fine, but the likes of JPs and DLF, these are slow moving orders.

Janaki Raman: Right, given the liquidity situation with some of the builders that you just mentioned, will you take some additional risk mitigation measures when you do work for these clients?

Shobhit Uppal: Yes, I think, I had mentioned it in my earlier interaction with you. You know, a) these projects, we have slowed down. You know, we are not increasing our outflow here and we are only executing to the extent that we are being paid. Secondly, we are negotiating with some of these clients go get our bank guarantees released or you know, get an escalation clauses where there are fixed price contracts. But, as I mentioned earlier, residential private side continues to be sluggish and this is not a focus area for us.

Janaki Raman: Okay, so when you mention that your revenue might grow by about roughly 20%, so that factors into consideration, the fact that residential is going to be a bit sluggish?

Shobhit Uppal: Yes, it does. You know, our target for new orders was 1600 Crores in this financial year, we have already upped our order book by about 1000 Crores and we are L1 in about 450 Crores. These are all, 90% of these orders are government sector orders and I do not think there is any new residential order as far as this financial year is concerned.

Janaki Raman: In the government sector, are you seeing much more willingness and of course, the cash flow also to spend in terms of hospitals and all those public buildings at the state government level?

Shobhit Uppal: Yes. There is education and healthcare. These are two areas where we are seeing increased activity. I guess, you would term these a part of social infrastructure growth, that is why there is increased activity here.

Janaki Raman: Quite true, and the other thing is, typically the government orders, mostly they are tendered out on an L1 basis, so you get the order and you also get a reasonable margin on that, so what drives your cost competitiveness in this segment?

Shobhit Uppal: You know, one, there is reduced competition, because there are only a handful of players who can meet the qualifying criteria, so that is enabling better rates, we can get better rates. Secondly, you know, all these contracts come with built-in escalation clause. During the recession, all the construction companies have been hit on account of high volatility in prices of construction material and also increase in labour prices and now in all these new contracts that is covered. Thirdly, our competitiveness is there because you know we have spare infrastructure by way of machinery and shuttering, which we are now using to meet our targets or go back to the highs, which we have attained three to four years ago.

Janaki Raman: I remember you also mentioned earlier that, now governments are giving composite orders and where the successful bidder is responsible for the entire work, rather than work on a piecemeal basis, so those kind of developments, do they help contractors like yourself?

Shobhit Uppal: Yes, they do. On two counts, they help us. One, you know, it helps us in competing the job on time, because we are responsible for everything and we are not dependent on any other agency whom we cannot control. Secondly, you know Ahluwalia does most of the work in-house other than super-specialized discipline, so that since we are an EPC Company that helps us being more competitive and also increases our margin.

Janaki Raman: When those orders have the price variation clause, normally this price variation clause becomes useful in an inflationary environment, but now at least on the commodity side, metal side, you are seeing reasonable amount of deflation, so here also do you need to pass on the benefits to the customers?

Shobhit Uppal: Yes, to be fair, yes, we need to, we have to pass on the benefits.

Janaki Raman: On this Kota investment or the asset that you spoke about, how much would Ahluwalia have invested in that asset?

Shobhit Uppal: Ahluwalia has invested close to about 70 Crores.

Janaki Raman: Finally Sir, on the balance sheet side, so to accommodate this kind of growth, 20% revenue growth for the next two years, do you think internal operations will be good enough to give you the liquidity, the resources that is required?

Shobhit Uppal: Yes, in fact we are clear that we want to reduce our debt further and our growth will be fueled by internal accruals only.

Janaki Raman: Okay, in the sectors that you mentioned, I only thought that this infra 13%, especially if you have exposure to this metros, from an investor's perspective, that is the one which appears to be a bit more capital intensive where I think the requirement of slightly more expensive machinery is higher, is that the case for you also?

Shobhit Uppal: No, since we have been involved with metros in three cities that I mentioned earlier and you know, what we do is, basically around our core competence of building, either we do elevated stations or we do depots. So, there we have the expertise as well as the machinery and the other infrastructure to execute without major new investments.

Janaki Raman: Thanks Mr. Uppal. Thanks for your time.

Moderator: Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Thank you for taking my question. My question is, Sir couple of things as you guiding the revenue growth of 20 to 25%, and this quarter, we have seen around 11% growth, so any particular reason this quarter is sightly muted or was it delivery returned or what is giving you a confidence of that, definitely the order book is there, but at the same time, any reason for Q1 to be muted on that part?

Shobhit Uppal: No, generally, if you were to track yearly results, the first quarter is always, you know, it starts sluggishly and the turnover, Q1, Q2 are slow and then it picks up in Q3 and Q4, so that is what it is.

Amber Singhania: So, we are comfortable with this?

Shobhit Uppal: Yes, we are comfortable with this.

Rohit Patni: Again, also especially in the last quarter of FY 2015, and first quarter of this year, we received some deals. We have a full phase of working started in second quarter or may be third quarter, they are full phase working, so we have hopefully achieved the target of 20% to 25% Crores easily.

Amber Singhania: Sir, secondly like last year, Q1, our margin was significantly higher primarily, because of that, Uganda order which we executed. Was there any such order in this quarter also where the margin was significantly higher, any one of thing which we executed this quarter?

Shobhit Uppal: There was no Uganda order in the first quarter of last year, I think may be you are mistaking it with something else, but there has been to specifically answer your question as far as this quarter is concerned, there is nothing like one project may high margin achieved.

Amber Singhania: This is the normalized margin, which we are achieving?

Shobhit Uppal: Yes.

Amber Singhania: Sir, one more thing, last quarter, you mentioned about roughly around 400 odd Crores of slow moving orders we have or slightly lower margin that we have, what is the status now, how much is the pending and how much size we are executed on that part?

Shobhit Uppal: I think about 250 Crores is what we, 400 I mentioned about, I think, five to six months ago, it is about 250 Crores now.

Amber Singhania: So, 250 Crores now and that will be completed by December or it will take longer Sir?

Shobhit Uppal: Some of these orders are not moving at all. So, either we will get out of these orders, we are trying to get out, or have amicable settlements or they will I think go on into the next year also.

Amber Singhania: Sir, one more, just a clarification, accumulated losses you said is 40 Crores, right?

Shobhit Uppal: Yes.

Amber Singhania: Sir, so in that case, even if we set off in this year, 40 Crores losses, so we will come under 19% bracket or 19 to 20% roughly.

Rohit Patni: Yes, 19 to 20% approximately.

Amber Singhania: Just one more clarification sir, I missed the breakup of order book, which Rohit mentioned. Can you just read that a bit?

Rohit Patni: The order book breakup is commercial 3%, hospitals 16%, hotels 1%, industrial 1%, infra 13%, institutional 22% and residential 44%.

Amber Singhania: Fine, and within this residential, 335 you said is the government DDA order? Am I right?

Rohit Patni: Yes.

Amber Singhania: And the remaining 600 or 1000 Crores orders in this, could you just give top two three orders in this, who would the parties on that client?

Rohit Patni: The party, the HDIL, Prateek, Indiabulls.

Amber Singhania: How much would that be Sir, HDIL, Prateek, and Indiabulls?

Rohit Patni: HDIL is 320 Crores, and Prateek is 170 Crores, Indiabulls is approximately 100 Crores. The other is, Umang Realtech is approximate 50 Crores.

Amber Singhania: Okay, that is fine. And out of these, any large one is slow moving or pending?

Shobhit Uppal: Except for Prateek and Indiabulls, the other two are slow moving.

Amber Singhania: Okay sir, HDIL and Umang is slow moving. We maintain the margin of 12% to 12.5% for this year, right?

Shobhit Uppal: Yes.

Amber Singhania: Sir, order book guidance, if I am not mistaken you gave around 1500 odd Crores for this year, right.

Shobhit Uppal: 1600 Crores.

Amber Singhania: Just last question overall on the macro side, how do you see the things are planning out in terms of, definitely, we are seeing a lot of orders coming from these institutions, primarily the educational and healthcare side, but how things are panning out, in terms of like, Bihar we have got orders and there the elections are approaching. Any impact we are seeing on that part, whether they want it to be faster execution or whether something is politically is impacting on overall scenario there and also on the other regions, wherever we are present.

Shobhit Uppal: No, as I said, for social infrastructure, all governments seem to be focused and irrespective of whether elections are there or around the corner are not there, the movement seems to be happening on such projects.

Amber Singhania: Sir, last question if I can squeeze in what is your thought process on this Kota project like already it is now operational and we will start seeing the revenue coming in, what are the management thought process for this project, because it is not something which is our forte as such, so any plans to monetize that and any timeline on that part?

Shobhit Uppal: Look, we may monetize it in future. As I have told you earlier, we are not really looking to expand in BOT or take any further such projects. We have done all the hard work, so once the situation improves, and the commercial real estate starts picking up, we are not averse to monetizing it.

Amber Singhania: Okay, any timeline or anything?

Shobhit Uppal: Not for the moment no.

Amber Singhania: Thank you Sir. That is all from my side.

Moderator: Thank you. We have the next question from the line of Chintan Seth from SKS Capital. Please go ahead.

Chintan Seth: Good afternoon and congrats on very good side of numbers being a slow quarter.

Shobhit Uppal: Thanks Chintan.

Chintan Seth: Sir, just most of the questions have been answered, just wanted to understand on your interest cost. We still have a quarterly run rate of 8 to 9 odd Crores, and our debts are declining, so going forward, we can see some declining interest outgo henceforth?

Rohit Patni: Yes, definitely, it is decreased on the interest cost. In the first quarter, our interest cost 9 Crores. It is including a part of the processing fees and consortium charges. They are the only one time. In all the other three quarters that are not having charges.

Chintan Seth: So Q1, the 9 Crores includes one of charges on processing and all, what will be our actual interest outgo this quarter, which will be especially in the next three quarters.

Rohit Patni: In the next three quarters, we hope 7.5 to 8 Crores in midway.

Shobhit Uppal: Our rating, the rating the rating agency CARE has also upgraded our rating based on our results. We would utilize that to also get the interest down as far as borrowing is concerned.

Chintan Seth: So, quarterly run rate will remain at 7.5 to 8 Crores. Any benefit comes in it will further reduce?

Shobhit Uppal: Yes.

Chintan Seth: Second thing on your CWG, anything moving on that front?

Shobhit Uppal: No, that is the arbitration is continuing, so that as I mentioned earlier, is expected to take about in a year and half.

Chintan Seth: Right. So, on your order book, can you split between government and private as a percentage?

Rohit Patni: Government is 60% and private is 40% as on June 30, 2015. Till date, it is 65% government and 35% private.

Chintan Seth: That is helpful. Sir, any export or all are domestic?

Shobhit Uppal: Yes, all are domestic.

Chintan Seth: All the best. Thanks.

Moderator: Thank you. Mr. Arora, would you like to go ahead with your question while we wait for other participants to come in queue.

Nitin Arora: Sir, just wanted to get your sense on the bid pipeline now, because we saw NBCC at the starting of the FY 2014 was very fast in the first six months of FY 2015, I would say, sorry. Then, it cooled off and it got picked up by DDAs and the HSCCs. How is the bid pipeline of NBCC are looking at this point and even if you can throw some light on the HSCC, DDA and as well as some state level, what sort of building orders you are seeing at this point?

Shobhit Uppal: I think NBCC over the past three to five months has been bit sluggish, but I think they have signed a lot of deals with various government entities, primarily DDA and I think in the next six months, they will come out with large redevelopment projects. HSCC, you know, is a large client of ours, out up to 450 Crores that we are L1 in, I think approximately 400 Crores is HSCC and out of the 1000 odd Crores that we won in this year, nearly 550 comes from HSCC. So there is, as I said, because there are lots of hospitals being developed at the state level and at the center level, HSCC is at the forefront of such developments. CPWD is another government entity project management company, which is now becoming aggressive, so one sees activity there also.

Nitin Arora: Sir, when we talk about you know doing capex in the metro projects, is there something in the pipeline in the nearby, I mean, let us say, in one year's time we are looking at or because Chandigarh is still not over with the DPR thing?

Shobhit Uppal: No, no, the question that I answered earlier, we are not looking at any major capex as far as metro projects are concerned because, as I said, we will execute if we get these projects will be bidding for elevated stations or depots, which is our forte and we had the infrastructure available.

Nitin Arora: Sir, can you give us receivables over six months at this point?

Rohit Patni: Yes, more than six months is at 240 Crores including retention money of 150 Crores.

Nitin Arora: I will come back in the queue for more questions. Thank you.

Moderator: Thank you. We have the next question from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: Sir just I wanted to understand a lot of orders won by NBCC are also in the hospital and educational institute buildings, so do they subcontract that to players like Ahluwalia and in terms of how the business model is like, are there NBCC order lower margins since they also get a project management margins there?

Shobhit Uppal: No I think there is some confusion NBCC is we have taken no hospital or education this thing from NBCC. To my mind NBCC is into a lot of institutional buildings, acting as PMC for institutional building as well as for large redevelopment projects, residential projects for various government entities, all the education or healthcare orders that will come to us are orders, for healthcare it is primarily HSCC or a times it could be CPWD, for education it could be the IIM or IITs.

Ajit Motwani: In our order books today we do any work for NBCC today?

Shobhit Uppal: Yes we are doing projects for NBCC. There is one project for National Intelligence Grid where NBCC is the Project Management Company.

Ajit Motwani: So I wanted to understand that only like since in terms of project monitoring by them?

Shobhit Uppal: It is not a lower margin project, NBCC like CPWD or HSCC getting a project management fee, they have not won the contract, it is not a subcontracted work to us, that is a contract, they are the PMC.

Ajit Motwani: So for any redevelopment project like Kidwai Nagar or Karkarduma project the day 1 there also there are the project management consultants only right?

Shobhit Uppal: Yes.

Ajit Motwani: So that construction work can come to you right?

Shobhit Uppal: Yes it can.

Ajit Motwani: The responsibility of appointing contractors is handled by them, they have been the Nodal agency right?

Shobhit Uppal: Yes perfect.

Ajit Motwani: So has the tender been floated for the Karkarduma project?

Shobhit Uppal: Not yet. They are still planning still DDA is the eventual client, they are still planning the formatting of the tenders and how many packages they would come out with because the total value of that job would be closed to Rs.3000 Crores, so they are looking how to develop it, what kind of mixed use development it will be and then once they have decided that they, I think are in the process of developing the master plan, once they have done that then they will decide on the number of packages, which they will call out to bid.

Ajit Motwani: And for Kidwai Nagar?

Shobhit Uppal: Kidwai Nagar is already bidded out, projects are happening, already awarded, we were one of the bidders, but we were not successful. There are I think five or six projects, which are already ongoing in Kidwai Nagar.

Ajit Motwani: Okay so Kidwai Nagar we will not sort of L1 and is the criteria only L1 there or is there some part of the project to be done by let us say larger tier1 contractors like Ahluwalia and to that extending there is a possibility that you stand to get a better chance of winning an order or it is only L1?

Shobhit Uppal: No there are two criterions, one is you got to qualify either pre or post qualification and out of the qualified agencies you have to be L1.

Ajit Motwani: There is no tiering of contractors, only qualification based?

Shobhit Uppal: Yes the tiering happens on account of qualification.

Ajit Motwani: In terms of margins all the incremental orders can we say have a threshold of about 12.5, 13 because these have been guiding for improving margins?

Shobhit Uppal: Yes you can say that.

Ajit Motwani: Thanks a lot Sir.

Moderator: Thank you. We have the next question from the line of Divyata Dalal from Systematix Shares. Please go ahead.

Divyata Dalal: Good afternoon Sir. I just wanted your view on the working capital cycle, are we maintaining to come to a negative working capital cycle of FY 2017?

Rohit Patni: Yes we hope if we maintain a negative working cycle in FY 2017.

Divyata Dalal: Sir with response to the L1 of Rs.450 Crores, one order you mentioned is HSCC, what will be the another order there?

Rohit Patni: One order is HSCC in a residential complex in Jhajhar for health, second is HSCC for Kolkata Medical Hospital and third is Times of India University in Greater Noida.

Divyata Dalal: What would be the size for this?

Shobhit Uppal: About Rs.70 Crores.

Divyata Dalal: Thank you sir.

Moderator: Thank you. We have the next question from the line of f Parvez Aktar from Edelweiss. Please go ahead.

Parvez Aktar: Good afternoon Sir. Congratulations for a good set of numbers. I just wanted to get your views while admittedly you cannot really share this business on a short-term basis, but still this quarter how have you seen the working capital cycle moving?

Shobhit Uppal: It is pretty much the same as the last couple of quarters in the sense that as far as the government projects go the cycle is about 40, 45 days, as far as the private sector goes it is not improved at all.

Parvez Aktar: What would be the interest cost for us as of now and what do we let us say expected to be now that our credit rating has improved may be let us say 1, 2 quarters down the line?

Rohit Patni: At present it is 13% to 13.5% of cost of debt and after the credit rating is improved our rating we will be approximately 12% or 12.5%.

Parvez Aktar: Thanks and best of luck for future.

Moderator: Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just one clarification on the interest part, you mentioned that going forward it will be around Rs.7.5 to Rs.8 Crores per quarter, if I workout that that works out to be roughly Rs.33 odd Crores for the year. Last year at a debt of Rs.240 Crores we had a total tax outgo including the financial cost at Rs.39 Crores, despite repaying almost Rs.120 Crores of debt, the interest cost or the finance cost is coming down just by Rs.5 Crores, so anything, which I am missing on that part or what exactly is restricting it to be going down significantly on that part?

Rohit Patni: Debt in interest part we also pay interest paying on the mobilization advance from government project. Recently we have a won Rs.1000 Crores from government project, we have received mobilization advance and paying the interest from that project 10% to 12%. It may differ from different project. That is the reason the interest cost is not higher margin down from higher rate, a significantly downfall and secondly if we have (indiscernible) 38.10 order book so non-fund facility is increasing, we have a payee charges from this 0.60 paise to 1% from the bank guarantee charges.

Amber Singhania: Going forward as you are seeing that government orders is increasing in the overall portfolio, so this finance cost will continue to remain that even in FY 2017 or it will come down on that part?

Rohit Patni: It will come down, but not suddenly.

Amber Singhania: Thank you.

Moderator: Thank you. The next question is from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: Thanks for taking my questions again. I just wanted to confirm have they reduced the debt levels in this quarter by about 25, 30 BPS?

Rohit Patni: No.

Naveen Jain: So our debt levels you mentioned is Rs.125 Crores right?

Rohit Patni: Yes. There will be a pay on unsecured loans.

Naveen Jain: The total will be how much around Rs.150 Crores?

Rohit Patni: At presently June 30, Rs.125 Crores.

Naveen Jain: Sir as of FY 2015 it was Rs.155 Crores right as per balance sheet?

Rohit Patni: Rs.143 Crores.

Naveen Jain: So it has reduced a bit by Rs.21 Crores. Secondly what is the capex we did in this quarter?

Rohit Patni: No major capex, Rs.4 Crores to Rs.5 Crores.

Naveen Jain: For the rest of the year how much we will do?

Shobhit Uppal: Approximately Rs.15 Crores to 20 Crores.

Naveen Jain: We also tied up with some company for low cost housing projects, some precast technology, any development on that?

Shobhit Uppal: No that one project is going on in Bahadurgarh, at the moment, there is no other project.

Naveen Jain: So this will again be only construction contracts right?

Shobhit Uppal: Yes only construction contract.

Naveen Jain: Thank you.

Moderator: Thank you. We have the next question from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: I am sorry to repeat the question because I joined the call a little late. I just wanted to know the order book for as of June?

Shobhit Uppal: The order book is Rs.3752 Crores as of June 30 and it is about Rs.4100 Crores now.

Sagar Parekh: Sir in the current quarter if I exclude the other income your margins have been down YOY from 13.7 to 12.5, if I exclude the other income, so what is the reason for that, because we have been guiding that there will be improvement in margins for FY 2016, so we stand by that, so going forward your margins in next nine months would be much higher than nine months to get blended 1% improvement in margins right?

Shobhit Uppal: Yes. Part of this reduction is on account of slow moving private orders or the fixed price contract.

Sagar Parekh: So then going forward then we still maintain that?

Shobhit Uppal: First quarter as I mentioned earlier is always a little sluggish.

Sagar Parekh: Thanks that is it from my side. Thank you and all the best.

Moderator: Thank you. We have the next question from the line of Chintan Seth from SKS Capital. Please go ahead.

Chintan Seth: Thanks for the follow up. Sir I wanted to know the current cash balance?

Rohit Patni: Cash balance is Rs.66 Crores.

Chintan Seth: You continue to maintain that, last time we discussed about the dividend policy was the accumulated loss is absorbed then we will take a call?

Shobhit Uppal: Yes.

Chintan Seth: Sir, any quantum you can mention in the CWG, which is under contention and if the ruling comes out, what kind of funds we can get released?

Shobhit Uppal: The contention is about Rs.47 Crores and once the session gets over or can get released, by conservative estimates it will be more than this.

Chintan Seth: What will be the figure in the private side, working capital cycle, you mentioned about the government side is 45 days, what will be that number on private side?

Rohit Patni: Private side at present it is 75 to 90 days or may be more depend on the private client.

Shobhit Uppal: In some cases also more than 100.

Chintan Seth: On an average it will be 90 days.

Shobhit Uppal: Yes.

Chintan Seth: Thanks and all the best Sir.

Moderator: Thank you. We have the next question from the line of Divyata Dalal from Systematix Shares. Please go ahead.

Divyata Dalal: Thanks for taking the follow up question Sir. I just wanted one clarification on the balance sheet item the non-current investments have gone up from Rs.1.5 Crores to Rs.6.3 Crores in FY 2015, if you can throw some light on where the incremental investments have been done?

Rohit Patni: We have an increase on the capital from our subsidiary companies, increase in the non-current investment.

Divyata Dalal: The subsidiary companies would be into which line of business, would it be similar to?

Rohit Patni: No there is not any construction work, two companies in the Kolkata they have had a land bank, they have an office land from there land. They are not on continuously working of any work.

Divyata Dalal: Sir any further investments planned in these?

Rohit Patni: May not require.

Divyata Dalal: Thank you Sir.

Moderator: Thank you. As we have no further questions, I would like to hand the floor back to Mr. Nitin Arora for closing comments. Please go ahead.

Nitin Arora: I thank everyone and the management of Ahluwalia Contracts once again and wish them all the best for the future. Thank you very much sir.

Shobhit Uppal: Thank you Nitin. Thank you everybody.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thanks.