



“Ahluwalia Contracts India Limited Q3 FY17 Earnings Conference Call”

February 14, 2017



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**MODERATOR: MR. VIBHOR SINGHAL – PHILLIPCAPITAL (INDIA) PVT.
LTD.**



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Moderator: Good day Ladies and Gentlemen, and welcome to the Q3 FY17 Earnings Conference Call of Ahluwalia Contracts India Limited hosted by PhillipCapital (India) Pvt. Ltd. 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 the operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vibhor Singhal from PhillipCapital (India) Pvt. Ltd. Thank you and over to you, Sir.

Vibhor Singhal: Good afternoon everybody and welcome to the third quarter results conference call for Ahluwalia Contracts India Limited. We have with us the management of the company represented by Mr. Shobhit Uppal – the Deputy Managing Director and Mr. Rohit Patni – the Deputy Manager (Investor Relations). We will now transfer the call to the management for their opening remarks after which we will open the floor for questions and answers. Over to you, Sir.

Shobhit Uppal: Good afternoon everybody, I am Shobhit Uppal. During Q3 FY17, Ahluwalia Contracts has achieved a turnover of 358.08 crores and a PAT of 24.45 crores in comparison to a turnover of 319.95 crores and a PAT of Rs. 19.84 crores in Q3 FY16. EPS of the company for Q3 FY17 is 3.65 as compared to 2.96 in Q3 FY16. During Q3 FY17, company’s EBITDA margin was 13.19% as compared to 12.36% in the corresponding quarter last year and PAT margin stands at 6.83% as compared to 6.20% in the corresponding period last year. During the nine months of FY17, the company has achieved a turnover of 954.68 crores and PAT of 65.65 crores in comparison to a turnover of 865.89 crores and a PAT of 57.71 crores in the corresponding period of FY16. EPS of the company for nine months FY17 is 9.8 as compared to 8.6 in FY16. During nine months of FY17, company’s EBITDA margin stands at 13.61% as compared to 12.41% and a PAT of 6.88% as compared to 6.66% in the corresponding period last year. The company has secured new orders worth 1450 crores in this financial year till date. Net order book of the company as on December 31, 2016, stood at 4013 crores to be executed in the next two to two-and-a-half months. Thank you so much. I hand over for the questions now.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir, first question would be on your order intake and order book, how should we read it because we have seen because of the elections also generally the tenders are also on a slower side, whichever the tenders came in the last four-five months, some players from Hyderabad is going little aggressive on the bidding, so what is your guidance, how should we look at it and going forward for this year also, how you can close this numbers and how should we look at for FY18?



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- Shobhit Uppal:** I did mention it to you in my earlier conversation that I had with you is that generally we become very, very cautious around the time of the elections. You are right, there is a bit of a slowdown and whatever tenders come out, these companies from south they become more aggressive for obvious reasons, so we take a step back. That is why in the last quarter you have seen that there is a bit of a slowdown. It is a conscious decision because our target to the entire year was about 1600 crore. We already are at 1450 crores and in this last quarter, we will make up whatever is left, and the next year, our target is 1600 to 2000 crores.
- Nitin Arora:** Sir, can you share any possible the way you used to share us with how many tenders are there in the pipeline which are?
- Shobhit Uppal:** The order pipeline stands at about 1200 crores, so there are a few hospitals which are under bidding and then there are couple of projects again government, residential projects in Calcutta which are under bidding and a couple of large corporate residential players which are under bidding in Mumbai.
- Nitin Arora:** Sir, coming back to your revenue part, despite this demonetization we are still able to grow about 12%?
- Shobhit Uppal:** I have seen my peer numbers today, I think we are the only company in our segment which has grown.
- Nitin Arora:** I agree with you Sir, but definitely because we were hit by two areas, one was demonetization and second was unnecessary Bihar order on that NGT thing, so that was the other thing which we faced, so how should we end this year and what is your guidance for the FY18, both on the revenue and margins front?
- Shobhit Uppal:** Again, as I said last time and what I repeatedly been saying that our guidance to the year was 10-15%, we should close the year at a growth of about 12-13% that is our target and next year would be upwards of 15%.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.
- Adhidev Chattopadhyay:** Just wanted to understand what the current debt levels on the books and you recently taken approval for preferential issue to promoters, so what would be the quantum and what is the overall thought process behind this?
- Shobhit Uppal:** Satbeer – our CFO is also here with me, so he is going to answer this.



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- Satbeer Singh:** Current debt level is outstanding around 70 crores working capital from the bank and rest 28 crores from unsecured loan from the promoter. Right now, debt is 101 crore.
- Adhidev Chattopadhyay:** The second part of that question what is the thought behind that promoter equity infusion?
- Shobhit Uppal:** Equity infusion is to reduce our debt. As we had done in the past, we want to bring our interest cost down, we want to bring the company's focus, the promoter are focused that in the next two years, we will virtually make it a zero debt company.
- Adhidev Chattopadhyay:** What is the quantum like planned of this broadly?
- Shobhit Uppal:** The quantum which is planned is to the tune of about 30 to 35 crores.
- Adhidev Chattopadhyay:** Since we are generating positive operating cash flows so you are saying by March 18, we should be a debt-free company, is it how we should look at it?
- Shobhit Uppal:** May be as I said two years, so may be by 19.
- Adhidev Chattopadhyay:** Secondly Sir, could you just share what is the net order inflow for the nine month and how much of that would be government orders?
- Shobhit Uppal:** The order inflow is 1450 crores and out of this about 85% is government. Out of our total order book of 4000 odd crores, our public sector is 68%.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, on the EBITDA margin front in the nine month also and in the last two years, we are continuously expanding, so how do you see this last quarter, fourth quarter and FY18 and 19, can we see a 14.5% kind of a margin?
- Shobhit Uppal:** Target for the next year is between 13.5% to 14% and the year after that it should cross 14%.
- Shravan Shah:** Secondly, just wanted in terms of the overall working capital side post this definitely we have grown on the execution front, but are we seeing any kind of delay or payment delays from any of our clients?
- Shobhit Uppal:** No, in fact, there is a slight improvement because whatever our payments which are stuck or had been stuck with the private sector players, we are looking to secure our money by picking up inventory from them, so we have already done that with some of them and we are in



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advanced talks with quite a few of our other clients, where we can pick up inventory and secure our money, so by and large, I think working capital going forward in the next year, I think should improve because we will be able to liquidate some of the inventory that we picked up.

Shravan Shah: In terms of if you can quantify how much we have acquired the inventory and how much are we in process to acquire?

Shobhit Uppal: Totally, I think we acquired inventory worth about 80 crores and in the next year may be another 30-40 crores.

Shravan Shah: Overall, Sir, is there a possibility when we are giving a guidance for 15% plus in FY18?

Shobhit Uppal: You are talking about revenue growth, yeah.

Shravan Shah: Is it on that very conservative side or is it a possibility of 5% plus kind of we can beat our estimate also?

Shobhit Uppal: Look Shravan, we have always kept our growth conservative because we do not want to through caution to the wind. As I mentioned, when Nitin asked his first question, when incidents like elections come, we deliberately become very cautious. Now, we also do not know what will happen post UP elections, so there are these kind of variables which are beyond our control, 15% will surely grow, but beyond that we do not want to commit anything.

Shravan Shah: Secondly, Sir, just needed order book breakup segment wise?

Rohit Patni: Segment wise, order book is commercial 5%, hospital 22%, infra is 12%, institutional 29%, residential private is 23%, residential government 8%.

Shravan Shah: Sir, infra and industrial is how much?

Shobhit Uppal: Infra and industrial both combine would be about 12.5%.

Moderator: Thank you. The next question is from the line of Amber Singhania from AMSEC. Please go ahead.

Amber Singhania: Just one thing, residential government how much percentage you said?

Shobhit Uppal: 7.8%.



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Amber Singhanian: Knowing that now post-demonetization there is lot of talks about real estate getting slowed down going forward specifically on the higher end side and we have an exposure towards private residential at 23%, how do we see our order book panning out going forward with respect to this aspect, and secondly, last time you mentioned that roughly around 600 crore worth of orders are slow moving are relatively at a slower pace, what is the status there, how do we read this 4000 crore order book, how much could be normal orders and how much would be slightly slow moving which might take slightly longer time?

Shobhit Uppal: About 400 crores now are slow moving, what is happening is that we are re-negotiating or we are talking to this clients where the projects are not moving, we are trying to extricate ourselves, get our bank guarantees released and tell them that we will come back as and when they have a line of sight on their funding, so basically we are insulating ourselves from our overhead risks and potential escalation risk and we have been successful to quite a large extent, say like with Jaypee, we have been able to get them to foreclose our contract. Out of two contracts, we have been able to get them to foreclose one contract, get our bank guarantees back, so this is what our strategy is and we have been quite successful, so even these 400 crore, they would not be slow moving. Actually, out of 4000 crores, you can discount these 400 crore, they are not a drag on our balance sheet now. They are not even slow moving. There are actually orders which are stagnant and for all practical purposes, we will re-negotiate as and when they start.

Amber Singhanian: Virtually, Sir, we can say our order book currently is around 3600 crore?

Shobhit Uppal: You can say that, yes. Amber, what I am saying correspondingly this 23% residential which looks a bit of a load on the balance sheet, whose number will also come down.

Amber Singhanian: This 400 crore which we are talking is mostly residential private only?

Shobhit Uppal: Exactly, yes.

Amber Singhanian: Sir, apart from this 400 crores do we see any further risk on the remaining 3600 crore order book, any area, any segment where we think that it might slip into this another basket of 400 crore?

Shobhit Uppal: Not really because even other private which is there in commercial, those are mostly projects which are yielding good results and they are moving fast like say Brookfield or we are dealing with Bennet or we are dealing with Amity, these are all longstanding clients and cash-rich clients who continue to pay well.



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- Amber Singhania:** Secondly Sir, in nine month roughly 200 crore worth of project we have canceled as you said above Jaypee and all?
- Shobhit Uppal:** Foreclose, yes, you can say that.
- Amber Singhania:** 1450 crore of inflow is net of that or it is gross of that?
- Shobhit Uppal:** It is net of that.
- Amber Singhania:** If you can just help us understand how much potential revenue loss we might have incurred because of this two-and-a-half months' closure of Bihar projects?
- Shobhit Uppal:** The potential revenue loss there would be about 50 crores.
- Amber Singhania:** So would there be a delay in the project now in completion or we will be escalating our execution in the?
- Shobhit Uppal:** As we speak escalation has already happened and the chief minister actually has announced an early inauguration of the convention center in Patna, so we are hoping in the next three months conclude one project and the other project we are hoping to complete by the end of the year, so we will make up for the time loss.
- Amber Singhania:** Okay, so probably in FY18 we will see a higher execution on those aspects.
- Shobhit Uppal:** Yes.
- Amber Singhania:** What is the status on the quota asset, have we able to lease out completely, is the revenue started coming in and how much it is?
- Shobhit Uppal:** We had been able to lease out about 60% and in this about middle of FY18, the leasing should be about 100%, and what I am saying is we should be looking at a revenue about crore every month by middle of FY18.
- Amber Singhania:** In second half we can see one crore per month coming in, have we started realizing anything now, Sir?
- Shobhit Uppal:** Yes, we have. We are realizing about 30 lakhs in this quarter. It will build up, I think by the first quarter it will go to about we expect to about 50 lakhs per month and then it will build up to and finally to about a crore every month after the second quarter of next year.



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- Amber Singhanian:** Last time, we discussed that because this is not our core business to keep the assets and we would look for monetize it, any progress on that part because anyways we are planning to reduce our debt, so monetization of this asset could help in a significant way on that part?
- Shobhit Uppal:** Yeah, first we want to get the leasing complete and parallel we started talks about monetizing this asset, yes.
- Amber Singhanian:** Sir, just wanted to understand your thought on that because already we have this asset which may be today or may be one year down the line, will we able to monetize which can realize at least book value as 80 crore, then was it necessary for calling for a promoter infusion on equity as of now or there is any other thought process behind that where promoter want to increase their stake and get a better grip on the overall holding, how is it, just wanted your thoughts on that?
- Shobhit Uppal:** The promoters are extremely focused for the last two years to make it a zero debt company and as far as quota is concerned, we do not want to kind of have a distress kind of a deal, so we want to bide our time. Today, as you know real estate is down, we are hoping that in about a year and year-and-a-half time, it will pick up and we will be able to monetize this asset, but we want to continue to reduce our interest burden and that is why we are infusing money and we want to use portion of the proceeds which come in to increase our bargaining power as far as our procurement is concerned with our vendors.
- Amber Singhanian:** Couple of questions on off balance sheet items, we had claims receivable on income tax receivable as well as claims towards the common wealth receivables, what is the progress on this that part how much is still pending, anything has come in and what is your outlook on that?
- Shobhit Uppal:** There is no income tax receivable which is outstanding. We have received whatever had to come back as far as the arbitrations are concerned for common wealth games, they are happening, we are about 50% through. Last time, when I spoke to you Gentlemen I said it will take a couple of years for these cases to conclude.
- Amber Singhanian:** That is continuing.
- Shobhit Uppal:** Yeah.
- Moderator:** Thank you. We move to the next question which is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.



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- Nitin Arora:** Sir, the inventory which you said we have acquired certain inventories for orders which were not moving to foreclose that as well, so where it is reflecting in your balance sheet item there?
- Shobhit Uppal:** In real estate stock.
- Nitin Arora:** Here Sir, the thought process is that we are going to acquire them and finally we have to sell it off?
- Shobhit Uppal:** Obviously, the thought process is that we are insulating ourselves, if you know a couple of clients potentially are going under, so we are actually taking this on, and so that our money is secure. We will obviously liquidate them, we will not hold onto them.
- Nitin Arora:** But this is against the claims, we are not putting any money to acquire that, right. This is again just the claims we are pending?
- Shobhit Uppal:** This is against the outstanding, we are not putting any money at all.
- Nitin Arora:** Sir, just one clarification, you said that the quota revenue for this quarter was 30 lakhs?
- Shobhit Uppal:** Yes, this quarter.
- Moderator:** Thank you. The next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.
- Divyata Dalal:** Sir, wanted to have your view on the real estate side mainly the residential real estate orders, how have they been panning out in terms of order pipeline?
- Shobhit Uppal:** It is not a focus area for us and it continues to be extremely slow this sector, so we are not focusing on this sector at all. Not only now, in fact we shifted our focus from here two years ago.
- Divyata Dalal:** On the NBCC ordering side mainly for the re-development orders, when can we expect some orders there?
- Shobhit Uppal:** I think my information is that they are looking to come out with one or two large tenders in the next 30 to 45 days.
- Divyata Dalal:** This would be for the re-development side?
- Shobhit Uppal:** Yes, the re-development side.



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- Divyata Dalal:** This would again be on EPC basis?
- Shobhit Uppal:** These would be item rate contracts.
- Divyata Dalal:** What could be the average ticket size here, Sir?
- Shobhit Uppal:** It should be the tender which are coming out would be about 700-800 crores each.
- Divyata Dalal:** We would be looking at bidding for these orders?
- Shobhit Uppal:** Yes.
- Divyata Dalal:** In terms of Pradhan Mantri Awas Yojana, Sir any traction there in affordable housing and how will we look at that opportunity?
- Shobhit Uppal:** Not yet, I think we will see a traction closer to the next round of general elections.
- Divyata Dalal:** Nothing on the immediate future?
- Shobhit Uppal:** No.
- Divyata Dalal:** Lastly, can I get the breakup of order book once again?
- Rohit Patni:** Commercial is 5%, hospital is 22%, infra is 12%, institutional is 29%, private is 23%, residential government is 8%.
- Moderator:** Thank you. The next question is from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.
- Dhruv Agarwal:** My question is regarding this quota asset, so what is the size of this asset which we have right now?
- Shobhit Uppal:** The size is about 80 crores financially and physically it is about 3.5 lakh square feet.
- Dhruv Agarwal:** If at all whenever we sell it we can realize around 80 crores from this asset?
- Shobhit Uppal:** Yes.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.



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Shravan Shah: Sir, few quarters before, may be one or two quarter before, we won the arbitration award of our close to 10.4 crores, when is likely to be received?

Shobhit Uppal: Your guess is as good as mine, **(Inaudible) 26.40** as was expected has challenged this, they get about 30 to 45 days to challenge. They have since challenged this award, so it is in court. We expect that it will take another two to three months for this to get resolved.

Shravan Shah: Post that only we will be booking it?

Shobhit Uppal: Yes.

Shravan Shah: Sir, is there any other arbitration pending or we are likely to file or anything?

Shobhit Uppal: There are arbitrations, as one of you asked about the common wealth arbitration, there are two arbitrations going on, one with Emaar for the games village and one with CPWD for the stadium and there are half a dozen other arbitrations which are going on with various clients which are expected to. In fact, we also got another award with the Art of Living Foundation for whom we have done a residential project in the outskirts of Bangalore, so that award was also in our favor that award I think was for about 8 crores, if I am not mistaken. It came about two months ago and that the client has not challenged, so we are going to the court for a decree on that. There are a few other arbitrations which are in various stages of completion which will over the next two years as I said yield rewards and interests.

Shravan Shah: Sir, in terms of this nine month, how much CAPEX we did and for the full year and the next it will be in the same 20-25 crores range?

Shobhit Uppal: Next year it should go, it should be in the range of about 30-35 crores, nine month 14 crores we have a CAPEX and continuously next year maintenance CAPEX is required approximately 15-20 crores, and plus we would be procuring certain new machinery also, that is why I said around 30 crores next year.

Shravan Shah: Sir, if you can give us this number for inventory datas and cash and loans and advances then it would be great?

Rohit Patni: Debtors day is 155 days.

Shravan Shah: The absolute number do we have?

Rohit Patni: Debtors is 555 crores and inventory is 207 crores and trade receivable is 297 crores and total working capital is approximate 130 days.



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- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Just couple of questions, now leaving apart what has happened in the last quarter, so how do we see the competitive intensity in the business going ahead let us say over the next one to two years?
- Shobhit Uppal:** The competitive intensity will rise a bit, I see bids from a couple of players who were not bidding till now like B. L. Kashyap and maybe Billimoria coming in again, not on all the jobs but on some jobs they are bidding, so it will rise. Over the next couple of years, I also see the ticket size increasing as I just mentioned NBCC order the ticket size will be about 700-800 crores. I see other government departments also coming up with larger packages as far as bids are concerned, so this is what I feel is going to happen. Competitions will increase a little bit and then we may also see foreign player coming into bid which in the long run will be good for the industry. We get more maturity and also raise the bidding prices.
- Parvez Akhtar:** That is one part, so net and net would it be fair to say that at least on a margin front, they would remain more or less stable since opportunities will probably also rise along with.
- Shobhit Uppal:** I agree, that is what it will remain more or less stable.
- Parvez Akhtar:** Let us say over the medium-term period, which is let us say next two to four years what is the kind of revenue growth that we will be comfortable with?
- Shobhit Uppal:** Between 15% to 20%.
- Parvez Akhtar:** You think we can continue this kind of growth even while concentrating or focusing more on the government side like we have been doing for the last couple of years?
- Shobhit Uppal:** Yes, in the medium term our focus will continue to remain on the public sector, but in the long term ideally speaking we would like in equal mix of both private and public sector in the long-term I am saying.
- Parvez Akhtar:** When do we expect the recovery on the private side?
- Shobhit Uppal:** We think anywhere between three to four years, a full recovery is what I am talking about. I think we should start seeing recovery in a couple of years.
- Parvez Akhtar:** Sir, couple of bookkeeping questions, do we have any L1 orders as of now?



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- Shobhit Uppal:** No, we do not have any L1 orders.
- Parvez Akhtar:** Lastly, what is your quantum of fixed price orders currently?
- Shobhit Uppal:** 120 crores, but as I also mentioned this is a fixed price order, this is one order but which is being executed this is a government order and this is of NBCC, so this is a fixed price contract.
- Parvez Akhtar:** If we could get a geographical breakup of the order book?
- Rohit Patni:** North is 63%, East 14% and West is 23%.
- Moderator:** Thank you. The next question is from the line of Kalpesh Kothi from Veta Investments. Please go ahead.
- Kalpesh Kothi:** Sir, you said your order pipeline is 1200 crores, can you throw some light on which of the orders you have bid?
- Shobhit Uppal:** As I mentioned earlier, there is a hospital project in Calcutta that we bid for, there is a convention center there that we bid and there is residential project for government which we bid in Calcutta. There is a large private sector residential project with one of the known corporate in Mumbai and there are some MEP projects that we have bid in Delhi or NCR.
- Kalpesh Kothi:** You said that NBCC will come out with the tender of almost 15,000 crores in near term, in our order book we have a 120 crore of fixed price order, which is from NBCC only, so what is the trend of fixed price order from the government side?
- Shobhit Uppal:** All government projects are coming with a built-in escalation clause. This fixed price contract is awarded about two-and-a-half years ago after which the project was a non-starter because there was a dispute on the ownership of land between two government entities, DDA and CRPF, so that was resolved and this project began eight-nine months ago. This is the large datacenter for National Intelligence Grid, otherwise, there is no fixed size contract and generally all the tenders which come from the public sector come with an escalation clause.
- Kalpesh Kothi:** Are we seeing the cost over in this 120 crore order?
- Shobhit Uppal:** On the contrary, when this project started, the steel prices came down, so because it was a fixed price contract it was actually beneficial to us because we could retain the benefit of the prices coming down, otherwise, in all the other contracts the benefit plus or minus it is to the client side.



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- Kalpesh Kothi:** If you see our FY18 order inflow guidance almost around 2000 crore, did we take the NBCC expected order inflow in that?
- Shobhit Uppal:** Yes, it is not that the order will come to us, we will definitely bid but the order, it is not 15,000 crores as you mentioned, what I said was there will be in the next three to four months a couple of large packages will be tendered out and value of each package would be about 700 to 800 crores.
- Kalpesh Kothi:** How much we?
- Shobhit Uppal:** Over the entire year, NBCC should tender out anywhere between 3000 to 4000 crores, so our target would be to bag at least one project.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** My question was with respect to our margins, if I heard you correctly you said you see margins to expand even further from current levels and I think over the course of call you also spoke about competition increasing, so was wondering and what would drive margin, it will be operating leverage or you would start going choosy in terms of taking new orders?
- Shobhit Uppal:** We have always been choosy. We have been doing our due diligence and that is why our growth margins, revenue growth targets are conservative, but as was discussed in one of the earlier question and answer, there will be more projects, so competition intensity will increase but I think the government is focused now post-demonetization, post this round of election, there are going to be more public sector projects, so more or less the margin should be stable.
- Prem Khurana:** How do you see the market to expand in terms of overall market size, we are looking at around 10-15% kind of growth on a consistent basis, in overall market size, what kind of number do you get to see in terms of expansion or in terms of growth?
- Shobhit Uppal:** Market size, we are looking at a fresh order intake about 2000 crores, so that would tantamount to a large order or at least two or three orders coming our way every quarter, so that is what our planning is and as far as we are concerned, we stay focused in the areas that we are operating in, we do not want to go into any new geographical area.
- Prem Khurana:** I think you have some Rs. 80 odd crores of real estate inventory available with you which you would have acquired from your clients, so your fair assumption how long would it take you to kind of liquid this inventory because, I mean if you look at these real estate developers none of these players are able to sell in terms of not able to get any incremental booking and given the



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fact that we are not into real estate business as such and we will not have that kind of marketing efforts underway, so how long will it takes us to kind of liquid this inventory?

Shobhit Uppal:

Cash flow wise, as you heard the owner is also pumping in money, so we are not desperate. Cash flow wise we are comfortable, so we do not want to go into any distress sales, so we are waiting till such time that the market improves slightly. Anyway, we will hold onto this inventory for a couple of years, a year and a half from now once the prices start going up then we will start liquidating it, so it will take two to three years.

Moderator:

Thank you. The next question is from the line of Akhilesh Ankala from JM Financial. Please go ahead.

Akhilesh Ankala:

I have one small question with regard to what you are calling it as equity infusion by the promoters into the company, Sir, at what priced book or payee multiple are you going ahead with equity infusion and if at all it is leading to any shareholder value destruction?

Shobhit Uppal:

The price is 285. It is worked on a formula of allotment price will be about 285.

Rohit Patni:

Basically what has happened is that relevant prices on relevant date, last 36 weeks' average and last two weeks that which one higher, according to that it come out to 285.

Moderator:

Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital (India) Pvt. Ltd. Please go ahead.

Vibhor Singhal:

Sir, I just wanted to ask you a question regarding the segments that we operate in, as you mentioned that there are lot of other smaller players which are coming into the foray like B. L. Kashyap and other players, which is kind of increasing the competition, so maybe not just in the near future but maybe two or three years down the line, are we looking as a strategy as to maybe expand in some other segments. I know we have constructed stations for metro projects and all, so maybe looking at other segments of infrastructure, if at all, so what could those segments be and what is the kind of timeframe that we are looking at those things?

Shobhit Uppal:

Look since you mentioned stations, metros, we have been associated with Bangalore, Delhi, Mumbai metros and there are at least six new metros coming up in different cities, so we will continue to bid for these projects, but again there the margins would be slightly higher, the competition would be lesser. We have a precast tie up with a Russian company which all of you know as and when the government, there is no traction on affordable housing this will also come in to play, so our growth will be built around our areas of core competence. We are looking to grow our MEP verticals also. These are standalone verticals under the same parent. We are looking to go out and work where the parent is not working as far as MEP is



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concerned, so these are areas of growth that we are looking at, but nothing too drastic. We are not looking to foray into drastically new areas.

Vibhor Singhal: May be roads and others segments will be completely out of our consideration, but let us say airport terminal buildings and all would there be still something that we would look forward too?

Shobhit Uppal: Yes, as EPC contracts, yes.

Shobhit Uppal: Thank you Vibhor, thank you everybody, thank you Margaret, thank you so much. Hope to talk to all of you in the next quarter.

Vibhor Singhal: Thank you so much Sir for giving us the opportunity to host the conference call, wish you all the best.

Moderator: Thank you. On behalf of PhillipCapital (India) Pvt. Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.