



“Ahluwalia Contracts Limited Q4FY17 Earnings Conference Call”

May 30, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Ahluwalia Contracts (India) Limited Q4 FY 2017 Earning Conference Call, hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance join the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. 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 Sir!

Amber Singhania: Thank you Aman. Good evening everyone. On behalf of Asian Market, I welcome you all to the Q4 FY2017 Earning Conference Call for Ahluwalia Contracts Limited. We have with us today Mr. Shobhit Uppal – Deputy Managing Director, Mr. Vijay Jain – Senior Vice-President (Accounts), Mr. Rohit Patni – Investor Relations Executive representing the Company. I now request Mr. Uppal to take us through the quarterly results and business overall along with the outlook for the Company and the industry as a whole, then we can start with the question and answer session. Over to you Sir!

Shobhit Uppal: Thank you Amber. Good evening everybody. Thank you so much for joining in. So we just finished our board meeting and announced our financial results of FY2017 Q4. During Q4 FY2017, the Company has achieved a turnover of Rs.471.84 Crores and PAT of Rs.20.35 Crores in comparison to a turnover of Rs.383.69 Crores and PAT of Rs.26.71 Crores in Q4 FY2016. EPS of the Company for Q4 2017 is Rs.3.04 as compared to Rs.3.99 in the corresponding quarter last year. During FY2017 the Company has achieved a turnover of Rs.1426.52 Crores and a PAT of Rs.86 Crores as compared to a turnover of Rs.1249.58 Crores and a PAT of Rs.84.41 Crores in FY2016. EPS of the Company for FY2017 is 12.84 as compared to 12.60 in FY2016. During FY2017 the Company’s EBITDA margin was 12.72% as compared to 13.95% in the corresponding year in the last year and PAT margin 6.03% as compared to 6.75% in the corresponding period. The Company has secured new orders worth Rs.1450 Crores till date. Net order book of the Company as on March 31, 2017 was 3553 Crores to be executed in the next two to two and a half years. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Good evening. Sir, first of all just wanted to know the outlook now with respect to the new tenders, the bidding because some sort of view we are very good in the first half of the last financial year and then we can expect as you mentioned in the last quarterly call also the demonetisation and some of the aggressive bidders like NCC. I mean you have seen in some of



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the buildings what kind of bids being putting in Bihar. So if you can take us through the tenders and the pipeline you are looking at this point in time and to add on to that we saw a project in Surat I would say a Rs.1500 Crores project where we saw players like Tata, you and Shapoorji getting prequalified but there is another player called PSP who has got topline of Rs.400 Crores he is also getting prequalified, so is there any change in terms of prequalifications, is there some easing where the people like him having a very low topline also getting prequalified for such projects. So if you can elaborate Sir, it will be really helpful.

Shobhit Uppal:

You asked few good questions, some direct and some things you left unsaid. So I would like to clarify everything. It is not that we had only a good first half of the year. You know when we started up we had made projections the guidance that we given was that we grow anywhere between 10% and 15%, right and we have done that. The EBITDA margins or the projections that are given for EBITDA were anywhere between 12% and 13% and we have achieved that. I had also said in my last concall that I see the competitive intensity increasing which it has and I feel over the next one year this will continue to be there because few of our brethren are again showing caution to the winds and we do not seem to have learnt lessons over the last downturn.

Some companies are bidding indiscriminately to grow by topline and a few gentlemen/ladies where to see the results of some of the construction companies appear you know it is reflected in their results. So our guidance for the next year, we are going to be cautious. We feel that the target we set for ourselves are again for a growth of about 12% to 13% both topline, EBITDA also should be in the range of 12% to 13% and to answer your question about smaller players also being qualified, you know the Diamond Bourse Project in Surat is a private project. It is not a government project. So in the past also we have seen that they used their discretion to qualify bidder, you know increase the competitive intensity, private clients do that, they have done it here also and the tender being in Gujarat, it was only expected that a couple of local Gujarati companies will be qualified. That is what has happened here but on a broader scale, yes the competitive intensity has increased and there are some smaller players or mid-sized players who are qualifying in for projects of NBCC, CPWD and they are kind of bidding indiscriminately. I see that continuing for atleast a year and they will be as we go along in other shake down. That is why we continue to be conservative. I hope I have answered all the questions, Nitin.

Nitin Arora:

Yes Sir, just a follow up on that if like the way you always us with respect to new bids and tenders you have bidden in the pipeline if you can help us Sir with that?

Shobhit Uppal:

Yes, our order pipelines while we see new projects being called for bids almost on a daily basis, NBCC is calling out large bids, CPWD is calling our large bids, local state departments are calling our bids; we as far as the order pipeline goes or order pipeline is about Rs.1500 Crores, we are bidding for selective tenders only. There are certain large tenders that we at the moment have



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a hands of approach like the Pragati Maidan, which is coming up or Sarojini Nagar because we feel that the way those tenders are been structured, they are skewed in favor of the or against the contractor, so we do not want to take a big risk bidding for that jobs.

Nitin Arora: Sir, like the Nauroji Nagar and the Sarojini Nagar orders you mentioning that it is little skewed towards the contractor, I would say not making much?

Shobhit Uppal: They are skewed against the contractors not for the contractors.

Nitin Arora: Okay, Sir what are as the terms and conditions of working capital is something, which is very...?

Shobhit Uppal: Yes, working capital is one, you know lot of these tenders are fixed price contracts, then secondly you know the timeline that they have put in the tenders are highly, highly ambitious. For instance you know the Pragati Maidan tender, they are saying it has to be completed in 24 months. It is Rs.2400 Crores job. I do not think anywhere in the world such an ambitious timeline has been set and on top of that they are saying the Prime Minister, Secretariat or PMO is going to be monitoring these all, so that mean you are looking at a run rate of more than Rs.100 Crores a month. They delay payment for two months, its Rs.200 Crores blocked. So I do not think any construction company can afford that kind of tightness. So we in whatever wisdom we have are hands off as far as such projects are concerned for the time being.

Nitin Arora: But we have been pre-qualified here?

Shobhit Uppal: No, we have not even applied. It is not pre qualifications, it is post qualification. So my mind no Indian company on its own other than may be Larsen & Toubro that is also may be, we will get post qualified on its own. Every company will have to have a foreign tie-up.

Nitin Arora: Sir, there are last two questions; what would be our order intake guidance for the next year and is there any one of you know in the total expenditure, we have seen a subcontracting has increased a little bit, which has contracted the margins for the Q4, say if you can answer both of them?

Shobhit Uppal: Okay, our order guidelines for the next year are about Rs.1400 Crores to Rs.1500 Crores. There is no one-off you know what happened this is if you combine our subcontracting costs and labor costs yes, there is an increase about 3% to 4%. This is on account of the fact that post demonetisation we had to pay higher to meet the deadlines or keep the run rate we had to pay higher costs to mobilize the labour be it through subcontractors or to do it directly. That is right.

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



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- Moderator:** Thank you. We have the next question from the line of Charanjit Singh from B&K Securities. Please go ahead.
- Charanjit Singh:** Hello Sir. Sir on this again on the subcontracting part, so you know this expense would be now limited to Q4 or we are seeing the impact even continuing in Q1 and how much would have been the impact exactly?
- Shobhit Uppal:** It will actually some of it would be there in Q1 but after that it will take will taper off.
- Charanjit Singh:** Okay, so we could see weaker margins going forward even in Q1?
- Shobhit Uppal:** Yes, Q1 would be similar to Q4.
- Charanjit Singh:** Okay, and Sir on these NBCC orders is there any plan of doing tie up with any international company or we just do not want to look at these projects because of the higher risk profile?
- Shobhit Uppal:** No, we already had a tie up in place but as I mentioned to Nitin, in our wisdom we decided to beg off. Because when we went through tender in detail we told it was a high-risk tender.
- Charanjit Singh:** Okay, so Sir in terms of the opportunity, which we could see going forward?
- Amber Singhanian:** To clarify here, since we have done a couple of convention centers and large auditoriums and expo centers, we would have easily met the qualification criteria with a foreign joint venture partner but we felt it was better to be safe rather than it was a very risky contract to execute.
- Charanjit Singh:** Sir in our discussions recently with one of the large infrastructure companies we are hearing that even on the government side there are certain issues in terms of delays in payments. So are you also seeing that now with in our construction space or how the payment cycles now?
- Amber Singhanian:** You know what is happening is as the project sizes are increasing there are issues on the government side also that is what I mentioned when I answered Nitin's question, you know this Pragati Maidan project or other such projects the scale is too much you are looking at run rate exceeding easily Rs.50 Crores to Rs.100 Crores per month, you know government is also has not handled such contracts before so systems are being made, processes are being set that is why some delays are happening. That is why it is prudent to be careful at this point in time.
- Charanjit Singh:** Sir if you can highlight in the order pipeline the guidelines, which you have given like which are the kind of large projects which we will be considering in the pipeline in terms of hospitals or government buildings and commercial buildings, if you can just give some color, average order size also?



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- Amber Singhania:** Primarily it is government projects only, which we are bidding for, there are redevelopment projects with CPWD is also coming out with, so NBCC is coming out with redevelopment projects. These are ranging from about Rs.300 Crores to about Rs.500 Crores. Then there are certain auditoriums, which again various states or state capitals are coming out with. There is pending happening in education both on the government side and on private side then there is large Surat Diamond Bourse Project also, which was asked for in the first question that we asked, which is also in excess of Rs.1000 Crores, which is a private project. So these are the kind of projects that are there in our pipeline.
- Charanjit Singh:** Thanks a lot for taking my question.
- Moderator:** Thank you. We have the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Sir this subcontracting when we are saying that due to the demo now we have to pay extra for the labors is not it covered on that contract laws or are we may be claiming later?
- Shobhit Uppal:** No. It is not. What is claimed in escalation or labor escalation is based on the index. You know the index would not rise, the rise would not be exactly commensurate with what we have paid out. That is why the margins are slightly lower this quarter.
- Shravan Shah:** Then when we are looking at that may be Q1, Q2 onwards it will normalize to the earlier levels, so why we are thinking that? So is that now if are paying higher, is there a shortage of labour or what is giving the confidence that on the Q2 it will come to the normal levels?
- Shobhit Uppal:** As I said it will taper off because traditionally the end of Q1, the labour shortage that is easing off, you know from July the labour is there a plenty and in the last quarter the shortage was brought on by demonetisation, the effect so which has worn off now.
- Shravan Shah:** Okay and Sir in last four to five months post the Q3, how much value or may be number we have bid for and we have not won because the order inflow is I think is as on Q3 only, so if you can let us know?
- Shobhit Uppal:** Yes, I think I do not have the exact figure of the bids bid in the last quarter but I think it would be in the range of about Rs.700 Crores to Rs.800 Crores.
- Shravan Shah:** Okay Sir, Rs.700 Crores to Rs.800 Crores. Because now our even in terms of the inflow and topline also earlier I think correct me if I am wrong about we were thinking close to 15% plus kind of topline in 2018 and in terms of the order inflow also we were thinking Rs.1600 Crores to Rs.2000 Crores. So we are lowering both. So is there any plus side that we can bid this?



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- Shobhit Uppal:** No I think as things stands today we are lowering our projections slightly 12% to 15% topline growth and new order about Rs.1400 Crores to Rs.1500 Crores.
- Shravan Shah:** Okay and Sir lastly can I have the order book breakup on terms of the segment wise and government and also the fixed one also.
- Rohit Patni:** The government is 69%, 31% is the private and segment wise commercial 5%, hospitals 21%, infra 29%, residential private 24% and residential government 8%.
- Shravan Shah:** Infra is how much?
- Rohit Patni:** Infra is 12% or 13%.
- Shravan Shah:** 12%?
- Rohit Patni:** Yes.
- Shravan Shah:** Okay and how much is the fixed income because last quarter it was around Rs.120 Crores?
- Rohit Patni:** Approximate Rs.100 Crores. Only one project is a fixed-price contract.
- Shravan Shah:** Okay and in terms of how much capex we did for FY2017 and how much are we looking for FY2018 and if you can tell us the gross debt number?
- Rohit Patni:** Capex is approximately Rs.15 Crores from this financial year.
- Shravan Shah:** Okay in FY2017 how much was it?
- Rohit Patni:** This is only machinery part 15% Crores, total capex is also BOT Kota including is approximate Rs.104 Crores.
- Shravan Shah:** Sorry in FY2017 how much was capex and FY2018 how much are we planning to do?
- Rohit Patni:** FY2017 is Rs.15 Crores capex and in future approximate Rs.15 Crores to Rs.20 Crores.
- Shravan Shah:** Okay and as on FY2017 gross debt is how much? Just wanted to know the current maturity of the long-term debt?
- Rohit Patni:** Current maturity is not there. Only long-term debt is 19000, so nil for long term debt and the short-term debt is Rs.89 Crores.



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- Shravan Shah:** That is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.
- A. Chattopadhyay:** Thanks for taking the question. Sir, now that we are almost a net cash company having 30 Crores net cash, so now what is the thought on the balance sheet for the next year are you looking to become debt free?
- Shobhit Uppal:** May we will not become 100% debt free in the next year, but in the subsequent year we will, FY2019 we should be.
- A. Chattopadhyay:** Sir, on the interest cost then what are the broad projection for next year then, what is your interest cost looking at?
- Rohit Patni:** This year finance cost is 36 Crores and in the next year is 20 to 24 Crores.
- A. Chattopadhyay:** 22 to 24 Crores and next question is on GST and how does it impact your tax rate for your contracts?
- Shobhit Uppal:** We are still figuring that out. There is still clarity to happen, so I think this will happen over the next couple of months. Most probably it would not impact our margins, because this is plus or minus it is going to be a pass through.
- A. Chattopadhyay:** Sir, just last time I missed a share of government contracts in the overall order book, can you just repeat the total order book number outstanding as of March?
- Rohit Patni:** Outstanding is 3553 Crores.
- A. Chattopadhyay:** Government contract is how much of that?
- Shobhit Uppal:** 69.
- A. Chattopadhyay:** 69%, okay that is from my side.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good evening Sir. Thanks for taking my question. So my question was again for the next year that we are expecting 12% to 15% topline growth is what you mentioned and your are expecting



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EBITDA growth of almost the same amount as you mentioned, so this year I think our EBITDA margins were impacted by of course around 4% decline in the last quarter, but for that I think for the first three quarters it would have a quite strong margins of north of 13%, so despite the fact that you believe that this impact of contracting cost in this quarter would continue for the next couple of quarters, does that mean that you expect margins for FY2018 to be same as FY2017, which was highly impacted for the last quarter impact?

Shobhit Uppal: One is the reasons that the margins in FY2017 had been impacted is that in the last quarter we have made a provision of about Rs.4.5 Crores towards the charges, we have equalized the charges, the lease rents that we have to pay on the Kota projects over the next 30 years. As per the new provision, as per the new laws we have to make provision for this on an yearly basis now, debt 4.5 Crores then you go through our balance sheet of published result you will see that we made provision for about 4.5 Crores. That has also been a major factor in our Q4 margins coming down and the other factor as I said earlier is the higher labour cost.

Vibhor Singhal: This 4.5 Crores...

Shobhit Uppal: Next year also now these provisions for the Kota this thing will be there to the tune of about Rs.6 Crores every year.

Vibhor Singhal: But this would probably be a non-cash expense if I am correct.

Shobhit Uppal: It does not impact our cash flows.

Vibhor Singhal: Fair enough. Fine Sir and Sir lastly again probably to delve on that question a bit further, now that we are a net cash you have mentioned you are looking to become may be debt free by FY2019, but any basically stand on, when do we start paying dividend again?

Shobhit Uppal: We had thought that, we would start saying dividend after FY2018, we would like to stick to that, but as I said the competitive intensity in this year also we expect to be high, but we kind of maintain our margins EBITDA around 13%, we should be paying our dividend after a year or so.

Vibhor Singhal: Thanks a lot for answering my questions and all the best.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir, can you share the revenue EBITDA, depreciation of Kota project?



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- Shobhit Uppal:** As we stand we are taking in about to Rs.8 to Rs.10 lakh a month. This is by the end of the year, this is expected to go up to about 50 lakhs a month and these are as far as inflows of concerned. What was the other part of your question?
- Nitin Arora:** I am saying that on the absolute basis if the revenue and EBITDA for Q4 if you can give for FY2017?
- Rohit Patni:** Lease rental is 32 lakhs as against expenses is 5.49 Crores.
- Nitin Arora:** The revenue is 32 lakhs?
- Rohit Patni:** They are only Kota project.
- Nitin Arora:** Sir, provision which you talked about 4.5 Crores is it in the other expenses in the P&L?
- Shobhit Uppal:** Correct.
- Nitin Arora:** So what is the accounting here, this provision is account for what if you can explain a little bit?
- Shobhit Uppal:** No, actually as per the Indian GAAP, we have provided the equalized lease rental, our lease sale 30 years, total rental payable is 188 Crores, so equalized amount is around 6.5 Crores per year. For that period we only provide 4.75 Crores.
- Nitin Arora:** Sir, the next question is where the about three months back we decided to infuse some funds into the Company and repay certain debt, is that plan on or we have somewhat extended that plan from the promoter side?
- Shobhit Uppal:** We are awaiting approvals for that, that plan is still on.
- Nitin Arora:** Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Salil Desai from Premji Investment. Please go ahead.
- Salil Desai:** Sir, now it seems that the next year or so the segment that you are operating is going to be competitive and peer lucrative. Are you considering any other segment where you can extend your capabilities and may be get projects have you done any work on that lines?



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- Shobhit Uppal:** No, we are not. Like I said we remain conservative in this year because we feel that in the next year or two years further consolidation is going to happen and so after a year or year-and-a half again the competitive intensity will decrease that is all we feel.
- Salil Desai:** Consolidation you would mean what some players would burn their fingers in exit or there will be sometime?
- Shobhit Uppal:** That is exactly what I mean. It has happened in the past it will happen again.
- Salil Desai:** All right, you do not really see any need for expanding the segments, which you are operate in or that would depend on the opportunity?
- Shobhit Uppal:** In the short-term no, in the long-term yes what we are saying is it will depend on the opportunity, but our philosophy has been to grow around of core area of expertise, which is building that is what we will continue to do.
- Salil Desai:** All right, thank you very much.
- Moderator:** Thank you. We have the next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Good evening Sir. Sir, a couple of questions from my side, how do you see the private residential space going ahead?
- Shobhit Uppal:** Still the same, it is still in a coma.
- Parvez Akhtar:** With regards to NBCC orders, while they have invited tenders for a couple of projects like as you Pragati Maidan or Sarojini Nagar there are still large scale orders, which are yet to come from, it will probably come in the second half of this year, so what will be our thought process for these orders, I mean we will continue to stay away if the contract conditions are the same or if they change will we be interested in them?
- Shobhit Uppal:** It depends on, as you yourself are saying on contract conditions we will do our due diligence. If we see or the benefits far outweigh the risks we will bid, it is not we will sworn off NBCC. There are number of factors that we, there is a template we have when we do our due diligence for these projects through that template and if the benefits far outweigh the risks or the likely benefit far outweigh the likely risk then obviously we will go in bid for it, but yes key factor in our deciding to a bid of project is commercial conditions like escalations as all of us know the last six months have seen extreme volatility in the prices of key building materials also labour prices have gone up and NBCC has held a conclave I think a month and a half ago where they invited all major



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construction companies to explain their viewpoints as far as the tendering condition of concerned or the tender were concerned, so hopefully they will also modify those conditions and then we will bid.

Parvez Akhtar: With regards to this provision that you have made for the Kota project the entire amount of 4.75 Crores came in this quarter, which is Q4?

Shobhit Uppal: Repeat that question please?

Parvez Akhtar: The entire 4.75 Crores of provision?

Shobhit Uppal: Yes, it was in this quarter.

Parvez Akhtar: But for the next, let us say if the annual amount of 6 Crores will it also be apportioned over the four quarters or will it come in any one particular quarter?

Shobhit Uppal: We will apportion it in four quarters.

Parvez Akhtar: Sir, lastly I mean going by our guidelines, etc., we seem to be slightly more cautious compared to what we were may be two or three quarter back. Our order book has probably down compared to what it was two quarters back, the guideline is also slightly down, so are you just being cautious with what is the stands today or do you think that the competitive intensity show that at least it at base to may be grow slower may be next one or two years and then see how things progress?

Shobhit Uppal: Yes, it will be. If I say these are informed guidance's that we are giving in the sense that based on what we see on the ground in terms of the competitive intensity, I feel that the next one year it would be better to cautious.

Parvez Akhtar: Thank you that is it from my side and all the best in the future.

Moderator: Thank you. We have the next question from the line of Prabhat Anantharaman from B&K Securities. Please go ahead.

P. Anantharaman: Sir, thanks for the opportunity. Sir I just wanted to know what is the current orders that are slow moving in our order book in regards to the residential?

Rohit Patni: Approximately 300 to 400 Crores.

P. Anantharaman: So, what is the status on them, are they moving or they are completely stopped or you just stopped to work on that?



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- Rohit Patni:** They are moving. If they are completely stopped then we remove from our order.
- P. Anantharaman:** Okay, that is from my side, thank you.
- Moderator:** Thank you. We have the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Sir, earlier we have taken possession of some flats, so is there any update or we able to monetize any of these, so can throw some light?
- Shobhit Uppal:** No, at the moment our cash flow position is okay, so we have also not been too desperate to sell them because obviously the market is extremely depressed, so we are holding on to them and as we see some improvements then we look to mitigate.
- Shravan Shah:** So, currently how much of flats and what is the value?
- Shobhit Uppal:** About 43 Crores.
- Shravan Shah:** It may be also possibility it may be six months or may be one year down the line if we want to monetize and may be a possibility that may be book a loss on this?
- Shobhit Uppal:** Definitely if we want to, so we have avoided it because cash flow is okay, but we are not looking to retain them in the long run, we want to dispose them all.
- Shravan Shah:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Manoj Kumar from Taurus Asset Management. Please go ahead.
- Manoj Kumar:** I have a one question, if you see that the results ended quarter March 31, 2017 and 2016 it is showing that the segment revenue for contractual work is and it is not showing zero. Why it is showing 0, if we go for the segment revenue?
- Rohit Patni:** There may be some errors. We got all the works are a contractual work in end of 2016, in this current financial FY2017, we had started BOT Kota project, so we are different from the lease rental or contractual work.
- Manoj Kumar:** For the Kota project?
- Rohit Patni:** Kota project is starting in July.



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- Manoj Kumar:** In July, okay.
- Rohit Patni:** But in the segment wise revenue has declined from only FY2017 not for FY2016, FY2016 it has a full revenue of 1249 is some contractual work.
- Manoj Kumar:** Thank you.
- Moderator:** Thank you. We have the followup question from the line of Charanjit Singh from B&K Securities. Please go ahead.
- Charanjit Singh:** Sir, thanks for the opportunity. Just want to check regarding this NBCC thing, so do you think that there could be a chance of lesser number of bidders are there participating in the tender that these conditions would get changed and the norms would be made much more simpler so that more parties could participate?
- Shobhit Uppal:** That is what I said they called this conclave, which their CMD had addressed. It was a long meeting where our people also went and there were about 120 people from various agencies. This was half a day conclave. He had heard from the various vendors, both designers as well as construction companies and hopefully certain norms will be changed, if not immediately may be over the next year or so.
- Charanjit Singh:** Sir, in terms of competitive intensity generally we have seen that government tenders tend to have very strict norms in terms of network and the topline requirement and for any contractor to qualify is not a very easy task, you know which segments we have seen that the competition has suddenly increased and how is the competition in those tenders and where there are no advance payments and the competition used to be less for us, so can give more colour on this increasing competition in government sector specifically?
- Shobhit Uppal:** So NBCC, CPWD all these companies are giving advances, so obviously that is a big attractive juicy carrot for cash tracked construction companies who are bidding indiscriminately as I said earlier. It is only AIIMS, you mentioned, HFCC, certain hospital projects where some departments are not paying advances and majorly now advance payment is there in all government contract and what has also happened in government some departments in their wisdom because the competitive intensity in the last couple of years were so low as we talked in the past certain conditions have been relaxed that has also led to higher intensity.
- Charanjit Singh:** So if we have to compare L1 and L2 differential in some of the tenders, which would have got finalized recently, how it would have been versus what we used to see earlier when the competition was lesser?



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- Shobhit Uppal:** 10%.
- Charanjit Singh:** L1 and L2 differential 10% Sir?
- Shobhit Uppal:** I would rephrase your question or my answer. What I would say is that earlier on if the tenders, which were being awarded were generally around the estimate which the government departments are preparing, now it is about 8% to 10% below the estimate.
- Charanjit Singh:** That is all from my side. Thank you.
- Moderator:** Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Sir, just couple of things as you mentioned 300 to 400 Crores of orders are slow moving, if can give some more light on that, how many projects would be that and which segments it belong to and what could be the possibility of these turning positive, what is your sense on these projects?
- Rohit Patni:** All the projects are from residential side, because all the institutions and infra are government side, they have not had any problem from slow moving.
- Amber Singhania:** But these are all ongoing projects right, there is no stop work in such?
- Rohit Patni:** Yes all are ongoing projects.
- Amber Singhania:** Secondly I missed the number for order breakup on institutional and industrial if can you give me?
- Rohit Patni:** Institutional is 29% and industrial is zero.
- Amber Singhania:** Secondly Sir, is there any plan to monetize the Kota project now as we have started the lease rentals and is there any thought on that line we are putting in?
- Shobhit Uppal:** As the market improves we are not averse to doing it.
- Amber Singhania:** One more thing Sir, on the revenue front we are still at below our all time peak as such, so may be in the next one year or two years we will be reaching that level, so by that time do we see a heavy capex coming in and what could be that size, because currently we are just doing 15 to 20 Crores capex on the smaller equipments as such, so when do we see that we will be needing a larger capex and what could be that size?



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- Rohit Patni:** Not on a larger capex, if we has a growth on 17000 Crores-18000 Crores we need a capex. As far as the incremental revenue 10% incremental revenue we need a capex.
- Amber Singhania:** 10% of the incremental revenue?
- Rohit Patni:** 1% to 1.5% on maintenance capex.
- Amber Singhania:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Bharanidharvijay Kumar from Spark Capital. Please go ahead.
- B. Kumar:** Good evening Sir. In our current order book could you give us what percentage of it is from NBCC?
- Rohit Patni:** Only that projects on NBCC is approximately 100 Crores.
- Shobhit Uppal:** It is about 100 Crores out of 3500 Crores.
- B. Kumar:** So if we are looking for 1500 Crores inflow and most of it would be you said government side, so how much are we targeting from NBCC office 1500 Crores?
- Shobhit Uppal:** May be one project. As things stand, NBCC we are not bidding aggressively, one project of the size of about 300 Crores.
- B. Kumar:** I understood Sir. Thank you so much and all the best.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. Ladies and gentleman that was the last, I now hand the conference over to Mr. Amber Singhania for closing comments. Thank you and over to you sir!
- Amber Singhania:** Thank you. On behalf of Asian Market Securities, I would like to thank all the participants and the special thanks to the management for taking out time and sharing their thoughts and insights about their Company and the industry with us. Sir would you like to add any closing remarks?
- Shobhit Uppal:** No. Thank you so much everybody for joining. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Asian Market Securities that concludes the conference. Thank you for joining us. You may now disconnect your lines.