



“Ahluwalia Contracts India Limited  
Q1 FY2020 Earnings Conference Call”

**August 14, 2019**



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**Moderator:** Ladies and gentlemen good day and welcome to the Ahluwalia Contracts India Limited Q1 FY2020 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. Should you need assistance during the conference, please signal an operator by entering “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suraj Sonulkar from Asian Market Securities. Thank you and over to you Sir!

**Suraj Sonulkar:** Thank you. Good evening everyone. On behalf of Asian Market, I welcome you all to the Q1 FY2020 Earning Conference Call for Ahluwalia Contracts Limited. We have with us today Mr. Shobhit Uppal, Managing Director, Mr. Vikas Ahluwalia, Whole Time Director, and Mr. Rohit Patni Investor Relations Executive representing the Company. I now request Mr. Uppal to take us through the quarterly results and the overall business outlook and then we can start with the question-and-answer session. Over to you Sir!

**Shobhit Uppal:** Thank you so much. Good evening everybody. Ahluwalia Contracts India Limited has announced its financial results for Q1 FY2020.

During the Q1 FY2020 we have achieved a turnover of 316.80 Crores and a PAT of 17.83 Crores in comparison to a turnover of 407.04 Crores and a PAT of 28.18 Crores in the corresponding quarter of last financial year.

During Q1 FY2020, the company’s EBITDA margin is 12.37% as compared to 12.91% and PAT margin of 5.57% as compared to 6.9% in the corresponding period.

Company has secured new orders in this financial year of 430 Crores and is L1 in projects of 706 Crores.

Net order book of the company as on June 30, 2019, stood at 6005 Crores to be executed in the next 2 to 2.5 years.

Thank you we are ready to take questions now.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Shравan Shah from Dolat Capital. Please go ahead.



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**Shravan Shah:** Good evening Sir. Sir humble request if you can give results maybe half-an-hour or one hour before and then we can start because I cannot see the results on the NSE/BSE and it would be great in terms of understanding and discussion and asking the questions. So that is the one request.

**Shobhit Uppal:** Our Company Secretary had uploaded. Actually meeting finished a little late, but my mind we had uploaded. Our Company Secretary had uploaded the results, so if you have not still got them then it is okay I am willing to defer this call by 15 more minutes.

**Shravan Shah:** No issues, but I am just saying next time onwards that is a humble request.

**Shobhit Uppal:** My apologies to you and everybody that the results got delayed this time. So we will keep it in mind the next time around.

**Shravan Shah:** Coming to main in terms of the guidance front so now how we are looking at in terms of the revenue EBITDA margin, inflow guidance for FY2020?

**Shobhit Uppal:** I am maintaining the guidance that I had given to you all last time. These results though slightly below our expectations but not that much. I am sure whole lot of you has questions on the results but let me tell you know if this was quarter in which we fared selections and majority of our order book being government works, we were expecting that there would be some impact of the elections. So there was forced underperformance so to say for about a month or month-and-a-half that has impacted in a major way and secondly two of our projects have not started has yet not taken off and these are large projects about 550 Crores each, Gardanibagh in Bihar, and Patna and Lucknow station, Charbagh. The first one is stuck on account of environmental clearances. The second one is stuck because NBCC was headless, still is headless and they are unable to get the necessary permissions from the Railway Board. So this has also impacted our performance and then as I said elections have impacted to bills not being cleared timely so we have a higher work-in-progress in this quarter which is about 80 Crores. So all this has impacted but I think more or less the results are in line with what we expected and overall for the entire year I maintain my guidance of 15% growth.

**Shravan Shah:** In terms of this two projects, Lucknow, Charbagh and NBCC how do you see? Can we expect the executions to start in next quarter, Q3 or still no idea?

**Shobhit Uppal:** Charbagh is an NBCC project for which we have no idea as yet which may not even start in the next quarter, Q2, but the other project Gardanibagh, which is in Patna which is for the



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local PWD there which is a high profile residential project this will start in this quarter definitely. It will definitely start I think in September.

**Shravan Shah:** Apart from that in terms of all other previous projects that we received all is doing executions smoothly or there any issues, delays?

**Shobhit Uppal:** No, there are not issues on other projects. Some projects which we have just got in the last quarter which is natural they are yet to take off initial planning and designing is being done but no cause for alarm on any of the other projects in our order book.

**Shravan Shah:** Sir I need a couple of data points in terms of breakup of order book segment wise, government, private, north, east, west and fixed price?

**Rohit Patni:** On June 30, 2019, our total order is 6004 Crores, government and private wise breakup, 86% government and 14% private. Geographically wise, north is 38%, east is 46% and west is just 16%. Segment wise, commercial is 8%, hospital is 44%, infra is 17%, institutional is 26%, and residential is just 6%.

**Shravan Shah:** Sir in terms of the EBITDA margin also we will be maintaining 13.5% and order inflow of 2000 Crores for FY2020?

**Rohit Patni:** Yes.

**Shravan Shah:** Capex also how much we have done and we earlier guided, 40 Crores capex for FY2020?

**Rohit Patni:** This quarter we have capex of 8 Crores.

**Shravan Shah:** I will be in queue. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

**Vibhor Singhal:** Good evening Sir. Thanks for taking my question. Sir, you mentioned two reasons for revenue performance in this quarter, one was because of elections you faced execution and bill ratification problem. Basically you mentioned that around 80 Crores of bills are the ones which have not been ratified so you expect them to maybe be ratified in second quarter and you believe they could be postponed even further in the sense that we already are in 45



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days into this quarter have those bills now been ratified that they can come in Q2 or could they be pushed even further?

**Shobhit Uppal:**

They will be ratified in Q2.

**Vibhor Singhal:**

They will be ratified, but Sir even if I let us say include the 80 Crores of revenue in our topline for this quarter even then our top line would have been around 400 Crores which is like exactly the same kind of topline that was at last year in first quarter that would mean even with that number the asking rate for the next three quarters for a 15% kind of a growth would have been ...?

**Shobhit Uppal:**

Would be about 500 Crores, 550 Crores per quarter average.

**Vibhor Singhal:**

Right Sir and we have never done that revenue before despite the fact second quarter being monsoon, this time the monsoon is much, much more severe so keeping all those things in mind you still believe you can do a 15% kind of topline growth this year?

**Shobhit Uppal:**

You see traditionally the last two quarters H2 of every financial year is always the high strike rate so we still maintain that we will be able to touch 2000 Crores as a topline.

**Vibhor Singhal:**

Great to hear that. Just second question, on the Charbagh project Sir I think this has been in our order book for I think more than 6 to 8 months I would say and given that NBCC is right now grabbing with all those with Amrapalli and other real estate issues do you see some kind of a clarity as to this project might start?

**Shobhit Uppal:**

As I mentioned in an answer to Shravan question there is no clarity on this project so henceforth we are in our projections also we are not taking any work done from this project for the next two quarters at least.

**Vibhor Singhal:**

Sir, does that mean that at some of point of time we may take a call as to whether we want to terminate this project or stop taking in to order book or we will probably wait and watch?

**Shobhit Uppal:**

Frankly, speaking once NBCC, we have already written to NBCC, we have already started piling pressure on them if this does not move for another quarter we will write to them to foreclose this.



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- Vibhor Singhal:** Fair enough Sir. I completely understand that. Lastly Sir in terms of order inflow including L1 I think we have a very strong order book at this point of time what is the kind of info that you would expect you target this year?
- Shobhit Uppal:** Total year is about 2000 Crores.
- Vibhor Singhal:** 2000 Crores that remains same as before.
- Shobhit Uppal:** Yes.
- Vibhor Singhal:** Sure Sir. Thank you so much for taking my question Sir, I wish you all the best.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Good evening Sir. A couple of questions from my side. Sir you mentioned in L1 figure of 7.6 Crores?
- Shobhit Uppal:** No, 706 Crores.
- Parvez Akhtar:** These are largely government orders or do we have some private sector orders also in this?
- Shobhit Uppal:** In L1, largely government orders but in 430 Crores the new orders that we have got there are private sector orders also.
- Parvez Akhtar:** Okay Sir in the 6% residential orders that we have in our order book are there any pending private sector orders or is 6% entirely from government?
- Rohit Patni:** Maybe 20 Crores or 30 Crores in their 6% is private otherwise all other government. Half percentage is private and other is government.
- Parvez Akhtar:** Sir also if you could give us your thoughts on some of the other big projects that we have like the CPWD project at Mohammadpur or the NBCC auditorium in Kolkata and some of the hospitals in Nagpur, Kalyani, Nalanda just wanted to get your thoughts how we see work on these projects progressing?



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- Shobhit Uppal:** Sir the hospitals the two large AIIMS project, Kalyani, Nagpur they are going full steam ahead and we are looking to complete these two projects by the middle of next financial year. The IIM project in Nagpur the designing is complete since that is a design build project and work on ground has taken off in fact we are executing nearly 10 Crores a month in that project. The hospital projects that we have started in Bihar they have also taken off and Mohammadpur project which was stalled for quite some time on account of environmental clearances, those clearances have also come and ground has been broken on that project also. As I mentioned earlier more or less other than the two projects that I mentioned earlier Gardanibagh in Patna and Lucknow in Charbagh, all the other projects are running fine.
- Parvez Akhtar:** Sir some of the book keeping questions like what is the debt and cash?
- Shobhit Uppal:** That I am handing over to our CFO. He will answer that.
- Parvez Akhtar:** Sir I just wanted the debt and cash level at the end of the quarter?
- Rakesh Joshi:** Debt is 40 Crores and there is a cash balance of 115 Crores.
- Parvez Akhtar:** Sir what would be your average cost of debt currently?
- Rakesh Joshi:** It is around 9.5%
- Parvez Akhtar:** Lastly on the Kota project how are things now?
- Rakesh Joshi:** Kota project, this quarter will have incurred counting loss of 1.47 Crores but there is a cash profit of 76 lakhs and by the end of the year we are also expecting that could be around cash profit would be around 4 Crores, but accounting loss would be around 5 Crores.
- Parvez Akhtar:** Thanks. I will get back in the queue for some more questions.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good evening Sir. Thanks for taking my question. There are two questions. Sir one was essentially, I have not able to go through our press release I just want to understand if there



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are any real estate inventory sales during the quarter, last year we had that for a couple of quarter and we want to liquidate some more. So did we have any new transactions during the quarter and how much would be the amount after the sales?

**Shobhit Uppal:**

No sales of the real estate as such in this quarter.

**Prem Khurana:**

But then there is intent to liquidate this, I mean any number in my mind I mean what you would be going to have for the year entire year, FY2020?

**Shobhit Uppal:**

We are desperate to liquidate this as you know liquidity is tight as far as the general economy is concerned so we are not getting, as long as we do not get a good price we will not liquidate.

**Prem Khurana:**

In Alipur we were supposed to have some change in the design for that you would need some approvals as well right essentially in terms of you would have to get the cost approved from the clients so has that come through?

**Shobhit Uppal:**

What has happened in Alipur is that the design was changed and the cost was increased so the government decided they did not have the extra money so they have gone back to the original design.

**Prem Khurana:**

But then you would have to seek some number in terms of I mean the time that you spent at the site, I mean you would have mobilized assuming that when you kind of go ahead so there will be some initial setup cost?

**Shobhit Uppal:**

We put in those claims but typically these claims are only decided towards the end of the project and at this point in time the focus of the government there is to get the project back on track it has now started moving.

**Prem Khurana:**

Sir just one last from my end, if we could highlight the bid pipeline that you get to see I mean at this juncture how large is the bid pipeline and in which all states?

**Shobhit Uppal:**

This is an extremely confusing time so I am giving you a bit of general answer before I come to the specifics. All of us know the economy has slowed down, there are headwinds not only naturally but globally so while there are projects which are coming up we are extremely, extremely finicky in terms of bidding for projects because we are seeing a bit of a tightening as far as the liquidity position even on government projects is concerned. So our bid pipeline today in terms of number stands at about 2000 Crores and the states we





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have not been very adventurous we are only working in states where we are present at the moment primarily those being states of north as well as Maharashtra and Bihar and Bengal and our order book target for the entire year. New inflow remains the same at about 2000 Crores as I mentioned earlier. Out of which we have already bagged the orders worth 430 Crores we are lower L1 in about 700 Crores so we are hopeful that we meet the target of this 2000 Crores for the entire year.

**Prem Khurana:** Sir if I were to assume that let us say for some reason you do not get to see some traction in ordering on government side would they make you kind of to go for some private orders now I understand you do not intend to go for residential but for commercial wherein you get to feel the funds are place though the client is seriously good?

**Shobhit Uppal:** Yes, we are as I mentioned earlier that some of our private clients like Amity or Brookfield who have been regular suppliers of fresh orders to us so we will continue to do that and as we speak we have started about 15 days ago or a month ago we have broken ground on the large project by Amity in Punjab, we have bagged a smallish order in Gurgaon from Brookfield so our existing private sector clients, you know there was project of Bennett Coleman, Times of India University which they had slowed down on, which they have restarted again so our existing private sector clients we are extremely bullish for fresh orders to come from them and in about a year to two years' time we are planning that our private sector exposure will go to about 20 to 25% of our entire order book.

**Prem Khurana:** Thank you.

**Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco. Please go ahead.

**Shreyas Bhukhanwala:** Thanks for the opportunity Sir. Sir one question on the interest cost, so we have seen increasing interest cost on Y-O-Y basis so any specific reason or it is an Ind AS impact?

**Shobhit Uppal:** One specific reason is that you know the financing cost has gone up because of reduced top line.

**Rakesh Joshi:** That is basically due to increasing mobilisation advance this quarter. That is why our finance cost has increased. We have taken mobilization advance for the new project that has given out in the last quarter in March and we have taken the mobilization advance in this quarter so that is why basically I think there is an increase of 2 Crores due to mobilization advance.



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- Shreyas Bhukhanwala:** How much is the mobilization advance received in this quarter?
- Rakesh Joshi:** It is around 40 Crores to 45 Crores.
- Shreyas Bhukhanwala:** How is the working capital as of now, as on June?
- Rakesh Joshi:** Working capital we have but working capital cash is 40 Crores that has been reduced from the last quarter you will see that 50 Crores now 40 Crores and 40 Crores also interest bearing is already 10 Crores we have taken from the bank.
- Shreyas Bhukhanwala:** In terms of days how are working capital days stands as on June?
- Rakesh Joshi:** 125 days is the working capital and mobilization advance if you have to compare this year last quarter, last year this quarter, current quarter is approximate almost 3 Crores to 6 Crores. In this period the mobilization advance amount is increasing totally 80 Crores.
- Shreyas Bhukhanwala:** From last year to this year, same quarter?
- Rohit Patni:** June 30, increase in mobilization advance is Rs.80 Crores.
- Shreyas Bhukhanwala:** That is it from my side.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.
- Viral Shah:** Good evening Sir. Just one question, do not we have any slow moving orders in the order book bearing...?
- Shobhit Uppal:** Gardanibagh in Patna and Charbagh station in Lucknow are the slow moving orders at the moment.
- Viral Shah:** Okay and when do we expect this Lucknow station project to kick start?
- Shobhit Uppal:** Lucknow we do not expect it to kick start in the next couple of quarters I think, but Gardanibagh will start in this quarter.
- Viral Shah:** Okay, fair enough Sir. Thank you and all the best.
- Shobhit Uppal:** Thank you.



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- Moderator:** Thank you. We have the next question from the line of Ronil Dalal from Ambit Capital. Please go ahead.
- Ronil Dalal:** Sir, I just missed the number on the order book breakup if you could just repeat that?
- Shobhit Uppal:** Yes, Rohit will just give it you.
- Rohit Patni:** Total order is Rs.6005 Crores and segment wise government is 86% and private is 14%, geographically wise, North is 38%, East is 46%, and West is 16%. Segment wise, commercial is 8%, hospital is 44%, infra is 17%, institutional is 26% and residential is 6%.
- Ronil Dalal:** Okay. Thank you.
- Moderator:** Thank you. We have the next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just seeing in terms of the subcontracting cost as the percentage of the revenue has gone up significantly from 26.5% to 35.7% and even the full year also we used only about 26% to 27%. So is this too specific any project or how do we see it going forward?
- Shobhit Uppal:** Over the year it will come down to less than 30%. Some of the projects which we have started or which we have started in the last quarter now, subcontractors especially specialized factor in the electromechanical field their work has begun so that is why this cost has gone up but overall over the year it will stabilize and come to less than 30%.
- Shravan Shah:** Sir, is it possible to get a trade receivable and inventory number as on Q1?
- Rohit Patni:** Yes, exactly subcontract because you will be count only income from revenue operations is Rs.316 Crores but WIP is at Rs.18 Crores. If you add this then subcontract is 400 last years, total revenue this year, total revenue Rs.400 Crores and subcontract is same amount only difference is may be 1% because subcontract is already incurred and posted when they are less in WIP. That's the reason you will be seeing very high difference but actually it may be 1% difference.
- Shravan Shah:** True, so as on first quarter in terms of the debtors and inventories in the absolute number would be how much as on March the debtors in the current asset was Rs.649 Crores and inventory were Rs.222 Crores?



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- Rohit Patni:** Now as of June 30, 2019, the inventory is Rs.330 Crores and receivables are in current as 577 Crores.
- Shravan Shah:** Noncurrent trade receivable is in the same line Rs.107, 108 Crores?
- Rohit Patni:** 125 Crores.
- Shravan Shah:** Okay. That's it from my side. Thank you.
- Moderator:** Thank you. We have the next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Hello Sir. Thanks again for taking my question. Just a small bookkeeping question. What would be the magnitude of the Charbagh and Patna projects, both of them put together?
- Shobhit Uppal:** Rs.1060 Crores.
- Vibhor Singhal:** Rs.1060 Crores, the Charbagh and the Patna project put together?
- Shobhit Uppal:** Yes. Great Sir. Thanks for taking my question again.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Hi Sir. Thanks for taking up my followup question, Sir for Rs.1150 odd Crores of orders that we have won this year including the L1, how was the competitive intensity and also were the economy now slowing down, how do we see competition going ahead?
- Shobhit Uppal:** As I mentioned Parvez these are very confusing times, but competitive intensity continues to be there but today as far as we are concerned, government sector projects are not as lucrative as they used to be that is why slowly we are building up our exposure to private sector especially commercial and institutional. Liquidity is an issue now in government sector projects.
- Parvez Akhtar:** Sure Sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Shriram Kumar from Spark Capital. Please go ahead.



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- Shriram Kumar:** Thanks for the opportunity Sir. How much of the order book is from NCR?
- Shobhit Uppal:** NCR is approximately 10%.
- Moderator:** Thank you. The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.
- Sagar Parekh:** Sir you mentioned about this liquidity problem in the government sector so could you elaborate a little bit, is it more to do with just like a one quarter impact because of elections or do you think this is like more sustainable kind of an issue?
- Shobhit Uppal:** I think we will continue to see this over the next three to four quarters from what we can see what is happening around us general slowdown of the economy and so we are also waiting and watching I think the government the first budget was bit of a dampener so till such time that the next budget comes hopefully the government would take some corrective steps and those steps would lead to some fillip towards private capex. I feel that the next three quarters liquidity is going to be tight.
- Sagar Parekh:** So then that would possibly impact our top line as well because we would not be executing if we do not get the payment on time?
- Shobhit Uppal:** Yes, that's what you know even in the short-term we have started as I mentioned some of our blue chip private sector client, we feel that some orders will come from them and we have been extremely cautious as far as the government orders are also concerned but our order book whatever projects we have now and since they are moving now we feel that we are in line to maintain our projections.
- Sagar Parekh:** And on the liquidity issue front that is the problem being faced by central government side or on the state level issues as well?
- Shobhit Uppal:** Basically it's being faced by even the state-level government.
- Sagar Parekh:** Okay that's broadly been the observation across government?
- Shobhit Uppal:** Yes.
- Sagar Parekh:** Okay fine. That's it from my side.



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- Moderator:** Thank you. We have the next question is from the line of Sachit Kamath from Anand Rathi. Please go ahead.
- Sachit Kamath:** Good evening Sir. Sir just wanted to we had few claims with the government which was delayed because of some arbitrator getting unhealthy or something like that. So regarding the Karkardooma projects, just wanted to know what is the status on those claims?
- Shobhit Uppal:** I presume you are talking about the Games Village Project.
- Sachit Kamath:** Yes.
- Shobhit Uppal:** The arbitration has restarted.
- Sachit Kamath:** So nothing else, started again, all over again right?
- Shobhit Uppal:** No not all over again, the presiding arbitrator is healthy now and the stalled arbitration has restarted.
- Sachit Kamath:** Okay, is there any quantum to this that you are expecting that we have filed for?
- Shobhit Uppal:** Yes, our claims are in excess of Rs.300 Crores.
- Sachit Kamath:** So when can we expect some kind of resolution to this?
- Shobhit Uppal:** It is not possible for me to comment on that at this point in time.
- Sachit Kamath:** Sure Sir. Thank you.
- Moderator:** Thank you. As there are no further questions from my participants, I now hand the conference over to Mr. Suraj Sonulkar for closing comments.
- Suraj Sonulkar:** Thank you. On behalf of Asian Market Securities, I would like to thank all the participants and a special thanks to the management for taking out time and sharing insight about the company and the industry with us. Sir, would you like to add some closing remarks?
- Shobhit Uppal:** Thank you so much everybody. Since the balance sheet got uploaded, it was delayed, so Rohit or I would be glad to take any questions if there are later on personally. Thank you so much everybody.



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**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Asian Market Securities that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.