



“Ahluwalia Contracts India Limited Q2FY20 Earnings Conference Call”

November 14, 2019



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MODERATOR: **MR. VIBHOR SINGHAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**



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Moderator: Ladies and gentlemen, good day. And welcome to the Ahluwalia Contracts India Limited Q2 FY20 Earnings Conference Call, hosted by PhillipCapital (India) Private 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 call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Vibhor Singhal from PhillipCapital (India) Private Limited. Thank you. And over to you, sir.

Vibhor Singhal: Thanks, Lizzan. Good evening, everyone. Welcome to the Second Quarter Earnings Conference Call for Ahluwalia Contracts India Limited. We are pleased to have Mr. Shobhit Uppal – Deputy Managing Director of the company, and Mr. Rohit Patni – Senior Manager, Investor Relations, along with us on the call. Without taking much time, I will hand over the mic to Mr. Shobhit Uppal to give us some opening remarks about the results, and then we can proceed to the Q&A. Over to you, sir.

Shobhit Uppal: Good evening, everybody. Thank you for joining in. So, along with Rohit, I also have Mr. Satbeer Singh – CFO; and Mr. Vijay Jain – Head of our accounts and Senior Vice-President with me to answer your questions.

We had our Board meeting yesterday and announced our Financial Results for Q2 FY20. During this quarter the company has achieved a turnover of over Rs. 417.29 crores and a PAT of Rs. 12.6 crores, in comparison to a turnover of Rs. 439 crores and a PAT of Rs. 31.16 crores in Q2 FY19. EPS of the company for Q1 FY20 is Rs. 1.88 as compared to Rs. 4.65 in Q2 FY 19. During Q2 FY20, the company's EBITDA margin is 9.17% as compared to 13.08%, and a PAT marginal 3.02% as compared to 7.09% in the corresponding period.

During HY1 FY20, the company has achieved the turnover of Rs. 734.09 crores, and a PAT of Rs. 30.42 crores, in comparison to a turnover of Rs. 846 crores and a PAT of Rs. 59.31 crores in the corresponding quarter of the last financial year. The company the EPS of the company of H1 FY20 was Rs. 4.54 and last year FYH1 was Rs. 8.85. The EBITDA margin in the first half of FY20 is 10.55% as compared to 13% in the last financial year. And the PAT margin in this first half of FY20 is 4.14% as compared to 7.1% in the corresponding period of the last financial year.

Net order book of the company as on 30th September stood at Rs. 6225 crores and as on date it stands at Rs. 7248 crores.

So we ready to take questions now.

Moderator: Thank you. Ladies and gentlemen, we will begin with the question and answer session. And the first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.



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Parikshit Kandpal: Sir, just wanted to know, I mean, what happened in this quarter, margins have come down to 9%. So how does it impact our full year margin guidance? On the top line front, how do we maintain the guidance now, going by these number in the 1H?

Shobhit Uppal: So, as far as the top-line guidance is concerned, Mr. Kandpal, we are anticipating that it would be a flat year, at the most we may have a 5% growth. I will come to the reasons a little later. As far as the margin is concerned, we are confident that we will attain the margins that we achieved last year.

Now, coming to the reasons, there have been a couple of reasons which have impacted our top-line inflow. One is, in areas where we are doing the large projects, which are the two AIIMs project, one in Nagpur and one in Kalyani, and two large hospitals in Bihar, these three states have seen unprecedented rainfall which has impacted our projections as far as our output is concerned to the tune of about Rs. 100 crores in this quarter. Secondly, environmental issues have bogged two of our projects, or continue to bog two of our projects, one is Gardanibagh in Patna; and other project is Mohammadpur redevelopment projects with PWD in Delhi. This has impacted the output by about Rs. 30 crores. So we have actually from our targets we haven't been able to achieve Rs. 130 crores out of the target that we set for ourselves. So obviously the fixed overheads have been there which are generally in the range of about 8% to 10%. So, that has added to the margin crashing as you put it.

Then a couple of our projects which have begun in this quarter are design-build projects. Design-build projects in this quarter we have been doing preparatory work or design work or statutory approval work. Also on these projects, one is IIM Nagpur and the other is Parivahan Bhavan in Patna, Transport Bhavan, there also we have not been able to get any turnover from these two projects. So primarily, this has been the reason for the margins being lower.

Parikshit Kandpal: Because our order book has grown, I mean, last one year it has grown nicely, but still nothing is moving into execution, largely because of these projects not moving, the reasons which you gave.

Shobhit Uppal: Yes. One other project which I told all of you last time, Charbagh, we are not even considering now, the station projects for NBCC in Lucknow, that we are not even considering now when we give our guidelines.

Parikshit Kandpal: Also sir, if you can give outlook on the ordering, how is the bidding looking like? Since already first half has gone by the government seems to be settling in, so what's your outlook on building for the rest of 2H?

Shobhit Uppal: Look, as far as the order book is concerned, we are comfortable. That's why I said a up to date figure of Rs. 7248 crores, just today only we have announced two new wins aggregating about



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Rs. 500 crores, Rs. 519 crores to be precise. Order book is comfortable, we are actually at Rs. 7248 crores. And this year it's Rs. 1985 crores, so our target for the whole year is Rs. 2000 crores, and about five months of this financial year are still left. So order book wise we are comfortable, but general scenario what's happening is that there is a bit of tightening as far as fiscal tightening which seems to be happening even on the government sector and in the public sector. So, one has to be extremely careful. In fact, we are seeing that clients are a little slow in passing bill that is also contributing to the growth not being what we had projected. So, going forward, I think there will continue to be headwinds, which we will have to... That's why our order book makes us comfortable.

Parikshit Kandpal: Will this year's underperformance, I mean, can we see a traditional, like you have been growing 15%, 20% but can we see a big jump in your numbers in FY21? Because we have been accumulating orders, order book has really grown well.

Shobhit Uppal: That's what I said, the order book is good so that that gives us comfort. We are comfortable, we don't have to be overly aggressive. And yes, FY21 will be definitely better. And even the next two quarters, H2 of this financial year. As I said, to even meet our last year's turnover we should be logging a venue of about Rs. 500 crores every quarter over the next two quarters. So, that I think we are comfortably poised to achieve.

Parikshit Kandpal: Just last thin, what was the order inflow for 1H, I just missed that number, I think you mentioned Rs. 2000 crores your guidance, how much you have achieved/

Shobhit Uppal: For the whole year Rs. 2000 crores we have nearly touched that, its Rs. 1985 crores. This is up to date, let me correct myself. Rs. 1985 crores up to date, because we have announced Rs. 519 crores worth of orders today.

Parikshit Kandpal: So, how much you are looking to add now, because you have already achieved your guidance, so for the rest of the year how much you are looking?

Shobhit Uppal: I think we should conservatively add about Rs. 1,000 crores more.

Moderator: Thank you. The next question from the line of Ashish Shah from Centrum Broken. Please go ahead.

Ashish Shah: Sir, you mentioned these set of projects where things have been slower. If you can just put a value on the total value of these projects, in which the execution is really either impacted because of some environmental issues or some other client side issues? So out of the total order backlog, what is that value of orders that you would want to classify as slow moving in some manner or the other?



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- Shobhit Uppal:** About Rs. 1,000 crores. So, let me let me qualify once again, though I did very categorically mention or classified, the impact of lesser work done on account of two major reasons, one was excessive rainfall in Bengal, Bihar and Nagpur, where there is no impact from the client side. So, these are the two AIIMS projects and two hospital projects in Bihar. The environmental issues are primarily impacting on the Charbagh Station project which is about Rs. 550 crores which I said is not moving and we are not considering it in our projections for the rest of the year. In fact, we are going to the client and request, which is NBCC, and requesting them to foreclose this project. The other project which is impacted, which I hope will start in January or February is Gardanibagh housing project where we are about to get environmental clearance, but there is a PIL in the Patna High Court against this, which we are hopeful, but we can't say with surety will get disposed of, but we don't think we will have... in the third quarter we will not have revenue from this project, maybe in the fourth quarter we will have some revenue. This is also for about Rs. 500 crores.
- Ashish Shah:** Sir, these two brothers have been sort of slow moving for us. Incrementally, you also mentioned about to design-build projects where the work has been slower than what you have thought. So what would be the value for those two put together?
- Shobhit Uppal:** So the one design-build project for about Rs. 300 crores which is IIM Nagpur, that now construction has begun on the ground in real earnest. And that will be contributing majorly to our revenues over the next two quarters. And the other design-build project is the Parivahan Bhavan, which in Q3 will not contribute to the turnover, but in Q4 it will.
- Ashish Shah:** And what is the value of that?
- Shobhit Uppal:** That project is Rs. 150 crores.
- Ashish Shah:** And sir, out of the inflows that you have got so far of almost about Rs. 2,000 crores, sir what did you get in the first quarter have you made any sort of mobilization or anything on those orders? Have you started anything?
- Shobhit Uppal:** Yes, that's a good question. The projects mobilization because, you know, even on design-build project mobilization has to begin from day one. And designing cost also we incur, statutory expenses we also incur, but revenues are not there. So, that has also impacted our margins.
- Ashish Shah:** So, at least comfortably can you say that Rs. 2000 crores inflows that you have got so far in this year that should not have any of the issues that we have faced in the earlier projects? That could start translating into revenues by the end of this year? Yes, as I said, there are only two projects



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- Shobhit Uppal:** Yes, and said there are only two projects, one as it is we are discounting, the other project which is slow moving, but which will generate revenue will is Gardanibagh. So, yes, I said in the last quarter of this year work will start on the ground.
- Ashish Shah:** Sir, last question, the projects that you have got today, do they have mobilization advances with them, or they are without mobilization advances?
- Shobhit Uppal:** Yes, they have mobilization advances. In fact, along with the order, the larger project, along with the LOI they have today only given us the mobilization also.
- Ashish Shah:** And this is interest bearing or interest free?
- Shobhit Uppal:** It's interest free. It is a private hospital project.
- Ashish Shah:** Sure, and it would be 10%? Mobilization advice would be 10%?
- Shobhit Uppal:** No, it is 5%.
- Ashish Shah:** 5% on the order received and without interest?
- Shobhit Uppal:** 2.5% on order repeat and 2.5% on full mobilization without interest.
- Moderator:** Thank you. The next question is from the line Chandra Govind from Ashmore Group. Please go ahead.
- Rashi:** Good evening, sir. This is Rashi. Just a quick question, what is the bidding environment looking like? Is it still are you starting to see aggressive competition, is it benign, how are things looking?
- Shobhit Uppal:** I am confused on what's happening all around me. There is total lack of clarity for a variety of reasons. Political reason being one thing, and secondly, as I mentioned earlier in response to a question from Mr. Kandpal that, money flow is tightening. So while projects are there, projects are being announced, every other month we have some or the other elections, so the government announces, be it the central government or the state government, they announce projects. But somewhere, two or three or four months into the project the project starts slowing down, and money tightening I have already talked about. So it's a bit of a confusing scenario. This is a time to be cautious. That's why I mentioned earlier that our order book is robust, we are actually not hungry for more jobs, we are biding our time and we want to see how the entire situation takes place as we move forward.



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- Rashi:** What will you like to see on the ground or not like to see on the ground to either become more aggressive or more cautious from where you are right now, which is confused?
- Shobhit Uppal:** Environmental issues, huge issues. Now in Delhi, practically one month work is shut on the ground and this is due to pollution. The other big PILs and all that's another issue, which I would like the government to take, be it again the central government or the state government to act proactively and resolve those issues. So, even owing to pollution the work is shut for a month, even when the government will give the go-ahead or the environmental board will give the go-ahead, it will take us at least a month to restart or mobilize, remobilize the manpower. These are the issues which are confusing everybody. And the impact of this on our margins, obviously, is there.
- Moderator:** Thank you. The next question is from the line of the Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, just for the benefit of the investors, I think the queries that we are getting is, you mentioned that on the top-line front you are looking at the same revenues the last year or maximum 5% kind of growth. Last year when, I mean, the top-line by our own admission was quite weak, even then in the last quarter we had maintained that we should be able to do 15% kind of growth for full FY20. So what has practically changed in the last three months that has, I mean, led us to downgrading the guidance so significantly, despite being a decent performance in this quarter? The lack of liquidity and the money pullback is that such big a factor that we are downgrading our numbers by that much amount?
- Shobhit Uppal:** It is. And as I said, the environmental issues have impacted two of our larger projects.
- Vibhor Singhal:** Okay. And this is also despite the fact that we won almost Rs. 2,000 crores of orders in this year. Despite that, we believe that most of them might actually start operations only in Q4 and because of which we might not be able to do the kind of growth that we had earlier anticipated.
- Shobhit Uppal:** Yes.
- Vibhor Singhal:** Sure. Sir, just last one thing, when you mentioned that Rs. 1000 crores of projects are kind of slow moving in the order book, so Rs. 500 crores approximately is the Charbagh project, the remaining Rs. 500 crores are you counting the Gardanibagh project in to that number also?
- Shobhit Uppal:** Yes, Gardanibagh as I said, this quarter no revenue we did. Last quarter February-March, yes I anticipate that we will break ground.



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- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolar Capital. Please go ahead.
- Shravan Shah:** Sir, when we are saying, though we have downgraded our revenue garden significantly, when we are saying that in FY21 we can see a sizable, so can we see a 30%, 35% growth or still we can see only 20% growth in FY21 also?
- Shobhit Uppal:** About 15% to 20%.
- Shravan Shah:** I am still not able to understand. So, this year I understand because of the environment everything, still you are not hopeful that the things will improve by March, and the kind of inflow we have got and still we are expecting Rs. 1000 crores more, so none of these projects will start contributing in revenue in FY21 also?
- Shobhit Uppal:** They will start contributing. All of you are aware of the headwinds that the economy is facing, somewhere that has to be factored in, right? The entire economy, the growth GDP is being downgraded for the growth, you know, it's coming down to about 4%, somewhere that will have to be factored in, right? I can't go against the wind and just say I will grow 30%, I am a part of this overall economy, right? That's why I am saying, my order book is a buffer which gives me the comfort to say that I will grow, and I will go competitive. But obviously there is a financial tightening which all of us are facing, which all of us are seeing and we are facing on the ground. And I don't see any magic wand which will make it go away.
- Shravan Shah:** Okay. And secondly sir, on the margin front just to clarify, you mentioned that you will be clocking 12.4% EBITDA margin for full year FY20 which was there at FY19, is my understanding is right?
- Shobhit Uppal:** Yes.
- Shravan Shah:** Okay. So, this will be because of this quarter heat the overall total guidance that we gave earlier 13.5% now we are saying 12.4%, but in FY21 can we once again come back to that or still we will be having 12.5%, 13% only in FY21 also?
- Shobhit Uppal:** No, I think we can come back to our original margins.
- Shravan Shah:** Okay, 13.5%. And secondly sir, on inventory, this time inventory has increased significantly, so is it just because the bills did not get certified or what's the issue? And overall even in terms of the working capital, how do you now see the working capital, will it remain what it is today or there is a chance further deterioration can happen?



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- Satbeer Singh:** Just again this quarter also certification is still pending, that has increased from Rs. 74 crores to Rs. 158 crores, it is still pending as on 30th September 2019. And slightly increase in raw material that is around Rs. 35 crores, but I think that will be Rs. 100 crores to Rs. 125 crores that would be raw material inventory in the quarter.
- Shravan Shah:** Sorry, if you can once again say the same thing it would be helpful.
- Satbeer Singh:** Rs. 94 crores is WIP that is got certified.
- Shravan Shah:** And that must be certified in October and November till now?
- Satbeer Singh:** Yes.
- Shravan Shah:** Okay. So whatever was you are saying the extra Rs. 94 crores odd, which did not certify till September got certified about till now in the Q3?
- Satbeer Singh:** This is basically as our 30th September our WIP is Rs. 168 crores, and that has been tweaked from 31st March from Rs. 74 crores to Rs. 168 crores, basically you will see additional WIP is lying around the Rs. 96 crores to Rs. 94 crores, that I think would delay certification also and also that has been happened and I think October and November also I think has been certified. There is some delays in certification also at the client end also. Shobhit has told that there was fiscal tightening at year end, basically in releasing the payment also and also certification. So that's why about Rs. 90 crores is still pending, that has been certified in October and November.
- Shravan Shah:** Okay. So, overall, Sobhit just to come to a conclusion in terms of the overall working capital days, how do we say, whatever the numbers we have till the first half will it remain the same level or difficult to improve from here?
- Satbeer Singh:** Sir, that's what basically we have to see in the next quarter also that how can government move for certification. But still as of 30th June and 30th September we find that similar working days, around 110 days.
- Shravan Shah:** Okay. And lastly on interest also, this quarter we had Rs. 8.5 crores interest, I understand because of the mobilization advance which were interest bearing. So, will the same kind of burn rate continue in the next two quarters also?
- Satbeer Singh:** There are two things if you see in the notes of the balance sheet also that one is the mobilization one, another thing you find that we have changed the accounting policy regarding the Kota project, we have accounted the financial liability on lease liability around Rs. 2 crores, that is also part of financial change. We make the provision of 2 crores.



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- Shravan Shah:** Okay. Sir, trying to understand in terms of that Rs. 2 crores will also continue in the third and fourth quarter also?
- Satbeer Singh:** Yes, this Rs. 2 crores and you can say Rs. 2 crores more in next two quarters, around Rs. 4 crores. That has not been incurred but that has been provided in the books.
- Moderator:** Thank you. The next question is on the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, a couple of questions from my side. Sir, in the press release today we have mentioned that we are L1 in a Rs. 519 crores project. So, this is over and above the Rs. 1987 crores orders that we have already won?
- Shobhit Uppal:** Yes.
- Parvez Akhtar:** And sir, over the last couple of quarters we have seen slight move towards private sector project. I think you alluded to that in the last con-call also that due to fiscal tightening at the government and we are looking at some private sector orders, from a private sector ordering which are the segments where we are comfortable taking exposure? I mean, are we okay taking even residential projects? I think we have taken one, but overall we want to stick to commercial or institutional side or are we okay even taking, let's say, residential projects or institutional projects?
- Shobhit Uppal:** We are still very wary of residential projects in the private sector, the one that we picked up was in Pune. We did our due diligence, and we picked this up. Alongside this we also picked a commercial project. And so commercial and healthcare and education on the private sector, we are keen on. As I said earlier in response to one of the questions, one of the orders that we announced today is a large healthcare project in Delhi, which is the private sector project but for a very large organization.
- Parvez Akhtar:** In terms of competitive intensity, obviously our order intake has been really good in the first half. How has been competitive intensity for these projects, I mean, are we seeing an increase in competition increase in some aggressive bidding or status quo?
- Shobhit Uppal:** It is status quo. Amongst the top four or five or six bidders, everybody is a little wary. So you don't see indiscriminate bidding.
- Parvez Akhtar:** Sir, just wanted a couple of bookkeeping questions on order book and its breakup.
- Shobhit Uppal:** I think Rohit will give you the breakup geographically.



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- Rohit Patni:** In 30 September total growth would have been Rs. 6225 crores. In government and private government it is 88%, private it is at 100%. And geographically wise North is 43%, East is 44% and West is 13%. Segment wise commercial is 9%, hospital is 39%, infra is 15%, institutional is 24% and residential government is 13%.
- Rohit Patni:** And what was our debt at Q2 end?
- Rohit Patni:** Rs. 30 crores.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broken. Please go ahead.
- Ashish Shah:** Sir, just points to clarify. One, you said the order which you announced today L1 position 519, that is over and above 1986 or that's inclusive?
- Shobhit Uppal:** Yes, it is over and above that.
- Ashish Shah:** Second, I sort of missed the number on the uncertified wins. So what was the number out of the total Rs. 158 crores what was the number?
- Shobhit Uppal:** Uncertified is Rs. 168 crores.
- Ashish Shah:** And Rs. 94 crores you said is increase?
- Shobhit Uppal:** Yes, it is increase.
- Ashish Shah:** And raw material inventory is about Rs. 100 crores?
- Rohit Patni:** Raw material slightly increased Rs. 25 crores. Because various projects have been started, but still revenue has got generated last quarter, but inventor has been supplied, that's why slightly increase of Rs. 25 crores in raw material.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Just continuing on the previous question, I think last quarter you had given us a number around Rs. 80 crores odd of bills which were pending certification. And now it is Rs. 94 crores. So, that Rs. 80 crores was realized, and this is fresh Rs. 94-odd crores of build-up, or this is essentially Rs. 80 crores we've carried forward to Q3 and then and there's another Rs. 14 crores?



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- Rohit Patni:** Rs. 78 crores is realized, Rs. 94 crores is not. So, 80 will generate on August and September months.
- Prem Khurana:** Sure. But is it fair to assume, I mean, this is a new cycle wherein you would have to have this kind of waiting we are in kind of getting bill certified, because I mean for the last two quarters' number in terms of pending certificates at the end of the quarter seems to be on the higher side, we never had this kind of number with our company historically. So is it the new norm that we are seeing on the government side these days?
- Rohit Patni:** They are same policy from accounting.
- Shobhit Uppal:** Generally due to financial tightening there is a bit of reluctance, so they taking more time let me put it that way to certify the picture.
- Prem Khurana:** Okay. And if you could share your thoughts on Alipore I mean, that was more slow for us, and on Mohammadpur I think last quarter we had broken ground. Suddenly, I mean, this quarter you are again saying it has gone slower, we have not been able to work at the site. So, what has changed with Mohammadpur in this quarter and what is the status and Alipore-seater extension?
- Shobhit Uppal:** Let me take Mohammadpur first. I clearly remember mentioning in my last con-call that we have broken ground, but there are still there the issues, while we have got the environmental clearance, there is still the issue of re-plantation of trees which are there, for which the local government was not giving permission. Which has now come, which has come last week. So now that project will move ahead. As far as Alipore is concerned, that project has started moving and whatever redesigning has to be done there at the behest of the state government has been done. And that project will now move at a decent speed.
- Prem Khurana:** And any change in scope of work and at Alipore or is it still the same size?
- Shobhit Uppal:** It is the same size.
- Moderator:** Thank you. The next question is from the line of Anubhav Mukherjee from Transcend Capital. Please go ahead.
- Anubhav Mukherjee:** Sir, I had a questions on, I can see that the almost Rs. 500 crores of promoters shareholding is pledged. So can you share some details on that like for what purpose the pledging been done? And is there any remote risk of that getting invoked or...?
- Shobhit Uppal:** No, not really. As you know, we are virtually a debt free company, that has been pledged for non-fund based limits or bank guarantees.



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- Anubhav Mukherjee:** Okay. For the company's purpose?
- Shobhit Uppal:** Totally for the company's purpose.
- Moderator:** Thank you. The next question is from the line of from Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Just two things, when we say that Q2 has got impacted because of the said reasons as such, similarly we have seen a prolonged rains in many region in Q3 also as well as Delhi has got impacted because of the heavy pollution and almost a month as you mentioned that construction is not there. So, would it be fair to assume that Q3 numbers are also going to be pretty muted and whatever growth we need to achieve it will be primarily coming in Q4 rather than Q3 and Q4 together?
- Shobhit Uppal:** Amber, that's why I said that overall for the whole year it will be a flat year as far as revenue is concerned. So, we have 4.5 months left in this in this financial year, but we feel that we can attain about Rs. 1,000 crores worth of top-line in Q3 and Q4. So, yes, Q3 maybe similar to this quarter and Q4 traditionally also it is the highest grossing quarter. So that's there and we may see about Rs. 600-odd crores worth of top-line.
- Amber Singhania:** Okay. Secondly, just two clarification, you mentioned that Rs. 1985 crores is without the Rs. 519 crores which we have received today.
- Shobhit Uppal:** No, the Rs. 519 crores which we have announced today, these are the orders which we have got the LI. And we will be moving on the ground shortly. In addition to this, there is a project of about Rs. 500-odd crores there we are LI, this is a hospital project in Mumbai, which is not a part of this Rs. 1985 crores. So if we get that, to clarify in absolute term, if we get the LOI tomorrow our order book this year new order would be Rs. 2400 crores or Rs. 2500 crores.
- Amber Singhania:** Okay. And over and over another Rs. 500 crores we are aiming in the remaining part of the year?
- Shobhit Uppal:** Yes.
- Amber Singhania:** Okay. Secondly, I missed the part of order book breakups segment wise, if we can just give it.
- Rohit Patni:** Commercial is 9%, hospital is 39%, infra is 15%, institutional is 23%, residential government is 13%.
- Amber Singhania:** And there's nothing on residential private now?



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- Rohit Patni:** No.
- Moderator:** Thank you. The next question is from the line of Darshan Mehta from Ambit Capital. Please go ahead.
- Darshan Mehta:** Sir, provision of Rs. 2 crores for Kota, so can you just elaborate what is the nature of this provision basically?
- Rohit Patni:** That's all kinds of lease have been, we have to consider it as capital lease. That's why you will see from 1st April 2019 around Rs. 29.97 crores have been transferred to right to good, and similar amounts of that to lease liability. And that's on lease liability we have provided financial cost of around Rs. 2 crores in the last six months.
- Moderator:** Thank you. The next question is from Viral Shah from Prabhudas Liledhar. Please go ahead.
- Viral Shah:** Sir, what is our utilization levels at Kota as of now?
- Rohit Patni:** It is around 65% utilization for the ground, first and second floor.
- Viral Shah:** Okay. And what will be our run rate for lease rental standard?
- Rohit Patni:** We have generated revenue this quarter around Rs. 1.52 crores and there is a cash profit of around Rs. 31 lakhs for this quarter, and for the half year that is Rs. 3.08 crores is our revenue. And Rs. 91 lakhs is cash profit. And this is against last six month that were 10 lakh in merger.
- Viral Shah:** Secondly, what will be our guidance for CAPEX and how much we have spent for first half?
- Rohit Patni:** Rs. 15 crores we have expected in first half year, and approximate Rs. 15 crores -16 crores in next second half year.
- Viral Shah:** And similar number will be in second half, right?
- Rohit Patni:** Yes.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** I am sorry, I missed the accounting and the cash profit numbers for the Kota project for this quarter, I mean, would it be possible to repeat those numbers again?



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- Rohit Patni:** I will repeat again, in this quarter we have generated revenue around Rs. 1.52 crores and Rs. 31 lakhs cash profit is there. And for half year ended this is Rs. 3.08 crores revenue is there, and Rs. 91 lakhs cash profit. And during the same half year last year we had earned cash profit of Rs. 10 lakhs.
- Moderator:** Thank you. The next question is from the line of Rita Tahl Ramani from Invesco Mutual fund. Please go ahead.
- Rita Tahl Ramani:** Sir, in terms of the environmental clearance, we highlighted there are three projects where we are facing challenges. But incremental orders which we have got, almost Rs. 1985 crores and additional Rs. 500 crores of orders. Are there any environmental issues in any of these projects? And secondly, since this issue is becoming more pronounced over a period of time, what prudence are you taking so that when you pick up order inflows that these issues do not prop up in future?
- Shobhit Uppal:** So, first part of your question, the orders that we have got now, about Rs. 1985 crores, I don't think there are any environmental issues on those orders. Yes, there is one which is Parivahan Bhavan that I mentioned, this is a small order of about Rs. 150-odd crores. Here we have to take environmental clearance so that as I said in this quarter, we are not expecting it, but in Q4 we should be able to get it. But yes, an environmental clearance on this project is there. The other design-build project, because essentially the environmental clearance is in our scope for design-build project. The other design-build projects that we are doing, I mentioned, IIM Nagpur where all the approvals are in place, we have already broken ground, the project is well underway. So I don't anticipate any problem there. For future bid, look, we try and do our due diligence, now we are wise, we see where there are lots of trees or flora and fauna we try and stay away from such projects so to say.
- Rita Tahl Ramani:** Secondly, in terms of you mentioned that there has been a construction ban in Delhi for a month, so what percentage of your order book can we look at, including this order inflows which we received recently that could possibly get impacted by this construction ban?
- Shobhit Uppal:** I have already stated that Q3, we have accounted for this fact when we revised our top-line guidance to keeping our overall year flat, no growth in this year, we factored this loss of about 1.5 or 2 months. And the new order, we expect that this order will be revoked in the next one week or so when the air quality in the capital improves. So then I think for the rest of the 4.5 months or 4 months it should be a clear run.
- Rita Tahl Ramani:** I agree, but what are these orders as a percentage of your order book, contribution to the order book?



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- Shobhit Uppal:** Which orders you are talking about?
- Rita Tahl Ramani:** The orders were the construction has been banned.
- Shobhit Uppal:** So as far as Delhi is concerned, like the one of the larger orders that we have announced today, so we have taken over the site today. So, as I said, in about a week's time the work should be allowed again in the NCR and we generally take about a month to mobilize and do the infrastructure build up, so that this project will not be impacted.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Vibhor Singhal for his closing comments.
- Vibhor Singhal:** Thank you. Thank you, everybody, for joining us on the call for Ahluwalia Contracts second quarter earnings call. And thank you so much for the management for giving us the opportunity to host the call.
- Shobhit Uppal:** Vibhor, one other thing I'd like to, I don't know whether the participants are still there or not. One other thing which we would like to, I had asked Rohit to tell you is this one time provision of deferred tax, which has also impacted our margin, one-time thing. Rohit, go ahead and mention that.
- Rohit Patni:** Rs. 7.6 crores we are at 1.75% of my **(Inaudible) 48:40.1**, they are a one time, they are adjustment of the new tax rate.
- Vibhor Singhal:** So, sir basically, why has this provision come in this quarter? If I'm able to understand? We were earlier in the 33% tax regime and now we are moved to the 25% tax regime, so why are we having to pay this deferred tax number in this quarter?
- Rohit Patni:** Deferred tax assets have been created for many years. Now, you will find that this Rs. 29 crores is as on 31st March, 2019. And that rate have been reduced 35% to 25% this year, that's why there had to be a one-time charge in this quarter, because provision has been introduced in this quarter basically.
- Vibhor Singhal:** And this is a one-time provision?
- Rohit Patni:** Yes, but effective from 1st April.
- Vibhor Singhal:** But this takes care of the entire deferred tax liability or assets that we had. And we don't expect any further charge on this regard?



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- Rohit Patni:** For the next quarter you will find that 1% to 5% tax would be there, but particular this quarter we have to basically recognize 40% due to the one time, Rs. 7.88 crores.
- Vibhor Singhal:** Thank you so much, sir, for giving us the opportunity. Wish you all the best.
- Shobhit Uppal:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes today's conference. Thank you for joining us. And you may now disconnect your lines. Thank you.