"Ahluwalia Contracts (India) Limited 4QFY2020 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the 4QFY2020 results conference call of Ahluwalia Contracts (India) Limited hosted by Ambit Capital. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Ginodia from Ambit Capital. Thank you and over to you Sir!

Varun Ginodia: Thanks a lot Margaret and good afternoon everyone. Hope everyone is keeping themselves safe and healthy during these unprecedented times. We welcome you all to the fourth quarter results conference call for Ahluwalia Contracts India Limited. Today, we have with us the management of the company represented by Mr. Shobhit Uppal-Deputy Managing Director of the company, Mr. Vikas Ahluwalia-Director and Mr. Rohit Patni-Senior Manager Investor Relations. In terms of flow of the call, we will have some opening remarks from Mr. Shobhit post which we will start the Q&A session. Shobhit Sir, over to you!

Shobhit Uppal: Thank you Varun. Good afternoon everybody. Hope everyone is doing well as Varun said unprecedented times, this kind of concall we are holding for the first time everybody sitting in different rooms. I have with me Vikas Ahluwalia Ji. I have Satbeer Singh, Vijay Jain and Rohit Patni.

We declared our results yesterday as you people must have gone through them. So, during the 4QFY2020, the company has achieved a turnover of Rs.549.21 Crores and a PAT of Rs.6.10 Crores in comparison to a turnover of Rs.480.15 Crores and a PAT of Rs.31.02 Crores in the corresponding quarter of the last year. The company achieved a growth of 14.38% in revenue as a quarter-to-quarter comparison. EPS of the company for 4QFY2020 is 0.91 as compared to 4.63 in 4QFY2019. During 4QFY2020 the company's EBITDA margin is 4.18% as compared to 11.82% and a PAT margin of 1.11% as compared to 6.42% in the corresponding period last year.

During FY2020 the company has achieved a turnover of Rs.1884.93 Crores and a PAT of Rs.64.44 Crores in comparison to a turnover of Rs.1754.71 Crores and a PAT of Rs.117.38 Crores in FY2019. EPS of the company for FY2020 is 9.62 as compared to 17.52 in

FY2019. During FY 2020 the company's EBITDA margin is 8.12 as compared to 12.34 and PAT margin is 3.4% as compared to 6565 in the corresponding period of the last year.

New orders won by the company in 2019-2020, aggregate Rs.3238 Crores. Net order book of the company as on March 31, 2020 stood at Rs.7462 Crores to be executed in the next two years to two and half years. Thank you those were my introductory remarks. We are open for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Good afternoon Sir. First question is on the provisions for doubtful debtors that we have made for the quarters seems to be around Rs.25 Crores based on the full year numbers we see, so the point is that could you highlight on which accounts were these and what is the outlook on further provisions if any that might come on these accounts or other accounts?

Shobhit Uppal: Satbeer answer this question please.

Satbeer Singh: This year we have written off around Rs.42 Crores and this is due to major parties like SJL, Krrish and Monde-DE such parties has been locked in NCLT by the bank like Krrish and Monde-DE and SJL you are very well aware about that. So, I think we have made provisions and in next year we are not looking for any major but still we are not looking for major written off for the next two years.

Shobhit Uppal: Let me clarify again there will be provisions but not to this extent as Satbeer said it would be minor in nature.

Ashish Shah: Once we adjust the provision numbers for the quarter we are looking at margins which is still a little lower than what we generally look at I mean we are looking at 9% odd margins, 9.2% once even if we adjust this so just wanted to ask what would have impacted the margin especially in the quarter where revenue was good and how should one look at margins going forward?

Shobhit Uppal: Look, you answered your question yourself. Traditionally, the last quarter is always the best quarter, but virtually half of March got ruined and the pandemic has had an effect on our billing and other things also while the overhead remained constant and there was some lingering effects of the NGT also in this quarter as far as our projects in Delhi is concerned so that has affected the margin. Going forward it would not be prudent for me to say anything you know the situation is evolving and as I was talking to Varun while preparing for all of you to join in, lockdown opens, lockdown is reinstated, we cannot blame the government also as we stand the situation on the ground is not really improved so as I said it is not prudent for me to comment on the margins going forward.

Ashish Shah: Sure Sir. I will come back in the queue for more questions.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Shobhit Sir. If you can just quantify pre-COVID levels of labor force and the labor force now in April-May-June?

Shobhit Uppal: To put things in context we are at about 25% of what we use today. I guess that is what you are wanting, right?

Parikshit Kandpal: So, you are at the 25% right now?

Shobhit Uppal: 25%. Yes.

Parikshit Kandpal: So, has it improved in last two months like in April and May?

Shobhit Uppal: April was a wash out even the people who were there, they were not working. May about 10% to 15% and has been better but our projects in Maharashtra and Delhi continue to report no numbers for obvious reasons.

Parikshit Kandpal: So, in terms of sites quantify like how many sites are there to pre-COVID and work has started on how many sites?

Shobhit Uppal: Work has started on all sites.

Parikshit Kandpal: What would be the level of activity now Sir in June, what could be the pre-COVID level of activity in terms of like daily billing 30% to 40% because labor force is still at 25% so what could be the best case estimate?

Shobhit Uppal: Please try and understand, only lacking is labor but affecting that mid-July onwards this number should go up to about 35%, 40% and August the number should cross 50%.

Parikshit Kandpal: On force majeure since there has been a lockdown and then labor issues persisting for us so what kind of extension, force majeure or compensation we have been able to get from the clients or what kind of talks we are having with the clients to compensate on this fixed cost, the hit which we are taking it right now. So, does that contractual provision that compensate us?

Shobhit Uppal: It is an evolving situation. As Varun mentioned in the opening remarks it is an unprecedented, so the situation is evolving. Nobody has faced such a situation before. Force majeure, I do not think is an answer. Force majeure as per present laws does not give us anything other than time extension. Time extension and all our contracts I think is given. We are not really bothered about that and while we continue from our clients on a weekly basis on how the situation is unfolding and how is the labor force is affected and we have to submit our EOT periodically which we will do once if the situation is little clearer but as far as the compensation for these delays is concerned we have intimated the clients that all affects of COVID will have to compensated and we will inform them once the situation is little clearer but as things stand today there is no definitive reply from our client other than the fact that some of them are actively working at reducing or returning our performance guarantees partially.

Parikshit Kandpal: Sir, just last question on this labor availability of 25% right now so how does it translate in terms of execution so is it like execution will be little lower than this or it is higher than that because of mechanization so how do things correlates?

Shobhit Uppal: It is the name, mechanization for two months we have not got a magic wand in two months that suddenly we will ramp up our mechanization, mechanization is what it was pre-COVID so it is broadly commensurate the output is commensurate it is about 25% I have rationalized it then I have given you the figure of 25%.

Parikshit Kandpal: Sir, in the fixed cost above EBITDA and comprising to other expenses, labor expenses and employee cost so what could be the run rate currently which you have monthly run rate, just to get to a breakeven level of revenues which you should be able to if you could cover up the causes trying to gauge that so what would be the monthly cost run rate now versus pre-COVID?

Shobhit Uppal: It is basically the pre-COVID to post COVID, more or less the same while we have done a bit of cost cutting we have done some spring cleaning, that is not much, our fixed cost remains the same and we are not really into hiring and firing people, our order book is healthy and we are striving to get to where we have reached in FY2020 so we are not, our fixed cost are at the pre-COVID level.

Parikshit Kandpal: The variable labor cost would have reduced above EBITDA significantly because of the labor availability being at 25%?

Shobhit Uppal: Parikshit, you asked me about my fixed cost, labor costs, are variable.

Parikshit Kandpal: In other expenses you would be recording the labor cost, in other expenses so I was just getting that number, other expenses plus the salaries, what will be the average run rate right now that is what I wanted to know Sir?

Shobhit Uppal: Run rate as far as our execution of revenues are concerned, I am sorry I am not clear on that?

Parikshit Kandpal: Sir, monthly cost variable and above EBITDA monthly cost variable and fixed costs put together in terms of Crores?

Satbeer Singh: Cost as already told by Parikshit that we are not hiring and firing such kind of people, employee cost will remain same and other expenses we can optimize and we are trying to do that best like you can say in the COVID period for the lease payments etc., and rent payments, what kind of expenses can we do we are optimizing that and that would have minimal impact but that impact in cost will definitely would be there for this period.

Parikshit Kandpal: But labor cost is booked in any expenses or in material expenses?

Satbeer Singh: Labor cost is employee benefit that includes labor and employee.

Parikshit Kandpal: Both.

Satbeer Singh: Yes.

Parikshit Kandpal: Thank you.

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

Vibhor Singhal: Thank you for taking my question. So, two questions from my side. One given the order book that we have at this point of time, I know the order and all activities is anyways going to be reached but are we going to make it slowdown in terms of picking up new orders, I know you have mentioned to us before that orders, we understand we will definitely go to this, but outside the NCR region will we go a bit slow in terms of or less aggressive in terms of getting the project?

Shobhit Uppal: I think in my last conference call I had already mentioned that we are well stocked as far as our order book is concerned, yes it is not now that we will be less aggressive since last quarter we have been less aggressive. Since the order pipeline, there is a bit of slowdown in the order pipeline as far as again for obvious reasons.

Vibhor Singhal: Secondly, I know it is difficult to provide any color on the future outlook especially FY2021 but I just wanted to ask you as the management in terms of our performance over the last two years, so last three quarters our margins have been at around less 9%, 9.2%, 9.4% and this quarter of course 9.4% even if we adjust, it is around 9.5%. Our revenue growth also in the last two years has been just 6.5% and 7.5%, the margins for this year of course has been lower normal run rate also so do you as a management also feel that in the last two years FY2019 and FY 2020 we are probably not achieved out potential that we should have be or is it just we the analyst and investors to feel having the led down by the performance and if yes will you believe that some inherent risk in the busines which has impacted us more than in competitor or we doing something to address that.

Shobhit Uppal: I think historically there is no in the past conference calls the reason for the results have been explained where it does not really seem to be any point in going there. I have a comparison of our results with our peers and I think if I may say so we have done fairly well. Whatever hits we have taken in terms of our margins they have also been explained to you, there has been write off, it is a part of book cleaning, if companies like HDIL or Krrish or other such companies which are gone bucked we got to provide for the moneys that were due from them, otherwise I think we have evolved over the last two years, our order book has become very healthy, the pedigree of our order book in terms of the quality of our order book in terms of the kind of projects that we are doing now will stand us in good stead this year because 50% are hospitals, whereas another 10% which is education, this is all social infrastructure and the our takeaway over the last two months is that these projects are going ahead, very few of our projects have actually been hit by this pandemic wherein our clients have said, no we are shelving the projects or we are going slow. In fact 95% of our projects, our clients have said please go pick up seat, get labor we have the revenue to give you an example we are doing AIIMS in Jammu which is our largest project. The client is saying please ramp up we have the funding, we are doing this project which is a precursor to Central Vista, the client has already paid us in March, the client has paid us in advance of 50 Crores almost so what I am trying to say is if you were to ask me as the Deputy Managing Director of this company I feel that other than the effects of COVID which are still uncertain I think we are in a good position. Have I answered your question?

Vibhor Singhal: Yes, as of basically just to maybe delve a bit further on that. I completely agree our order book is as strong as it was ever be?

Shobhit Uppal: The profile of the order book is good.

Vibhor Singhal: Right Sir but if you look two years back, our ROE was in 20%, this year will end up at ROE of 8% even if I adjust for the write offs our ROEs would still fall in the range of 12% to 13%, these were the matrix on which we differentiated ourselves from our peers we have always been basically best of the class company in terms of execution but 6.5% CAGR revenue growth rate over the last two years, FY2019 almost everybody in the sector reported a strong growth rate upwards of 30% to 35%. I mean as I said is it just we who are feeling that we probably not been able to achieve our potential which are always been what we believed in or is it just that we are missing it or the management also believes that there could have been things could have been done which could have resulted in better results, I know write-offs cannot be avoided but other than that our margins have not been in the same range even adjusting for those write-off?

Shobhit Uppal: I think you have been selective. I do not want to name companies; I think you have been selective when you are comparing my results to some of the other companies. I think there are companies which have done far worse when we compare and these are companies which are older than say in age than ours so the way I look at it I think our performance is alright.

Moderator: Thank you. I would request Mr. Singhal to rejoin the queue for follow up questions as our several participants waiting for their turn. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Sir, my first question is that you gave a direction on the execution, is that when you said 25% to 30% eventually going to 40% to 50% is it just primarily down because the weightage of NCR and Maharashtra is about 35% to 40% or like for example Jammu, Kashmir or Bihar where the execution are still above closer to 40% to 50%?

Shobhit Uppal: Nitin as I said situation is evolving everywhere, what happens is that if you say Bihar we were doing, we are at about 50% but now the cases has started rising in Bihar, so the impact of migrant labor going back and the COVID spreading there is going to be felt now plus like Jammu for instance you mentioned, quarantining the policies are changing, there is flip-flop happening every day, and that is actually depending on how the cases are rising or not rising so the situation is changing almost on a daily basis so what that is doing is that even if the labor is ready to come one day what we and other construction companies are doing actually we are sending our own people, here also there are labor hubs, we are booking their tickets by train, by bus, by car in some cases by air also but what is happening is when the labor gets the news that Mumbai may get into another lockdown or Delhi may get into another lockdown, the labor gets cold seats so that is why I am saying if that is what preventing these numbers from going up actually you know the first half of June the number went up, the second half of June actually it was not as was planned because labor started getting cold seat as I said that is why maybe second half of July we are hopeful that the situation will get better and in August it will get even better.

Nitin Arora: When we will look at from an order book perspective of about Rs.7500 Crores do you see a chance any order coming out from this order book just because of you feel that payment could be a problem with this authority or with the particular client, do you envisage that?

Shobhit Uppal: At the moment, I do not see that happening. I did mention that in my remarks to Vibhor that the quality of the order book is good and what we heard from our clients because lot of these projects are healthcare projects or education projects, very little exposure almost negligible exposure to private real estate so I do not see any major projects whatever had to come out it had come out last quarter only like Sarbhag and all last quarter it was ended.

Nitin Arora: Coming to the accounting part when we changed this accounting and I understand because next quarter it is probably an adjustment basis when you will book the unbilled amount and some bills gets converted so the quantum of difference between the two will be very less so variations would not be there but just to understand FY2020 if I look at on a normalized billing which is the older accounting then our EBITDA margin looks to about 11%, is that the right way to look at around Rs.70 Crores of revenue and Rs.194 Crores of EBITDA if you can help me with that, it is just my calculation so thought will ask you.

Shobhit Uppal: Yes. Satbeer you want to elaborate on that?

Satbeer Singh: Whatever we have taken unbilled revenue that we have taken basically cost plus 5% but I think whatever that gets materialized definitely there would like EBITDA rates 12% to 13% that would be affected into the books.

Nitin Arora: So, we are still I mean accounting would have not been there we are still in double-digit margins?

Satbeer Singh: Yes.

Nitin Arora: Just last question, in terms of cash when we look at we are almost now at Rs.10 Crores interest outgo company on a quarterly basis, what is the actual because in the cash flow it is showing me Rs.23 Crores of interest cost outgo on a cash basis so are we taking the bank guarantees and the expenditure, and the quota would be how much of non-cash expense in that?

Satbeer Singh: That is what you will see that in final quarter we have changed the quota basically this year April 2019 we have to classify as a capital so that is why whatever the lease RTC payments we are making we were making last year that has been classified on the equalization basis in expenses but now this year we have taken like you will see that out of around Rs.1.09 Crores in depreciation and Rs.3.97 Crores in finance cost so that is why finance cost we will see that will increase and also there is also mobilization advance interest also because various projects had in this year and we have taken mobilization advance so that is why that is basically Rs.10 Crores to Rs.11 Crores because of mobilization wants to address and another 10 Crores due to this the new classification change in quota so such kind of things are there so that is why there is big change.

Nitin Arora: So, the cash outgo is lesser than what you are reporting on that?

Satbeer Singh: Yes, definitely we are reporting like you will say that in 1.09 plus 3.97 this comes at 5.06 but cash outflow is coming around 1.65 Crores against that.

Nitin Arora: Just last question, Shobhit Sir from you, in terms of payment cycle on the ground level with all the authorities what is your sense because even in the last time when we have a cash conversion for us has been very good. I understand the kind of write off which has happened but if you can throw some light what is the sense you are getting in terms of the payment part on your whole revenue? That is all. Thank you.

Shobhit Uppal: So, by and large I am talking for my clients it has been better than expected in the last couple of months even through the lockdown we continue to receive payments from our clients though there is a bit of impact on the private sector side but not totally, not the entire private sector line like say for instance it has been good, all our dues had been cleared but client like say Amity they have been hit, payments from them has been hit again for obvious reasons because they have been unable to get their fees from the parents but there also the payment flow has not totally dried up we have been at about 50% of what should have been there and they are telling us that over the next few months it should normalize.

Nitin Arora: Thank you so much Sir.

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

Amber Singhania: Thanks for taking my question. Just two things, one what is the status of Central Vista project on the micro level, is government moving forward with that or is that got deferred, what is your sense when it can come up?

Shobhit Uppal: We do not have any information that it has been deferred but I think behind the scene preparations are going on and they have come out with one request for prequalification notice on the first project which is the construction of Parliament.

Amber Singhania: How big that would be Sir?

Shobhit Uppal: About Rs.900 Crores.

Amber Singhania: Sir secondly just couple of bookkeeping question, if you can give me the break of order book and amount of retention money and mobilization advances?

Shobhit Uppal: Rohit is going to give the answer.

Rohit Patni: Order book breakup is Rs.7462 Crores government is 80% and private is 20%. Geographical wise north is 52%, east is 35% and west is at 29%. Segment wise commercial is 7%, Hospital is 48%, Infrastructure is 6%, Institutional is 27% and Residential is 30%.

Amber Singhania: Residential is private?

Rohit Patni: Almost all are government.

Amber Singhania: Okay, and the retention was in you government?

Shobhit Uppal: No, in residential there two-three are government projects CPWD and DDA.

Amber Singhania: That is what Rohit, almost all are government?

Shobhit Uppal: No, he asked private.

Rohit Patni: Residential and government, all are government.

Shobhit Uppal: Almost all there is a private residential project in Pune. Pune is there and even Prateek is there private.

Amber Singhania: Okay, and Sir on amount of something in mobilization at retention money and mobilization amount?

Rohit Patni: Retention money including current and non-current is Rs.171 Crores and mobilization is about Rs.207 Crores.

Amber Singhania: Just one clarification can I ask the recent announcement on arbitration award of Rs.38 Crores is this related to the commonwealth pending award which we were contesting since 10 years?

Shobhit Uppal: Yes, this is for the FCM Stadium, the Talkatora Stadium which in my last conference call also I had mentioned that award was about to be delivered so yes, this is for that.

Amber Singhania: Sir, is that reflecting on our FY2020 reduction in receivables also because the receivables have come down significantly even if I remove the right offs which have done in two quarters is that also has been removed from the receivables in FY2020 or it is during Q1?

Shobhit Uppal: No, that has not been removed. This is just an award at the moment right so, this is the first step. The award has come and we have intimated the exchange. This award has come. That is it. This has had no impact on the receivables.

Amber Singhania: Okay, MRMGF continues to be there?

Rohit Patni: Yes.

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

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good afternoon Sir. Thanks for taking my question. Most of my questions are have been answered just two from my end so one, was I think in your opening remarks you said you want to go little slow on new order additions. So, the idea was try and understand is it more of function of the fact and of your call on the way your workmen would come back or is it as if you have enough order backlog available with you which is why you want go little slow and the additional question to this was essentially in terms is it fair to assume that at least to the extent what you execute during the year is what you do not want to add it has picked up the condition because what we have seen in the recent past is essentially of taking slightly longer to be able to get going in the ground so it will add something now would take you at least six to nine months and by when you had executed a part of your order back log so the idea you have between a maintained at least this kind of visibility?

Shobhit Uppal: We are almost at 4x as far as our order book is concerned. This is the month it is highest it has been over the last three years. So, because we are well stocked up we are less aggressive. We are bidding. I did not say we are not going to bid but a) we are bidding diligently we are less aggressive and because of the way the situation is it is very uncertain so we do not really want to stretch ourselves and go out of our comfort zone. That is the decision which the management has taken so we will try and continue to work with existing client say in states like Bihar or Bengal or even in NCR but very few new clients we would be adding unless and until the situation stabilizes and it really would not have any impact on our overall proceedings because as I said we are well stocked up.

Prem Khurana: When I look at the breakup of our order backlog more than 45% is hospitals given the fact the way the things are today, I mean because of this pandemic that we have to deal with these days. Have we been approached by our clients who go a little fast on these orders because self-care appears to the focus area for both state as well as central government at this point of time?

Shobhit Uppal: Yes, actually most of our clients for whom we are making these hospitals are telling us to ramp up and ramp up fast and we have done that, actually just to give you an example the two AIIMs projects that we are well under way in Kalyani and Nagpur post first month of lockdown we had virtually zero labor on the ground today we have 1000 people on each of these projects. So, that would give you an idea that hospitals the client is also very eager to ramp up and we are also eager to ramp up the numbers there.

Prem Khurana: Just two bookkeeping questions, one was heavy removed any orders from the order backlog during the quarter because if I remember correctly the announcements that you have made on stock exchanges is given out Rs.3900 odd Crores of inflow details but in you opening remark you said Rs.3200 odd Crores is of net additions and second was essentially even this quarter we would have booked some unbilled revenues right of the margin especially we have been seeing in this quarter besides your provisioning would also be on account of the fact that there was that unbilled revenue wherein I mean we would not have booked more than 5% margin? Thank you.

Shobhit Uppal: Yes. We have removed two orders from the order book, one is the Charbagh Station which was about Rs.540 Crores and there was another project for Delhi Government which we were awarded about six months ago this was for Delhi Agricultural Marketing Board which was not taking off from the ground so we had requested the authorities to foreclose that contract more so now when there are pressures as far as funding or financing is concerned with Delhi Government. So, that has also been very recently foreclosed.

Prem Khurana: Margin fair to assume unbilled would have impacted the margins this quarter?

Shobhit Uppal: Yes, that I think Satbir did mention in his answer to an earlier question.

Prem Khurana: Thank you.

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

Ashish Shah: Thanks for the opportunity again. Sir, on the projects that we have in Pune in terms of the commercial and the residential, can you update on what is the status now especially from the clients and the labor side you said that thing have been little tight. But from the client side are you sensing any issue?

Shobhit Uppal: No, the client is actually pushing us because on the same premises both the commercial and the residential projects are there. The commercial tower is already leased out to Brookfield so the client is now pushing because he wants that completed in two years. As far as the residential is concerned also we have started, there are two towers that we are doing as of now one tower was started and the client have sold most of that tower client is actually now pressurizing us and he is up to date with payments the client is pressurizing us to ramp up in term of labor.

Ashish Shah: Sure, Sir secondly in terms of the split between center and state we did mention our public-private split but within public if you can highlight what is the share of state agency level orders and specifically with respect to certain orders from Haryana PWD or even from Bihar for some health care orders. So, what is the state of payments and fund availability state projects especially?

Shobhit Uppal: From the top of my head it would be centre-state in terms of public sector orders would be 70%-30% give or take a percentage point here and there and the state orders as you yourself mentioned are primarily from Bihar and one large project in Haryana on the outskirts of Gurgaon and couple of projects for the state of West Bengal. As far as Bihar projects are concerned the payments are up to date, as far as Haryana is concerned the first month of lockdown we faced problems because their finance ministry had stopped payments to all expenses other than COVID related they were only making payments for COVID related expenses but in June we have got all our outstanding from Koriawas from the government of Haryana. As far as Wes Bengal is concerned one project, we are up to date now one project there seems to be a little bit of payment pressure.

Ashish Shah: Sure, over the quantum of the project where you said there is little bit of an issue in West Bengal?

Shobhit Uppal: This is the auditorium project which we discussed last time the project is of about Rs.260 Crores and this was stalled till about six months ago after that it has started the work is continuing now post-lock down it has started again but there are some payment pressures there.

Moderator: Thank you. I would request Mr. Shah to rejoin the queue. The next question is from the line of Avinash Channa from Spark Capital. Please go ahead.

Avinash Channa: Sir, thank you for taking my question. The first I just wanted to understand is it possible to give order book split state wise started on the region?

Rohit Patni: Bihar is 20%, Delhi is 20%, Haryana is 9%, Jammu is 16%, Jharkhand is 1%, Maharashtra is 11%, UP is 3%, Uttarakhand 3%, West Bengal 14%.

Avinash Channa: Sir, just want to understand we have an government-private split is around 80%-20% so can we assume that there would not any kind of I mean it is safe order book on the AP side private might be some reconfiguration or any kind of delays or it is like how you see the private order book once we have the government order book?

Shobhit Uppal: As I said, work on all our projects has started. It is not that any project is getting shelled or the client has said no, stop work for the time being. If you talk about government, it is okay I do not think there is a slowdown also on the government on any project in our order book. As far as the private is concerned, I did mention that Amity there is a slowdown, but they have said that this will last for two to three months after which it will pick up.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, just trying to understand, let us assume if we have zero revenue in the first quarter how would be our EBITDA loss is it Rs.70 Crores-Rs.80 Crores odd figure just broader number would be fine?

Shobhit Uppal: No, it would be lesser then Rs.70 Crores I think it should be about Rs.40 odd Crores.

Shravan Shah: Sir, we have Rs.42 Crores as employee cost and some other cost would be there even if we are having zero revenue, we should be having fall that is what I was trying to understand?

Satbeer Singh: Rs.42 Crores some of the labor cost including. So, Rs.9 Crores to Rs.10 Crores is a labor cost including if you exclude employee cost only Rs.30 Crores to Rs.32 Crores and on there will be some revenues not that.

Shravan Shah: I am just trying to understand in terms of fixed cost so the other way I am trying to understand is let us assume that there is a zero revenue then I would not think that you will having the zero revenue but I am just trying to understand the fix component?

Shobhit Uppal: From the figures that Rohit gave is I think would be around Rs.40 Crores or so it will come to that.

Shravan Shah: Sir, is it fair to assume now that June quarter is over and you rightly said that we are having 25% labor so the first quarter we can see whatever we have done the revenue would be of 70%-75% kind of decline versus Rs.550 Crores what we did in this March quarter and is it at the same time fair to assume there will be EBITDA level loss in the first quarter?

Shobhit Uppal: Yes.

Shravan Shah: Can we reach to a breakeven in the second quarter or there will be a loss even in the second quarter also?

Shobhit Uppal: There may be a loss in the second quarter.

Shravan Shah: Sir, how much was the unbilled revenue as on March?

Rohit Patni: Rs.115 Crores.

Shravan Shah: Last clarification Sir, when we say that Rs.42 Crores provision that was for the full year so for this quarter it was Rs.25 Crores- Rs.26 Crores?

Shobhit Uppal: Yes.

Shravan Shah: Sir, this number have we released in our result or is it post that some of we have to share offline to some of the numbers?

Shobhit Uppal: No, it is there in our numbers.

Satbeer Singh: It is a part of other expenses. The other expenses are at Rs.35 Crores may Rs.26 Crores is approximately is the provision.

Shravan Shah: Okay, I am just saying have we mentioned specifically in notes in the results or is it post the result we have offline shared with some of the analysts?

Satbeer Singh: Offline.

Shravan Shah: That is it from side. Thank you.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir. I have two questions. Firstly, what is the average execution cycle order book?

Shobhit Uppal: Two to two and half years.

Mohit Kumar: Secondly Sir, are the reliefs available of any stock for our contracts this is there something which have been the clients are coming and saying that you will be compensated for the shortage of labors something of that sort?

Shobhit Uppal: I did mention this in my answer to the first and the second question. At the moment the situation is still very fluid. There is no definitive commitment from the client. While, they are also seeing what kind of expenses we are incurring it is a situation which will be clearer I think in the once this pandemic starts reducing and work on the ground is fully up to speed.

Mohit Kumar: Are there any or there which is classified as slow moving compared to the others be then the COVID and what are the basket?

Shobhit Uppal: No, if you were to do a comparison within the orders by and large as I said all our projects have started and clients have not really told us to stop any project or go slow.

Mohit Kumar: It is across center, state, private?

Shobhit Uppal: Yes, across. As I said most of our orders are as you heard 48% is healthcare then there are some education projects so all of those projects or clients are very in fact in healthcare they have starting to tell us to ramp up fast.

Mohit Kumar: Understood. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Hiten Joshi from Axis Capital. Please go ahead.

Hiten Joshi: Good afternoon Sir. Thanks for taking my question. Sir just wanted to understand on the escalation part so right now we see cost of raw material going up in terms of cement, diesel and steel. So, how are we covered with the escalation at this point in time because of the pandemic situation so, do we see any cost pass through or how it is?

Shobhit Uppal: First of all let me clarify steel prices have come down and cement prices have gone up temporarily but again it will not be fair to comment on that now. This is just a knee jerk reaction because factories are just starting and they are also not producing aim to full production. So, whether the prices of material actually go up, I have my doubts. I do not think that is going to happen but we will be in a better position to comment may be a couple of months from now. Secondly, most of our contracts have in-built escalation clauses to give you an example Jammu project I mentioned which is our largest project there is an escalation clause there, most of the government projects have escalations, all our projects in Bihar have escalation, there are very few fixed price contracts in our order book. So secondly, as far as the impact and then there is an escalation clause there is an escalation clause of the labor also. How the labor yes, labor costs are going to go up that is my sense at least over the next three to six months the labor cost will go up again for obvious reasons there is a labor scarcity. But a lot of that will be I think covered by the escalation process.

Hiten Joshi: Any L1 in the order back log right now?

Shobhit Uppal: At the moment, there is one L1 which is a hospital in Mumbai for about Rs.500 odd Crores state government this is the project for Sion Hospital.

Hiten Joshi: Sir, can you just help me with the revenue breakup segment wise if it is possible?

Shobhit Uppal: Yes, Rohit will give that answer.

Rohit Patni: After call I can send you a mail.

Hiten Joshi: Okay, thanks and Sir all the best for the future.

Moderator: Thank you. We will take our last question from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Good afternoon. Hope everyone is doing fine. Sir, couple of questions from my side what was our gross debt at the end of the quarter?

Rohit Patni: It is Rs.46 Crores.

Parvez Akhtar: Sir, just wanted to get some status update on some of our major orders like the Gardanibagh then Parivahan and Mohammadpur Project prior to COVID had work on these projects picked up pace?

Shobhit Uppal: Gardanibagh prior to COVID the environmental clearance had come and we are good to go on that project in fact work on the ground in terms of creating the infrastructure has started post COVID and we should start our billing there in August.

Parvez Akhtar: The Mohammadpur project and the Parivahan Bhavan project?

Shobhit Uppal: Parivahan project the work on the ground is already begun. We actually started with concreting there on Parivahan Bhavan. Again all approvals have come and that project is moving full speed ahead. As far as Mohammadpur is concerned that also work on the ground has started albeit slowly out of about eight towers what has started on two towers, environmental clearances are in place, funding for this project is linked with the sale from Nauroji Nagar and part funding by the central government. Again, for obvious reasons the funding from the central government is a little slow as things stand we are told. Sales we are told by NBCC at Nauroji Nagar sales have restarted. In fact in the month of May there were sales of about Rs.500 odd Crores at Nauroji Nagar. So, our sense is and this is what commitments have been given to us by CPWD that those sales will pickup and once the government focus from pandemic shifts, the pandemic comes in control then the central government will look at funding their portion also. So, that is why that project they are going at about 25% capacity.

Parvez Akhtar: Sure, and the last question from my side FY2020 we did face issues on various projects whether it is in terms of environment clearance or some other approvals or the NGT issue, myriad issue with the major projects hypothetically had the issues not been there what is the kind of revenue run rate that we could have achieved?

Shobhit Uppal: There was a time when we were saying that we will at the most our revenue would at par with last year. We have actually exceeded right now 7.5% growth is there if these challenges were not there I think we would have achieved about 20% growth. NGT hit us as well as pandemic in March.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Varun Ginodia for closing comments.

Varun Ginodia: Thanks Margaret. Thank you so much Sir for patiently answering all the questions on the call and I would like to thank you and your team for giving us the opportunity to host this call. If you would have any closing remarks, I leave it you Sir. Thank you.

Shobhit Uppal: Yes, one clarification I do not know how many of the analysts are still on the call. Rohit answered this Rs.42 Crores provision quarter-on-quarter through the concalls we have been very clear on this. In the first two quarters there was nil provision, Q3 I clearly remember saying that there was Rs.15 Crores provision on account of write offs and in Q4 it is Rs.27 Crores. So, it is been there in the numbers it has been apparent. That is what I wanted to clarify. Other than that thank you all for joining in and thank so much. Please stay safe, take care and God bless you all.

Varun Ginodia: Thank you.

Moderator: Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.