



“Ahluwalia Contracts (India) Limited Q1 FY-21 Earnings
Conference Call”

August 14, 2020



MANAGEMENT: **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR - AHLUWALIA CONTRACTS (INDIA) LIMITED**
MR. VIKAS AHLUWALIA - WHOLE TIME DIRECTOR - AHLUWALIA CONTRACTS (INDIA) LIMITED
MR. SATBEER SINGH- CHIEF FINANCIAL OFFICER - AHLUWALIA CONTRACTS (INDIA) LIMITED
MR. ROHIT PATNI - INVESTOR RELATIONS - AHLUWALIA CONTRACTS (INDIA) LIMITED

MODERATOR: **MR. AMBER SINGHANIA – ASIAN MARKETS SECURITIES PRIVATE LIMITED.**



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Moderator: Ladies and gentlemen, good day and welcome to Ahluwalia Contracts Limited Q1 FY '21 Earnings Conference Call hosted by Asian Markets Securities Private Limited. As a reminder, all participant lines will be in 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. Amber Singhania from Asian Markets Securities. Thank you and over to you sir.

Amber Singhania: Thank you, Steven. Good evening everyone. On behalf of Asian Markets Securities, I welcome you all for Q1 FY '21 Earnings Conference Call for Ahluwalia Contracts Limited. We have with us today Mr. Shobhit Uppal - Deputy Managing Director, Mr. Vikas Ahluwalia - Whole Time Director, Mr. Satbir Singh - CFO and Mr. Rohit Patni from Investor Relations representing the company. I now request Mr. Uppal to take us through the quarterly results and overall business outlook and then we can start with the question and answer session. Over to you, sir.

Shobhit Uppal: Good evening everybody. Thank you Amber. Ahluwalia Contracts (India) Limited has announced the financial results for Q1 FY '21. During this quarter of FY '21 the company has achieved a turnover of 249.85 crores and a PAT of 7.48 crores in comparison to a turnover of 404.42 crores and a PAT of 24.12 crores in Q1 FY '20. EPS of the company for Q1 FY '21 is 1.12 as compared to Rs.3.6 in Q1 of FY '20. During Q1 FY '21 the company's EBITDA margin is 7.42 as compared to 11.78 and a PAT margin of 2.99 as compared to 5.97% in the corresponding period of the last year. Company has secured new orders in this quarter to the tune of 290 crores. Net order book of the company as on 30th June was 7262 crores and as on date it is 7452 crores. So, we are open for questions now. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: My first question is, given the COVID situation and given the flip flop happening across the country in terms of lockdown and un-lockdown, is there what kind of run rate we are looking at the entire sense for us for Q2 FY '20 and how do you think it will pan out in the next six or nine months. And what is the kind of labor availability you are witnessing, or you are facing any difficulty in getting the labor and that's why that may hamper the execution?

Shobhit Uppal: Yes, to answer. I'll start with your last question first, because our productivity depends on labor. Yes, there are issues with labor as all of us know. It has started going up, we had when we did the last call, we were at about 15% to 20%. Now we are up to about 40%, but yes the continuous flip flop and the way Corona is raging in states like Bihar and Bengal, from where most of the labor comes, makes the next quarter tough. What I foresee that the pain that we are facing in terms of getting adequate labor will continue over the next three to four months also. Coming



*Ahluwalia Contracts (India) Limited
August 14, 2020*

back to the guidance of projections, as I've maintained in my last con-call, we are not, the situation is changing continuously evolving. So we are not in a position to give any projection. All that I'd like to say is that, we have done better than what we had felt, or in the first quarter we have done better than most of our peers also, that is due to the fact that our team on the ground has been at the forefront and they've done a very good job in terms of not letting COVID spread on our work sites, the protocols that the company has established have been successful by and large. So, which is yielding results in terms of our total revenue generated, this will continue to increase. But I'm not in a position to give any sort of guidance for the next quarter at least. Have I answered all your questions?

Mohit Kumar:

Yes, sir understood. Sir one more question I missed is that have there been extra receivables in this quarter, have you seen any payment people making, government especially making payments?

Shobhit Uppal:

Yes, payments have been coming in, but obviously the effect has been there in terms of there has been a slow down there also. But again, it's better than what we expected. But going forward in the next quarter again let me qualify that statement. States like Bihar and Bengal, we have already seen a constriction as far as fund flow is concerned because the state governments there are cash strapped. But the our hope is, that as the situation has improved in Delhi and Maharashtra, maybe in a month or a couple of months the situation there will also improve but it all depends on how well the incidence of COVID is controlled there.

Moderator:

Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora:

Sir as you always guide us on a rightly on to how to look at things on a macro side as well as on the ground level. Sir, I understand you said things are getting volatile in terms of especially states like Bihar and West Bengal. But it is more to do with when you say the next quarter, look tuff also with respect to execution. But if you look at directionally on an blended level, you still see a chance where execution stops completely is what you're guiding, or you're guiding it, that look there are cases but still 50%, 60% of the executions we will be able to do it because three, four months you will be able to gauge now how to really work it around on your sites and on. So just need your thoughts on that?

Shobhit Uppal:

So, Nitin as I mentioned last time around, that the first six months of this financial will be tough. And that is what is happening but, the first quarter if I may say so we've done better than our own expectations and second quarter the situation we will improve further. That's what my feeling is and work will not stop anywhere even now, Bihar, Bengal, the state government has not stopped any construction activity, we are allowed to carry on work with labor which is present at site. So, I don't foresee work stopping anywhere. But yes, the fund flow is getting



*Ahluwalia Contracts (India) Limited
August 14, 2020*

constricted, because these state governments are using whatever funds they had for COVID related activities. Their first concern is that we saw that in Delhi also, we saw that in Maharashtra also. So it's a cycle, Delhi seems to have flattened the curve, my personal feeling is that Bihar and Bengali will also do that, but it will take a month to two months. So that is why due to fund constriction there maybe, there will be not maybe there will be an impact on our productivity in these two states. But I don't see work stopping anywhere.

Nitin Arora: Got it, that's very helpful sir. Sir with respect to the receivables as you said the funds are getting strapped and as rightly you stated the reason but generally for us how has been Q1 in terms of working capital and also when we look at July and August, we are almost half of August now. Has there been slowdown in payments or largely the working capital has remained largely the same with a plus minus here and there?

Shobhit Uppal: No, we have seen, we are seeing a slowdown now especially in these two states.

Nitin Arora: Fair enough. So, what's the working capital right now, as far as Q1 is concerned in terms of number of days or if you can highlight on the receivables and debt numbers, the gross debt and the net debt?

Shobhit Uppal: So there is as things stand, I said, so there is an improvement but August, as I said, overall pan India, it's all right there is an improvement. But we are seeing Bengal is affected badly.

Nitin Arora: Got it. I'll take the numbers offline. And sir lastly no the new project, which was the central **(Inaudible) 10:31** and we saw three large players getting qualified to bid for it, can you elaborate and what's really happening on the ground level there when we do see bidding and all and just your last take on that. Thank you very much.

Shobhit Uppal: We had stayed away from that project, at some stage I had mentioned to some of you that it's a project which is going to see a lot of political interference and it would have taken lot in terms of bidding for that job also in terms of effort. So we took a conscious call not to bid for it. Because we did not want to get embroiled in projects like say Shapurji got embroiled in ITPO, and so on and so forth, and Nagarjuna got affected by over the projects in Amaravati. So it was a conscious call, that's why we have not really followed on what's happening on the ground on that project. I will not be able to comment.

Moderator: Thank you. The next question is from the line of Pavan Ginodia from Ambit Capital. Please go ahead.

Varun Ginodia: This side Varun Ginodia sir. So my question is on the revenue side, so as had highlighted the labor availability in 1Q was very low. But despite that you managed to show good execution in



*Ahluwalia Contracts (India) Limited
August 14, 2020*

this quarter. So is there any one-off in this or any revenue you booked from previous quarter or this entire revenue is something which is worked done in 1 Q and booked in 1 Q?

Shobhit Uppal: No one-off, it's all work done in Q1.

Varun Ginodia: So despite labor availability constraint which was only like about 20% to 30%, you still manage to show roughly about like 40%, 50% execution. So there is no one-off in this one?

Shobhit Uppal: Yes.

Varun Ginodia: Okay. And second question is, is there any impairment in this quarter as well as previous four quarters of this is a clean quarter without any impairments?

Shobhit Uppal: Right now yes, there are write offs here.

Varun Ginodia: So, can you tell me, if there is a amount for this quarter?

Shobhit Uppal: The amount is about 5.5 crores.

Varun Ginodia: And are we done with these or do you still expect them to accrue in coming quarters?

Shobhit Uppal: There will be, as I had mentioned last time around, the first two quarters of this year we'll see further cleaning up of the balance sheet.

Varun Ginodia: Maybe another quarter, there will be?

Shobhit Uppal: Yes.

Varun Ginodia: Just one last question. Other income, that has seen a sharp jump in this quarter, any reason behind that it has gone from like 3 crores to 7 crores. So what is driving that?

Satbeer Singh: That is around 3.5 crores, that has been written-back of liability written-back.

Varun Ginodia: Liabilities return back?

Shobhit Uppal: We have finalized some bills with some clients, a final billing has been done and based on our final billing, we finalized liabilities of some of our vendors and subcontractors. So based on that there is a right back of about three crores

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



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Shravan Shah:

So just wanted a clarification actually last time we said we are expecting EBITDA loss and we are positive. We are happy that we posted a good results but just wanted to understand at the same time, even the previous question was also last time we've mentioned that our execution is linked to the labor availability and we were having 20%, 25% but in terms of execution, we are at 50%. Now we are saying labor is 40% and still we are saying there is a issue at the execution Bihar, Bengal whatever. So, I'm not able to understand in terms of the, what as a management we are trying to say because whatever we are trying to guide either on the positive or negative it is significantly deferring so just trying to understand where we are as a investor we are looking?

Shobhit Uppal:

So, Shravan you know us as management, we are always conservative in our guidance. And that is what we are being now. Secondly, the management when the COVID hit, the management took certain cost cutting measures as a result of those cost cutting measures, we could ensure that the company remained in profit in this quarter in spite of so many headwinds, primarily on account of labor and less productivity on site. Even to increase the productivity on site the management took certain measures. Some works were done-off site also primarily on projects such as the precursor to Central Vista that we are doing in Delhi, a lot of work is being done in factories, which we have taken as per locations off site where structural steel is being manufactured. So, a number of these steps which I would not like to elaborate at this point in time we took and the result is that or what we are seeing is that our results are better than what we had expected. There is no conflict in what we are saying for the future also, I'm being very plain. There is I'm calling it as I see it, there is problem on the ground in Bihar Bengal. All of us read about it in the newspapers or see it on television. So, COVID is raging there. Now, whether it, we saw it in Delhi and Maharashtra that it took about a month, month and a half, two months to flatten the curve. I'm expecting that is the same that will happen in these states also, that is why I'm saying after about two months situation will get better. But these two months we will see a bit of pain especially in terms of cash flow in these states, which is bound to affect our productivity that is all that I am saying. If there is still further clarification which is required, please ask.

Shravan Shah:

Yes. Answer sir in terms of the, just a more clarification that Central Vista, when we said we stay away, does that mean that going forward also we will not wait for any of the packages?

Shobhit Uppal:

No, it doesn't mean that. We will evaluate the situation at that point in time we stayed away today, because the situation overall situation is not good. It's a large project which is prone to political interference as we have seen in ITPO if the project does not move along smoothly payments get held up a couple of months the payment doesn't come in, it can upset the applecart of our company. More so, when there is cash flow constriction on other projects also, that's why when the second project comes, we will evaluate the situation on the ground. I'm not saying we will not be



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Shravan Shah:** And do you expect the kind of relaxation in terms of the conditions because the criteria was 30 crores plus monthly execution in any project and that may be the constraint for us. Many of the companies were not able to eligible to wait for the financial level. So, do you think that going forward in the coming packages, there will be a relaxation on that front?
- Shobhit Uppal:** I can't comment on that. All that I can say is we are not very hungry at this point in time. To be desperate to either get the criteria to follow up with the department to change the criteria. So, we will take it as it comes.
- Shravan Shah:** Okay. And sir lastly on balance sheet some numbers our inventory, debtors, gross debt and also at the same time order book breakup?
- Satbeer Singh:** Inventory is around 206 crores.
- Shravan Shah:** Yes, go ahead sir.
- Satbeer Singh:** And unbilled revenue WIP they have 158 crores and debtors in absolute term noncurrent assets, current assets is 696 crores and borrowing is 43.89 crores.
- Shravan Shah:** And creditors sir?
- Satbeer Singh:** Creditor is 500 crores.
- Shravan Shah:** And mobilization advanced and retention money?
- Satbeer Singh:** Retention money is 165 crores and mobilization is 226 crores.
- Shravan Shah:** And cash?
- Satbeer Singh:** Cash is 175 crores.
- Shravan Shah:** And order book breakup sir?
- Satbeer Singh:** Order book is just commercial 7%, hospital 48%, infrastructure 5.76%, institutional 25% and residential 13%.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Vibhor Singhal:** Just two questions from my side. Early stand at this point of time sir, in middle of August, would you be able to give us a broad number as to what level of our execution capacity are we working on. Like, are we looking at 60% 70% or 80% and also at this point of time, what would we be the, what would be the overall companywide labor availability for us. I know it's going to vary from site to site, state to state as you mentioned, but overall at the company level would you be able to give us a number on the execution which is going on and the labor availability?
- Shobhit Uppal:** About 45% we are operating at about 45% And if you want the labor availability in terms of number, it should be.
- Vibhor Singhal:** Percentage basis.
- Shobhit Uppal:** Yes, percentage is also similar. It's about 40% to 45%.
- Vibhor Singhal:** And given sir that we are still seeing migration of labor coming back and not 100% of labor coming back by what assessment, by when would you think we could reach 100% execution level, given that monsoon is also there?
- Shobhit Uppal:** As I said, this quarter is, the quarter that we are in now will continue to struggle. We may in this quarter, by the end of this quarter we may have achieved about 60% beyond that as I said, it really depends on how Bihar and Bengal pan out.
- Vibhor Singhal:** Sure sir, I think that's still quite volatile so, completely understand sir. Also, sir on the margins front, we had a very solid performance in this quarter despite the revenue decline. So, would you be able to elaborate a little bit on what were some of the cost saving measures that we did and what amount of them is actually permanent in nature. So, there would be some practices which probably we would be able to carry forward also in coming quarters, even when we get back to full execution. So some of the practices that might have helped you save the margins?
- Shobhit Uppal:** So broadly, we were extremely nimble footed in terms of cutting our staff cost. So, our staff also co-operated, we reduced salaries. We also sent a few people on leave, for now as the work is picking up, we're getting all those people back, we have given back a certain portion of the salaries that we cut in the sense that if there was an x percentage, half of that we have reinstated, not reimbursed but reinstated. So I'm not saying that whatever cuts we made were permanent in nature. Obviously, our goal is that before we end the year, our salaries are back to normal and our staffing is back to normal. But, as I said, there are certain measures we've taken to do some work off site, get certain members which are used in construction, in knockdown conditions to the site. So some of these practices that we've started, we aim to continue with them, that would lead to a greater efficiency as it has been shown in this quarter.



*Ahluwalia Contracts (India) Limited
August 14, 2020*

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

Ashish Shah: Sir. I just wanted to, basically just had one question just wanted to touch upon the status of some of our major projects, you did mention that West Bengal and Bihar continued to be a problem, but that's where some of our larger projects also are. So, can we just talk about briefly in terms of our AIIMS project for example, the hospital projects in Bihar, the two hospital projects and the auditorium project in West Bengal, Gardanibagh, Mohammadpur?

Shobhit Uppal: So, as I mentioned all these projects work is happening on the ground. You specifically asked about say AIIMS in Kalyani. So today we have about 1000 people on the ground they're working. So, that project is fine in fact it's centrally funded. So even funding there doesn't seem to be a problem. As far as the auditorium project is concerned, between a month and a half ago or two months ago, we had 50 people on site, today we have 600 people on site. So, work has ramped up, has been ramped up considerably Gardanibagh also we have broken ground on the site work has started. Next to that there is a Parivahan Parisar there in fact, we are nearly out of the foundation's there. So, labor in these two states is not that much of a problem because labor is local there. What is a problem, especially in Bengal and will be a problem for the next couple of months is the cash flows, especially in projects funded by the state.

Ashish Shah: Right. And an auditorium project is funded by the state.

Shobhit Uppal: By the state, Yes. So what we are doing just to throw light for all of you, is on such projects. What we are doing is it's like a tightrope walk we are trying to keep our expenses low, we trying to spend low or less sorry on further procurement, we are trying to make sure that inventory is a utilized fully or we do just in time procurement and supply chains are all right in these two states, we don't see a problem on the supply chains. So we just trying to maximize or get maximum returns on every penny that we spend.

Ashish Shah: Right and some of the other projects like Jammu I know it's a relatively newer project, but where are we in terms of starting that project, the Central Vista is also where are we in terms of the project and as well as the two projects in Pune the private sector projects. So again, how they have shaped up over the last quarter and what do you think about them in the quarters to come that's all. Thank you.

Shobhit Uppal: In the order that you asked about the project Jammu, through the lockdown the designing was happening for that project. We are now in a position, we have set up our site infrastructure, we are ready to go there. But again, Jammu also lately there have been incidents of some Corona cases. So, entry into the state is restricted while we have some labor on the ground, but this is a bit of an impediment, which we feel should now ease out over the next 10 to 15 days. So, we are



*Ahluwalia Contracts (India) Limited
August 14, 2020*

ready to break ground there, which we should do by the end of this month, as far as the Central Vista project is concerned. Again, through the lockdown we were designing, we got our sanitary approvals, and we broke ground in end of June. We have already executed work worth about as on date work worth about 45 crores there. So that project is well underway. As regards the, which were the other two projects that you talked about?

Ashish Shah: The private sector, the commercial and.

Shobhit Uppal: Private sector Pune. So, on the private sector again Pune the epidemic is raging. But what we've set up quarantine facilities there, and we've set up testing facilities there with the help of the client. And we have managed in the last month to ramp up the labor from virtually 0 to about 300. So the work is happening there and we think it will further improve our target is that we'll get another 100 people there in the next 15 to 20 days.

Ashish Shah: Right. And the payment is okay in this, there is no problem on the payment side?

Shobhit Uppal: So, so far yes, it's better than most, let me put it that way we don't really, Brookfield has funded this project. So we don't foresee a problem in this project.

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

Prem Khurana: So two questions, so one was with eventually when I look at the numbers for the quarter seems our net debt has gone up by almost around Rs.65 odd crores. I am assuming this would be essentially because you would have supported some of your clients in this quarter or the payments because you would have supported some of your clients in this quarter or the payments you would have continued the construction activity though the payments are yet to come to you. And you also spoke about this in our opening remarks, we're you are seeing some delays. But do we have any number in mind in terms of beyond which you would not want to extend the limit receivable days with this growing trends, you want to go a little slow if you don't get to have your numbers in place. Any thoughts on that sir?

Shobhit Uppal: Prem, I did mention that it's like a tightrope walk. So, yes, we are trying to see, especially on some projects where the payment especially in states like Bengal, where the payments we see are slowing down. So we are also slowing down or not really going all out to invest in future procurement and trying to maximize our productivity on the ground with the existing materials that we have. So yes, it's a situation which we are monitoring very, very carefully and we are changing almost on a weekly basis, our strategy because a lot of it also depends on what we are seeing or hearing from the client.



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Prem Khurana: Okay. Any number in mind eventually in terms of what could be the debt at the end of the year, any number. Eventually, when I look at the number you gave us a number of Rs.44 crores of gross debt in cash was 175-odd?

Shobhit Uppal: At the moment, I don't think it would be prudent for me to comment. All that I'd like to say is that we are monitoring it very carefully and I'm reasonably confident that we will be able to keep it in check, more so because if you see 48% of our projects are healthcare projects and those projects seem to be moving all right. So, and then the Central Vista project that I said in the last two months, we've already done work for about 45 crores. So the kind of order book that we have we feel that we will be able to keep our debt in check.

Prem Khurana: And sir just one more from my side. So one was, we've been made to understand the government, wherever it is a government project you've been given an extension of around three to six odd months, you also said the labors still an issue, the COVID situation is still in place, the idea is to get started in sometime but still is a tricky situation we have to get a sense as to whether you will get to have that number in place or not. Given this, do we have any backup plan in place, so that, if it is 40%, 50% of labor and it's only three to six months kind of extension, I seriously doubt it will be possible for you to kind of deliver these projects in time. So any further extension do you see?

Shobhit Uppal: It is bound to happen, three to six months is it's not that the government has come out with an advisory. Now every project or every department or nodal agency will actually evaluate the impact which is there on the ground and this EOT keeps quarter-on-quarter the EOT, a fresh EOT is submitted. It's not that they've capped the delay that is to be given or sanctioned at six months.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Couple of questions from my side. One, what are your thoughts about bid pipeline in the future, we keep hearing about central government increasing its thrust especially on the healthcare side. So what are our thoughts towards that?

Shobhit Uppal: So, Parvez bid pipeline the way the tenders are coming out, it's, I don't think COVID has impacted negatively tenders or the tendering activity as far as the industry is concerned, but having said that, this is a very tricky situation. While works projects are being announced by states as well as the center, one has to be very careful and not bid indiscriminately because in the short term cash flow will be an issue. So one has to pick up projects very diligently after doing one's due diligence, am I clear?



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Parvez Akhtar:** Sure sir. And sir just a couple of data specific question. Sir if we could get the geography wise and the client wise breakup of order book?
- Satbeer Singh:** Geographically Northern region is 51%, Eastern is 35%, West region is 12% and South is 0.69% and government is 79.57% and private in 20.43%.
- Parvez Akhtar:** What was the CAPEX that we did this quarter, and did we do any CAPEX?
- Satbeer Singh:** 3 crores.
- Moderator:** Thank you. The next question is from the line of Varun Ginodia from Ambit Capital. Please go ahead.
- Varun Ginodia:** Okay. So, sir my question is few of the competitors booked onetime expenses, related to getting labor back on sites and few cost overruns that happened due to lock down. Do your cost consists of any such one-off cost items in 1Q. Did you see any such one-off cost?
- Shobhit Uppal:** It's not a one-off cost. This is continuing to get labor back. Yes, every construction entity is incurring expense. In some cases, we've even had to, we've booked plane tickets to get our labor on some side. So this is the cost and this will continue well into the next quarter also Q2, maybe Q3 also.
- Varun Ginodia:** And any cost overruns that you booked because of COVID-19. Any cost overruns into the expenses?
- Shobhit Uppal:** I don't understand cost overruns, what I'm trying to say.
- Satbeer Singh:** That whatever expenses are being incurred we are recognizing them, and we are also simultaneously discussing with the client whatever the way we are able to.
- Shobhit Uppal:** No, let me clarify this. That's why I asked what do you mean by cost overruns? COVID obviously has led to certain costs which were not envisaged earlier but the situation, we are keeping the client intimated as far as those costs are concerned. Clients have told us, no client has yet agreed to pay them. But the clients have said, let the situation normalize. We will sit down with you most of the clients are saying this at the moment. So that is, if that is what you mean by cost overrun.
- Varun Ginodia:** So, whether they will reverse or not in future quarters that certainty is still to come because you have still not sat down with a client?



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Shobhit Uppal:** It is not certain yes.
- Varun Ginodia:** They are there in this quarter and maybe there in next quarter as well and as and when the claims get finalized, they might use in future quarters.
- Shobhit Uppal:** But today they are in our cost we are recognizing those costs.
- Varun Ginodia:** Is it possible to quantify that number, any?
- Shobhit Uppal:** Not immediately, no we can maybe share it with you offline.
- Moderator:** Thank you. The next question is from the line of Avinash Channa from Spark Capital. Please go ahead.
- Avinash Channa:** First one is one, sir can you give us a statement order book just to understand how much of exposure we have towards West Bengal, Bihar as well as Delhi and another region. So, state wise order book can you provide?
- Shobhit Uppal:** Satbeer would you have that?
- Satbeer Singh:** Sir we have for the east that is 2587 crores but we have to segregate that Bihar and Calcutta.
- Shobhit Uppal:** I think Rohit has, Rohit will give it, Rohit give it.
- Rohit Patni:** Bihar is 30%, Delhi is 21%, Haryana is 18%, Jammu is 17%, Jharkhand at 1%, Maharashtra is 25%, West Bengal is 14%, UP is 3%, and Uttarakhand 3%.
- Avinash Channa:** Okay. Sir also just want to understand on the order inflow, sir just understanding from the order inflow what is the total value pending under the Central Vista or what are the plans on this 70 odd hospitals that were announced by government of India across various states or private sector bidding what is the sense that we can look at for the next two quarters on the ordering?
- Shobhit Uppal:** I do not think there will be any new Central Vista project in the next two quarters. That's my sense. I may be wrong, I think they will be busy getting the parliament building off the ground. As far as the hospitals are concerned over the next two quarters the way I see it big, small projects between center and state it should be anywhere between 7000 to 8000 crores.
- Avinash Channa:** Do we have any geographic constraints or we are okay to be across this, like we are open for?



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Shobhit Uppal:** We have self-imposed constraints; we will only bid in the areas that we are present in no new geographical locations to be opened.
- Avinash Channa:** Understood. Sir what is the total CAPEX requirement that we are looking at for FY '21?
- Satbeer Singh:** CAPEX 3 crores.
- Shobhit Uppal:** No, 3 crores is the CAPEX in this quarter, it will continue to remain muted. I don't think we will cross this number so it will be for the rest of the three quarters, it will be between 10 to 14 crores
- Avinash Channa:** Okay. Sir, one last thing for this first quarter of the revenue can we understand like project wise like which projects was contributed to these 350 crores of top line, broadly if you can give like few key projects?
- Shobhit Uppal:** We will share this number with you offline, Rohit will come back to you.
- Rohit Patni:** We will share you number of projects wise we can share.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, because of the IndAS we have restated last quarter that is 1Q FY '20 revenue and EBITDA and all the line items number particularly revenue by 87 crores. So, just trying to understand, so for 1Q FY '20 it has increased, but for the full year it remained the same. So, in the remaining three quarters of FY '20 how it has been reduced. Is it possible to once again restate or release the 2Q, 3Q and 4Q of FY '20 P&L numbers?
- Satbeer Singh:** That is basically, whatever the increase and decrease in the unbilled revenue that are being recognize. Increase in WIP that are being recognized in revenue. If there would be increase, then definitely it would increase revenue in absolute terms. If they were to decrease, then it will do reduction in the absolute revenue.
- Shravan Shah:** So sir I am putting it differently. Next three quarters of a FY '20 last year, the revenue whatever we have released last time will be the same or will it going to change?
- Satbeer Singh:** In last entire year we have, you have seen that around 42 crores impact was there. It means in the first quarter we adjusted 87.4 it has been decreased in that last nine quarters approximately to 46 crores.
- Shravan Shah:** Sorry sir, I still did not get?



*Ahluwalia Contracts (India) Limited
August 14, 2020*

- Satbeer Singh:** Let say last year full year, you will see that 41 crores impact of increase in WIP, 1884 crores include 42 crores increase in WIP. And just this quarter you have seen, you are telling that 404 crores this includes around 80, 60, 70 crores approximately increase in WIP. Which means there will be nine, not nine months but there will be a decrease in WIP because in entire year 41 crores increase and 86 crores increase in this quarter, which means last nine months there is a decrease of 46, 45 crores.
- Management:** Sir financial year and full revenue is 1884 and first quarter last year is 404 that means next nine-month total revenue is 1480.
- Shravan Shah:** True. So in which quarter the revenue will be reduced compared to the whatever we have already published last time. So, there will be a decline in revenue for three quarters compared to whatever we have published.
- Satbeer Singh:** Next three quarters you can't say right now, that depends up on the execution of the work. If there would be increase in WIP then definitely it would contribute to.
- Shravan Shah:** Sir I am asking for FY '20 only, not FY '21?
- Management:** FY '20 45 crores reduction.
- Satbeer Singh:** Total deference in the next nine months is 20 crores straight line. Because already total full year the change in WIP is 115 crores already adjustment 80 crores here and 25 crores in next nine months so 25 crores revenue increase, I have already shown the number.
- Shravan Shah:** Okay. And sir on the staff cost the first quarter number definitely we have declined significantly. Just trying to understand from when as we say by year end we will be reinstating all the salaries to the normal levels, but for next two quarters can we assume the same run rate of 26, 28 crores salary staff cost?
- Shobhit Uppal:** No, this will increase a bit as the revenue, turnover also increases. As, I said I see even in this quarter the turnover will increase further.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking Please go ahead.
- Ashish Shah:** Sir, we said that there is a 5.5 crores provision or a right off impact in Q1. So, on which project was this and what is the quantum of such a possible provision which is remaining, which could come in the second quarter or so, which you said that it could be possible?



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Shobhit Uppal: So, this is across quite a few projects where the bills have been paid. It's not one or two projects, this is seven or eight projects Vijay is in the con-call, Vijay you want to take this question. I don't think he is there. So this is a seven or eight projects where we felt that the money was not likely to come in. So it's more, as we're clearing up our balance sheet. So we can share the list of those projects offline with you.

Ashish Shah: Sir more importantly, what I was asking also is that what is the identified amount which we think is at risk, which could come maybe in Q2 or Q3 which we said that indicated that we could see one or two more quarters of such write offs. So, the amount that we have in mind?

Shobhit Uppal: I think it should be about 12 to 15 crores over the next two quarters.

Ashish Shah: Okay. And that should be about it?

Shobhit Uppal: Yes.

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

Amber Singhania: Just couple of questions from my side one, as we have seen that this quarter due to various disruptions and labor issues have cropped in, on this light a couple of other players in this space are also looking towards the structural concrete maker or the structural structure maker as such facilities outside the actual site. So are we also looking into similar kind of facilities or factories wherein we can make the structure outside and just bring in and fix it on the site because that is the way it looks like the future of the industry in the longer term. So, just wanted to get your thoughts on that, from our perspective?

Shobhit Uppal: As we mentioned that as an answer to an earlier question that on the Central Vista project, we're already doing it across four locations. We have identified factories where we've sent material and our skeleton for the buildings that we are doing for this central Vista project is being manufactured across four locations. And if you would recollect Amber we had already invested in precast technology in our tie up a few years ago with the Russian company. So pre-engineered and pre-cast this is, this technology we are well versed with and we aim to utilize this in the projects to come, especially more so now post COVID when the focus as you rightly said is going to be on offsite works. We are geared up front.

Amber Singhania: Yes, I remember sir because we were the early entries in this kind of technology long back. So just wanted to understand how much more focus or more strengthening we are doing in this space. That's why I asked this question in the call.



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Shobhit Uppal: In fact, pre-engineered if you recollect the Patna Convention Center. We did that using 22,000 tonnes of structural steel, a couple of stadiums that we did during Commonwealth Games had extensive structural steel work. So we have the technology with us, we have the technical skills with us in terms of our staff, and pre-casting also the projects that say for instance Jammu, in our design work we are using that technology, we are designing the project in such a fashion that we use precast work, or precast or pre-engineered components in that project.

Amber Singhania: Okay. Sir secondly on the bid pipeline as you mentioned that Central Vista as well as hospital project of 7000 to 8000 crores. Can you also give some color about any other extreme where we are seeing a good pipeline coming in, which looks attractive from our perspective, because I believe there must be a lot of pipeline, but projects might not be very good in terms of payment structure and all but from our perspective, any other area or projects you'd like to highlight on big pipeline as such?

Shobhit Uppal: At this point no, all I'd like to say is that this is a very tricky time for the construction industry. So, we are extremely vary and we are lucky that we have a healthy order book. So, as I said earlier, we are not very hungry and we are actually every bit that comes our way we are both me, Vikas we have a stringent due diligence process. In fact, we are letting go of some works, large works also as a part after the due diligence has been done.

Amber Singhania: Okay. One more thing sir on the execution side, you mentioned that around 45% is the average utilization our operating level we are having currently, whereas Bihar and West Bengal is having a severely impact on that part. So would it be fair to assume that Bihar and West Bengal projects would be operating roughly around 10%, 20% of the total operational capacity?

Shobhit Uppal: Bihar, has operated at the same level up till now. Bengal has been a little slow and going forward Bengal is something which concerns us. Bihar, I feel will continue to operate at this level. So, to put a number what I'm saying is 45% and rest of the country will go up, it will go up to about 60%, Bihar will continue to operate at the same level, Bengal would be slow. That is because Bihar the government at the center and the Bihar is the same, in the sense BJP is a coalition partner there. Bengal the way we see it, I don't see center supporting them with funds. So that is why I see that over the next few months Bengal would be sluggish.

Amber Singhania: Okay. And given this situation sir do we see any increase in cost in this project because of the delay which might happen, or it will be getting compensated by the respective clients as such?

Shobhit Uppal: It's too early to say. In the short term yes there will be an increase in cost.



*Ahluwalia Contracts (India) Limited
August 14, 2020*

Amber Singhania: Fine. And lastly sir just wanted your thoughts on Kota project as a company and the management what are we planning to do with this projector, how are we see in the medium to long term outlook on these sites?

Management: So, in Kota we are invested, and we are doing probably well, and I don't want to comment on the given the current pandemic and for the social player. So we are going forward and even now, even we've just opened, we are assigning two new stores there in Kota. Things will take a while and until the situation gets better because Kota mall is a commercial property and social gathering place wherever so people are a little vary, but like last month we have got a revenue of about close to a crores, sorry not revenue, the total sales in the mall has been close to a crores which is not so bad given the footfall has reduced tremendously. Then that is also because most of the stores they have also going, doing online, they are operating the store but they're selling online. So going forward, we are hoping things will get better.

Amber Singhania: Any plans to monetize this asset in the near future?

Management: I can't comment on that right now. We are open to strategic alliances, but I can't say anything.

Moderator: Thank you. As there are no further questions. I now hand the conference over to Mr. Amber Singhania, for closing comments.

Amber Singhania: Thank you, Steven. On behalf of Asian Markets Securities, I would like to thank all the participants and the management for this call. And a special thanks to the management for giving us the opportunity to host this call and share their views about the company and outlook on the industry and company. Thank you very much everyone. Sir said would you like to add any closing remarks from your side?

Shobhit Uppal: No, that's fine. Just thank you so much everybody and God bless, stay safe.

Amber Singhania: Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Asian Markets Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.