



“Ahluwalia Contracts India Limited 2QFY21 Post Results Analyst Conference Call”

November 18, 2020



MANAGEMENT: **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR, AHLUWALIA CONTRACTS LIMITED**
MR. VIKAS AHLUWALIA – WHOLE TIME DIRECTOR, AHLUWALIA CONTRACTS LIMITED
MR. SATBEER SINGH – CFO, AHLUWALIA CONTRACTS LIMITED
MR. ROHIT PATNI - INVESTOR RELATIONS, AHLUWALIA CONTRACTS LIMITED

MODERATOR: **MR. VARUN GINODIA – AMBIT CAPITAL**



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Moderator: Ladies and gentlemen, good day, and welcome to Ahluwalia Contracts India Limited 2QFY21 Post-Results Analyst Conference Call hosted by Ambit Capital. 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 “*” and 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: Thank you so much, Vikram and good afternoon everyone. On behalf of Ambit Capital, I welcome you all to 2QFY21 Earnings Conference Call of Ahluwalia Contracts Limited. Today, we have with us from the Management, Mr. Shobhit Uppal – Deputy Managing Director, Mr. Vikas Ahluwalia – Wholtime Director, Mr. Satbeer Singh – CFO and Mr. Rohit Patni from Investor Relations. In terms of law of the call, Mr. Uppal would give a brief summary of the results and the outlook, and then we will open the floor to Q&A. Sir, over to you.

Shobhit Uppal: Thanks, Varun. Good afternoon, everybody. So, we have announced the financial results for 2QFY21. During 2QFY21, Ahluwalia Contracts has achieved a turnover of 434.51 crores and a PAT of 17.96 crores in comparison to a turnover of 433.69 crores and a PAT of 13.08 crores in 2QFY20. EPS of the company for 2QFY21 is 2.68 as compared to 1.95 in the corresponding quarter last year. During 2QFY21, the company’s EBITDA margin is 7.87% as compared to 8.97% and the PAT margin of 4.07% as compared to 3% in the corresponding period of the last year. During 1HFY21, the company has achieved a turnover of 684.36 crores and a PAT of 25.44 crores in comparison to a turnover of 837.71 crores and a PAT of 37.20 crores in the corresponding first half of the last year. EPS of the company for 1HFY21 is 3.80 as compared to 5.55 in 1HFY20. During 1HFY21, the company’s EBITDA margin is 7.70% as compared to 10.32% and PAT margin of 3.64% as compared to 4.41% in the corresponding period of the last year. The net order book of the company as on date stands at 8,120 crores. We have got orders worth 1,243 crores in this financial year till date. Thank you. We are open for questions now.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is given the COVID and given the lockdown and everything, is it possible to now give some kind of run rate? If I am not wrong, I do not think you have given any guidance for FY21, so are you in a position to guide for the H2 and do you think any comment on the labor availability or readiness or project size which you can comment on?



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Shobhit Uppal: Uncertainties still persist, Mohit. So, it would not be prudent for me to give any sort of run rate, but having said that, I had mentioned in my last concall that things are improving and we were at about 60%. Now, we are at about 80% and H2, obviously will be much better than H1. But I would not be in a position to give any run rate as things stand today.

Mohit Kumar: Understood, sir. And secondly, on this PWD AIIMS, the last order which we have?

Shobhit Uppal: Jammu.

Mohit Kumar: Have you started the work? Have you started initial work and is there any update if you can share?

Shobhit Uppal: Yes

, work started. No, we have actually begun construction on the ground.

Mohit Kumar: On the Mandale depot contract which received, I think, in the last 2 days, when do you expect to start the construction?

Shobhit Uppal: We should begin construction in the next 1 month.

Mohit Kumar: And what is the tenure of that contract?

Shobhit Uppal: It is about 40 months.

Mohit Kumar: This Mandale depot is 40 months?

Shobhit Uppal: Yes, nearly 40 months.

Moderator: Thank you. We have next question from the line of Himanshu Upadhyay from PGIM Mutual Fund. Please go ahead.

Himanshu Upadhyay: I had a question on our numbers per se and our path ahead. If you look in last 4 years, our order book has increased quite significantly. So, remaining order book what we show has grown from 3,600 crores to 7,400 crores at FY20 and I think currently it would be around 8000 crores based on the numbers we have. But if you see my income from operations, they have not moved in line with where the order book has grown and even the margins have been slowly steadily come off only from FY16-17. What is the path ahead for us means how do you see or scaling up of our business? Do you think we can scale up better from hereon and what have been the challenges that we have not been able to scale up the way we have been able to



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win the orders? And again on the margins trajectory side, what would be your thought process now? And once more projects start, do you think you will require a lot more capital infusion? So, let us say in terms of gross block and working capital cycle or how are you thinking on those terms? Again, can you leave some thoughts on these things could be quite helpful to understand the future trajectory of the business?

Shobhit Uppal:

So, our order book has swelled up in the last 2 years, not in the last 4 years. So, we are very comfortable now, as you rightly said it is at about 8100 crores. So, this is a result of the efforts of the last 2 years. As far as the margins are concerned, we feel that had COVID not hit, our margins would have been much better. In fact, we would have been on our way to achieve the margins that we had achieved in our glory days that is around 2010 and prior to that. Having said that, over the last year, year and a half, we have been cleaning up our balance sheet. There have been a few write-offs also. In spite of that, I think we have been at par as far as the margins are concerned with most of our peers, if not better. Going forward, this financial year as I said, there is really no guidance that I can give, but because we are well stocked up as far as our order book is concerned, I think FY22 onwards we should be in a position to match our peak as far as the margins are concerned. As far as our CAPEX is concerned, we have been able to keep the CAPEX in check that is because of aggressively utilizing our existing assets. Going forward as far as this year is concerned, in spite of a very healthy order book, we do not see a major increase in our CAPEX as far as this financial year is concerned. Have I answered your question? Have I missed out on anything?

Himanshu Upadhyay:

Follow-ups only. So, do you think that the margins which were you are doing in FY16-17, nearly 13%, 13.5%. Are those achievable or so should we assume that the businesses what we have taken to build the order book are as margin accretive as the business which we were having 4 years back? Because even if we see FY20, it was around 8% which is pre-COVID type of numbers and FY19 also was lower than FY16 and FY18. So, have we compromised on margins or you think the margins were there and because the scale has obviously increased from FY17, 1400 crores to nearly 1900 crores?

Shobhit Uppal:

So, we haven't compromised on the margins. If I take you back to our earlier concalls, they were a lot of 10 years factor which led to the margin, not only for us, but the entire infra industry, margin getting suppressed. So, if you see the quality of order book, they comprise of lot of hospital projects, some education projects where our exposure to the private sector is limited. So, as I said, going forward, FY22 onwards, I think we would be getting back to our glory days as far as margin is concerned.

Himanshu Upadhyay:

And revenue growth should also start improving means just last question, then I will join back the queue.



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Shobhit Uppal: It will, obviously. The healthy order book shows that the revenue will increase, but this year for obvious reasons, that increase is not going to be there.

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

Vibhor Singhal: Sir, actually two questions. One is on the margins front. Basically sir, the last quarter of course we had, April month was almost negligible revenue and of course because of lower executions, our margins were at around 7.5%. This quarter, we have almost doubled our revenues as compared to last quarter and as you mentioned that as compared to last quarter 60%, now we are probably running at around 80%. So, any specific reason that even in this quarter we could not jump the margins significantly on a quarter-on-quarter basis? Any exceptional write-off or anything else which held up the margins in this quarter?

Shobhit Uppal: Look, first of all, there is a significant headwind which we continue to face, right. COVID has not gone anywhere. While we have labor now is at about 80%, but at the end of the day, the productivity still continues to suffer. There are a number of factors which are contributing to a lower productivity and which in turn is affecting the margin. One is of course the supply chain continues to be affected; b) due to the protocols which are in place on project side, the productivity of the labor is down. So, that is why while we have been able to overcome one challenge in terms of increasing our topline, but as far as the margins are concerned, they continue to be affected and that will continue to remain, I think for another 6 months.

Vibhor Singhal: In fact, that was about to be my next question. By protocol I would assume you are meaning those social distancing norms and maximum amount of labor that you can have in a site right?

Shobhit Uppal: Exactly, that and then obviously because of these social distancing norms, the productivity on ground suffers, right, be it for casting or concrete or doing brick walls or laying stone and aluminium façade and so on and so forth. And obviously what people are forgetting is that the supply chain is yet not back to normal. Just to give you an example, COVID is one, but then if you see say somebody asked me about Jammu, now Jammu work is happening at a breakneck speed, but for the last 15 days, we have not been able to get steel to Jammu, why? Because no trains are going through Punjab. So, Jammu, in sales stockyard, there is zero stock. And so the supply chain is constricted. These are factors which are contributing to or hitting the margins.

Vibhor Singhal: Right, sir. And we expect that this would probably be there for some more time 5, 6 months?

Shobhit Uppal: As I said, the rest of the financial year, yes. These factors are going to be there. We have to live with it.



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- Vibhor Singhal:** In terms of the order book sir, now that we have got a very strong order book of more than 8,000 crores. What is the pipeline that you see ahead in terms of from last project that we are looking at? Are we looking at the Central Vista project, the other packages that might come out of it or some other key projects which you would be looking at? And also if you could just provide a quick update on what will be the execution activity on some of the key projects like Gardanibagh and your Nagpur projects and Sion Hospital project?
- Shobhit Uppal:** So, our AIIMS projects, I have already told you about Jammu, that project is happening at full speed, this notwithstanding the supply chain issue which hopefully will be over in the next 10-15 days. As far as our other 2 AIIMS projects are concerned, we are on target to complete them in May next year, both Kalyani as well as Nagpur, both the AIIMS. In fact, 50% of both these projects have been handed over and have been made operational. The academic blocks are made operational at both these locations. As far as the hospital is concerned, that we will complete in May next year. As far as Gardanibagh is concerned, Gardanibagh, project has begun, the piling has begun on the ground. And now with obviously continuity being there as far as the government is concerned, we foresee no problems as far as our projects on the ground in Bihar are concerned. What was the other part of your question, can you repeat it please?
- Vibhor Singhal:** How do you see the pipeline in terms of Central Vista project or some of the key projects that we are targeting or looking at?
- Shobhit Uppal:** So, yes, we will evaluate. We will participate in some of these projects, but on account of having a healthy order book, we will not bid indiscriminately. In fact, we are letting go off a few projects. There are 2 or 3. We have seen recently that there have been 4 or 5 IIMs which have been bid out. We participated in 2. We felt that the competitive intensity was very high, that is why we then let go off a couple. So, we are doing our due diligence and as I said, we are not bidding indiscriminately.
- Moderator:** Thank you. We have next question from the line of Shravan Shah from Dolat Capital Market. Please go ahead.
- Shravan Shah:** Sir, as you are saying, first clarification, the labor availability that you say 80% is as on today or it is for average of second quarter?
- Shobhit Uppal:** No, as on today.
- Shravan Shah:** And for second quarter, what was the labor availability, broader average?



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- Shobhit Uppal:** Second quarter, as I said last concall, we were at about 60%. So, it has gone up to about 80% now.
- Shravan Shah:** And in terms of the company operating efficiency, last time I think you said that reduced your link to the labor, so we were working at 60%. So, in the second quarter, at what efficiency broader, are we at (+70%) efficiency level and now at 80% efficiency level?
- Shobhit Uppal:** No, very difficult. As I mentioned as an answer to the earlier question...
- Shravan Shah:** It is difficult, I got it. Now sir coming back to the main revenue and the margins, so that is the two major question mark for all the analysts despite so much order book. So, let us assume now as you are saying about supply chain issues are there, labors though have improved to 80%. First of all, can we see a flattish 1-2% growth in the third and fourth quarter or that is also difficult to say?
- Shobhit Uppal:** I will be candid. Third quarter, there are continuing issues, headwinds. 1) I have already mentioned, supply chain issues; b) our projects in Delhi, though construction continues to happen in NCR, but productivity is not high again for obvious reasons because of pollution. So, third quarter, I do not see any major improvement happening, but fourth quarter, yes.
- Shravan Shah:** So, fourth quarter can be a 5-10% or it can be higher than 10%?
- Shobhit Uppal:** Do not put words in my mouth, but fourth quarter will be significantly better.
- Shravan Shah:** And then coming for the full year of FY22 and 23, then on broader level because last 3-4 years we were marginally growing kind of a thing, then can we expect a 20% plus kind of a run rate because our order book is definitely 8,100 crores and maybe we will be winning couple of more projects.
- Shobhit Uppal:** 15-20%, that is our target. FY22 onwards, 15-20% growth.
- Shravan Shah:** And you already mentioned that the margin in FY22 would be come into the previous peak level that is close to 13% kind of a thing that would be coming?
- Shobhit Uppal:** Yes.
- Shravan Shah:** Sir, I need now order book breakup segment wise, region wise and the government private that would be helpful.



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- Satbeer Singh:** Government is 80% and private is 20% and geographically, North is 55%, East 33%, West 10%. And segment wise; commercial 6.31%, hospital 52%, institutional 24%, retention 12% and infra 5%.
- Shravan Shah:** Any write-off or liability written back in this quarter?
- Satbeer Singh:** Liability written back is around 3 crores and written-off is not there this quarter, but there we have made provisions for around 5 crores.
- Moderator:** Thank you. We have next question from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, have you provided anything in this quarter. Last quarter, I think you guided for some write-off on the debtor side.
- Satbeer Singh:** Last quarter, we have written-off around 5 crores and this quarter, we have made a provision. We have not written-off, it is also 5 crores approximately.
- Mohit Kumar:** Secondly on the last quarter you said something about there is some issue which came with receivables from Bihar and West Bengal, can you please comment on that? Have you seen an improvement, something like that?
- Shobhit Uppal:** Yes, definitely. There is improvement. Most of our receivables have come in. And whatever is pending, we are hopeful that in December, we will be up to date.
- Mohit Kumar:** In general, how has been the payment sir in the last quarter, Q2? And what are you hearing from the client in general, what do you think about the payment cycle?
- Shobhit Uppal:** There is an improvement. As far as Bihar is concerned, just prior to elections, some payments had come in, but there was a bit of a logjam because the state machinery had got busy with elections, but we are hopeful. And as I said in December, all our payments will come. Bengal, things have improved substantially. So, again by December, our payment should be up to date. Generally also, by and large, I think last month, month and a half, there has been an improvement all around with most of our clients.
- Mohit Kumar:** Can we safely assume that working capital will not deteriorate in FY21?
- Shobhit Uppal:** I think so.



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- Moderator:** Thank you. We have next question from the line of Vaibhav Shah from Centrum Broking. Please go ahead.
- Vaibhav Shah:** Sir so in last quarter, you had told that you had taken write-off of around 5 crores in Q1 and we had guided for write-off of around 10-15 crores in Q2 and Q3. So, where are we on that? So, we will take another 5 crores write-off in Q3 or what is the plan?
- Satbeer Singh:** We have provided 5 crores in this quarter also, made a provision. We have not written-off, but we have to see what the situation would be for recovery. That accordingly that will be any kind of provision or written-off, but definitely there would be there.
- Vaibhav Shah:** And secondly on couple of projects. So, what is the current status of government hospitals in Chapra and Nalanda in terms of projects?
- Shobhit Uppal:** The execution is well underway. And as far as Nalanda is concerned, both these projects actually in the next one year would be substantially completed.
- Vaibhav Shah:** And what would be the broad status of the construction as of now? Have we made certain progress on those?
- Shobhit Uppal:** Which ones? You are talking about these projects only?
- Vaibhav Shah:** Yes, on these only, at Nalanda and Chapra.
- Shobhit Uppal:** The projects are well underway. In fact at Nalanda, structure is almost complete.
- Vaibhav Shah:** Lastly, in NCR projects, what has been impact? Is there any ban due to pollution or (26:47)___ we are going on track?
- Shobhit Uppal:** The construction is happening. As I mentioned earlier, there is no blanket ban on construction as yet, but productivity is low on account of DG sets are banned.
- Satbeer Singh:** They have tightened some rules for pollution etc. So, that is why there is a little slow. There is a lot of checking happening at site from the department, things like that.
- Shobhit Uppal:** So, like DG sets are banned, so that affects progress. Then secondly, fly ash is no longer available, it cannot ply. Fly ash-laden trucks cannot ply within the city limits. So, such things are affecting the production on the ground.



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- Vaibhav Shah:** And sir, can you provide a ballpark figure for the NCR order backlog in our current order book?
- Rohit Patni:** 27% in Delhi NCR.
- Moderator:** Thank you. We have next question from the line of Jiten Doshi from Axis Capital. Please go ahead.
- Jiten Doshi:** Sir, there are a few questions in terms of the order inflow has remained good so far in first half and continued in Q3. So, sir, can you throw some light in terms of the guidance and probably how much you are targeting this year? And CAPEX done so far?
- Shobhit Uppal:** I think in terms of order book as I said, we are bidding very conservatively. We are not aggressive. We do not have an aggressive target. We stand at about 8,120 crores and there is a project of Sion Hospital, in which we are L1, which we are also expecting shortly. So, other than that, maybe another 1000 crores as far as further orders are concerned. As far as the CAPEX is concerned, I think this year it should be anywhere between 25 to 30 crores. Till date, we have done about 8.7 crores.
- Jiten Doshi:** So, this Sion hospital, what is the valuation?
- Shobhit Uppal:** Sion hospital, the value is about 500 odd crores.
- Jiten Doshi:** So, over and above that, you are expecting around 1000 crores, likely to risen this year?
- Shobhit Uppal:** Yes.
- Jiten Doshi:** And sir on the Central Vista project, obviously you have given the inputs during the call, but any additional input like what could be the pipeline in Q4 because most of the contractors are expecting the awarding from that particular project to pick up from Q4 and the pipeline is at around 14,000-15,000 crores with a ticket size of around 500 to 1000 crores. So, what is our view? Are we looking to bid? As you said, you will be bidding selectively. So, any chances of bidding at least 4,000-5,000 crores and winning at least 1 or 2 packages, something like that?
- Shobhit Uppal:** As I said, we will bid selectively. It is not that we are not going to bid, but we will not bid indiscriminately and not aggressively. So, another 1,400-1,500 crores, that is what our target is.
- Jiten Doshi:** The Bihar project should be...



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- Shobhit Uppal:** Bihar is now on track with continuity in the government being there and what is good is look, we are primarily working with 2 departments there. One is the state PWD and one is Bihar Medical and with both in the ministries released yesterday the names, there is continuity in terms of the ministers at the helm of affairs. So, we feel that the projects will continue now and without any impediment.
- Jiten Doshi:** A bookkeeping question, what is the gross debt number and the mobilization outstanding as on September and retention outstanding as on September?
- Satbeer Singh:** This mobilization total outstanding 250 crores. And retention is total current and non-current it is 165 crores. And borrowing is 44 crores, that is on the phase of the balance sheet items.
- Jiten Doshi:** Sir, this mobilization is interest bearing, right sir?
- Satbeer Singh:** Out of which, private are non-interest bearing and government is interest bearing.
- Jiten Doshi:** You have the breakup sir?
- Satbeer Singh:** Rohit will provide in later, I think so.
- Jiten Doshi:** And coming back to the receivables, obviously the receivables are high, but do you feel that most of the government agencies would make payments in Q4 and we can see receivables coming back to around 75 to 80 days, likely we can see that sir by end of this year?
- Shobhit Uppal:** Yes. As I mentioned earlier, receivables will come in control. We already are seeing an improvement in the payments, which are coming from the various government agencies.
- Moderator:** Thank you. We have next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Couple of questions from my side. First, I think you gave the order book as on date. Would I be able to get the order book figure at the end of Q2?
- Shobhit Uppal:** In the Q2, it was 7590.
- Parvez Akhtar:** You gave status of some of our major projects. Apart from those, how is the work happening on some of the other projects like the Central Vista project that we had got or the NBCC Kolkata and IIM Nagpur project.



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- Shobhit Uppal:** Project pace has picked up. As I said, we are at about 80% and the Central Vista project is we are working full speed. It is just that in the last 20-30 days because of the effects of pollution, there are productivity issues on the ground. As far as the Kolkata auditorium is concerned, we are on target to complete it in about July-August next year. Nagpur and Kalyani AIIMS, I had already mentioned earlier. By May-June, we will be handing over. We have already partly handed over or commissioned some building, the academic blocks on both the locations. As far as the hospitals are concerned, in May, we should be handing it over.
- Parvez Akhtar:** Sir, we also had some private sector projects. I think in Pune, so how has been the progress there over the last, let us say, 1 to 2 quarters?
- Shobhit Uppal:** Pune continues to be hit by COVID. So, that has affected the sales, as far as the residential projects are concerned, but over the last 15-20 days, because of the festive season, the sales have picked up there and now, the client is talking of starting 2 more towers there, which he had held back. So, that is good news. As far as the other project, which is a commercial project, which is totally booked by Brookfield. So, that is going on full speed.
- Parvez Akhtar:** And lastly a question to Satbeerji. This quarter also, our other income was pretty high. So, are there any one-offs in the other income this quarter?
- Satbeer Singh:** 3 crores approximately, liabilities written back in this.
- Moderator:** Thank you. We have next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** My question is on we had spoken about social distancing impacting or then COVID related issues, supply chain issues leading to softer execution. Given if we have been a more normalized kind of scenario, so are we already like we have averaged about 400 crores of turnover last 2 quarters? So, as per the current order book and so you should be somewhere around 600 crores if these issues were not there?
- Shobhit Uppal:** Yes, could have been.
- Parikshit Kandpal:** Second question is related to your order book. Out of 8120, I think the Mandale depot's order is already included in that and including that exposure of about 10% roughly about 800 crores, out of which Mandale remains the largest contributor. So, going ahead into next few quarters, what is our stance with respect to Western India bidding and how do you see the order book ramp-up there? What kind of opportunities you see here because at 10%, it is a very small contribution? So, I do not know whether it really makes sense to exist in this market and what is the way ahead in terms of growing this order book?



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- Shobhit Uppal:** You specifically asking about the Western region?
- Parikshit Kandpal:** Yes, Western region.
- Shobhit Uppal:** So, as I mentioned earlier, we are shortly hoping to get the Sion order also. So, if you then between Nagpur, Mumbai and Pune, the Western region now contributes or will contribute substantially to our total order book.
- Parikshit Kandpal:** Because as of now, I think 10% is the....
- Rohit Patni:** It will increase to 1700 crores after Sion, I think so.
- Shobhit Uppal:** No, actually, it will be more. It will be in excess of 2,000 crores.
- Parikshit Kandpal:** The breakup of the percentages which you give was on Q4 like 7700 crores order book or 8120 crores order book?
- Rohit Patni:** 7590.
- Parikshit Kandpal:** So, now coming to the Mandale depot project, is this the first tenure project you are doing for metro project?
- Shobhit Uppal:** No, we have done numerous depot projects. In fact, we had done the famous project that we have done for Reliance Infrastructure, the depot in Mumbai for Phase I. Then, we had done a depot for the Bangalore metro at Peenya. Then, we had also done a depot of the airport line in Delhi. So, we are quite experienced as far as depots are concerned.
- Parikshit Kandpal:** Coming back to the one big piece which is missing in our order book, region South. I think I have asked this earlier also to you in multiple calls. So, any thought you have with regards to the Southern market, how do you see it or it still continue to remain away from that market?
- Shobhit Uppal:** So, which market?
- Parikshit Kandpal:** South India.
- Shobhit Uppal:** We continue to stay away from Southern India at the moment.
- Moderator:** Thank you. We have next question from the line of Varun Ginodia from Ambit Capital. Please go ahead.



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- Varun Ginodia:** Sir, my question was on the revenue you booked in second quarter. As you said that the labor availability was about 60% in the quarter gone by. Despite that, your revenue was roughly in line with the revenue in the same quarter last year. So, what led to that execution ramp up despite constraints on the supply chain side and the labor availability side if you can throw some light there?
- Shobhit Uppal:** So, we had invested in techniques of offsite construction. Some projects pre-engineered techniques are being used and as far as finishing is concerned like pre-cut stones and tiles, we are doing work offsite and then delivering them to site. That plus of course healthier order book led to similar kind of run rate when we compare it to last year.
- Varun Ginodia:** Because your guidance, maybe your commentary sounded a bit cautious on the 3Q side, so I thought I mean if 2Q, we were able to do similar numbers despite 60% labor availability and 3Q already at 80%, then we should be able to do pretty good growth on 4Q as well and not just 4Q. Is that a fair assumption? Second half, overall should show a good growth and not just 4Q?
- Shobhit Uppal:** I did mention that in the last concall also that the second half will be much better, but Q3, we continue to see surge in the pandemic. So, that is why it will not be right for me to comment as far as Q3 is concerned. And then pollution obviously does affect the NCR projects also. That is why I am cautious on the third quarter. But fourth quarter, traditionally fourth quarter is also the best quarter as far as construction companies are concerned and now with labor by December end, we should be at 100% as far as labor is concerned. Supply chain issue is something which are beyond us. So, that is something which I feel should also be ironed out by the time we enter into the New Year. So, that is why I am saying I am quite bullish on the fourth quarter.
- Moderator:** Thank you. We have next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just one last question on the margins. So, you did mention that because of COVID, there is hit on margins. So, what kind of hit on account of COVID you have had on the margins and if you can quantify on that?
- Shobhit Uppal:** Come again, you are saying you want the quantification of how COVID has impacted the margins? Parikshit, it is very difficult to put that. We are still in the process of quantifying that. And I had mentioned this last time around also it is very difficult as on date to put a figure.
- Parikshit Kandpal:** Then what kind of extra cost will be coming idling manpower, idling cost what could be potentially the cost..



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- Shobhit Uppal:** Main thing is productivity of the labor. That is something which we are still assessing. Till now, the projects were stalling. Now, the projects have started. We are at about 80%. Now, we are trying to calculate what is the productivity in terms of masons who are doing the block work, who are doing the plastering, so on and so forth. And then the impact in terms of the excess infrastructure we have to create to maintain social distancing, so on and so forth. So, I think it will be very difficult for us to put a figure. It will take at least this entire year. Only when things normalize to a certain extent, will we be able to put a figure as to how COVID has impacted our margins and then out of those margins or out of that impact, what is it that the client is willing to bear or what percentage is because everything is fluid at the moment. I did mention last time around also, we are keeping all our clients informed as to whatever steps we are taking, whatever expenses we are incurring, whatever loss or hit on productivity is happening, we are keeping our clients informed on that. But at the moment, there is no surety. Clients are being symptomatic about it, but no client has come forward and said okay, we will compensate you this.
- Parikshit Kandpal:** Because I am not seeing your material costs have gone up, 1H cost has been lower YoY, material cost is only the reason which is almost expansion of 132 basis points which impacting the margin. We got your point it is difficult to quantify.
- Shobhit Uppal:** Yeah.
- Moderator:** Thank you. We have next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, what is the unbilled revenue as of September?
- Rohit Patni:** Unbilled revenue is 187 crores.
- Shravan Shah:** Some numbers on the quota and any progress or any thought that when it can be monetized? Is there any progress or any discussion over there?
- Satbeer Singh:** Half year ended revenue was 55 lakhs and we have incurred loss of around 4.76 crores per accounting recognition, but there is cash deficit would be around 97 lakhs for this half year. And going forward, this year, we are expecting that cash deficit would be 1.84 crores, approximately for this year. And for the next year, we are targeting that we will be able to get revenue of around 70-80 lakhs per month and thereafter we can see that cash deficit would be at par for the next year.
- Shravan Shah:** So, currently in terms of, how many utilization...



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- Satbeer Singh:** Actually what is happening there, there is 76% utilization is there for the second floor, but there is a revenue, you can say, around 44% out of which because LOI has been issued and we are expecting that 76% would start from end of December and this is basically ended. So, we are expecting net fourth quarter revenue would be around 1 crore that is why.
- Shravan Shah:** And any monetization thought with the hotel we were thinking that somebody can come, anything on that?
- Vikas Ahluwalia:** We are still talking to a lot of players. So, we are also considering converting this space into a commercial office area. We have received some queries, but we are still talking to them. If somebody takes a large piece at the space, so we are talking to couple of people. There is a good possibility.
- Shravan Shah:** What is the value of the flat inventory that we have taken over, I think for last couple of quarters, we are not discussing. Just to refresh what is the value currently in the flat inventory that we have?
- Satbeer Singh:** As on 30th September, 48 crores.
- Shravan Shah:** So, has it reduced since March or it is the same?
- Satbeer Singh:** This quarter basically, there is sale of 4 crores and that is why that has been reduced from 53 to 48 now. We have sold flat during this quarter.
- Shravan Shah:** And whenever we are doing that, are we booking any loss or anything in our P&L?
- Satbeer Singh:** Already, you can see segment wise results that the 95 lakhs loss this quarter on the flat sales.
- Shravan Shah:** Sorry sir, what is it 95 lakhs loss this quarter?
- Satbeer Singh:** Yes. This quarter and the half year, these are same.
- Shravan Shah:** So, 95 lakhs loss, that is part of the other expenses or it has been adjusted against the other income?
- Satbeer Singh:** Basically, that is increase and decrease related inventory.
- Shravan Shah:** And sir, any progress on arbitration or any expectation, anything on arbitration one?



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- Shobhit Uppal:** No, at the moment, nothing in this quarter. The award that we had got for the SPM Stadium that has been challenged by CPWD.
- Moderator:** Thank you, sir. We have next question from the line of Vaibhav Shah from Centrum Broking. Please go ahead.
- Vaibhav Shah:** I only have one question. So, what is the current status of project? Has the execution picked up?
- Shobhit Uppal:** It has taken off and the project is well underway.
- Vaibhav Shah:** By when do you expect to complete maybe in next couple of years?
- Shobhit Uppal:** About 2.5 years.
- Vaibhav Shah:** So, we do not foresee any issues as of now?
- Shobhit Uppal:** No. The government has started funding because part of the funding had to come from Nauroji Nagar, sale proceeds on Nauroji Nagar that has started happening now.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Varun Ginodia from Ambit Capital for closing comments. Over to you, sir.
- Varun Ginodia:** Thank you so much, Vikram and thank you so much sir for answering all the questions patiently. I hope the call was helpful to everyone, and thank you for allowing us to host this call for you. I will hand it over the call to you if you have any closing comments.
- Shobhit Uppal:** Thank you everybody for joining in. Hopefully, we could answer all your questions. If there are any further queries, please feel free. Rohit or Sabteer will get back to you individually. Thank you once again and all the best. Stay safe.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.