



“Ahluwalia Contracts (India) Limited 1QFY22 Results Conference Call hosted by Ambit Capital”

August 12, 2021



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



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Moderator: Ladies and gentlemen, Good day and welcome to the Ahluwalia Contracts 1QFY22 Results Conference Call 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 this conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. 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 Melissa and Good afternoon everyone. Ambit Capital welcome you all to Ahluwalia Contracts 1QFY22 Earnings Call. We are pleased to have from the management Mr. Shobhit Uppal – Deputy Managing Director, Mr. Vikaas Ahluwalia – Director and Mr. Satbeer Singh – Chief Financial Officer. In terms of the format Mr. Uppal will give brief remarks on Q1 Results and then we will open the floor for Q&A. Sir, over to you.

Shobhit Uppal: Thank you Varun. Good afternoon everybody. Ahluwalia Contracts (India) Limited announced the financial results of 1QFY22 on 10th of August. During 1QFY22 the company has received a turnover of 580.10 crores and a PAT of 34.79 crores in comparison to a turnover of 249.85 crores and a PAT of 7.48 crores in 1QFY21. The company has registered year-on-year growth of 132% in revenue and 365% in PAT. EPS of the company for Q1 FY22 is 5.19 as compared to 1.12 in Q1 of FY21. During Q1 FY22 the company's EBITDA margin is 10.84% as compared to 7.42% and a PAT margin of 6% as compared to 2.99% in the corresponding period of the last financial year. Net order book of the company as on 30th June 2021 stood at 7115.33 crores to be executed in the next two to two and half years. The company is L1 in two tenders having an aggregated value of 1,160 crores. Thank you. We are open for questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We have the first question from the line of Sita Raman from Spark Capital. Please go ahead.

Sita Raman: So, my first question is what is the big pipeline that you see across for the rest of the year?

Shobhit Uppal: Our tenders that we have submitted are about 6,500 crores to make sure under submission.

Sita Raman: So, what is the guidance for FY22 that you see and what is the CAPEX that you are expecting to invest?

Shobhit Uppal: I think last time around I had given a guidance of about 2,500 crores fresh orders in this financial year. You are talking about order inflow right guidance for that.

Sita Raman: The revenue guidance also?



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- Shobhit Uppal:** I said about 15% to 20% growth.
- Sita Raman:** Because right now the COVID situation has also improved so I was just asking from that front and the EBITDA margin will be around 11% to 12%?
- Shobhit Uppal:** Yes.
- Sita Raman:** And then what are the segments that you see like the private sector and what is the confidence level of the market, can you give some idea on that?
- Shobhit Uppal:** In the private sector there seems to be in some geography there seems to be an uptake in the residential side or private sector works, but having said that we continue to kind of be risk averse as far as private sector development is concerned especially residential it is not a focus area for us. On the public sector side hospitals continue to be an area where various governments are investing just yesterday we submitted for the Delhi government there were three large tenders which we submitted the aggregate value was close to about 2,000 crores approximately for these jobs.
- Sita Raman:** Can you give an idea about the various the unbuild revenue, the receivables and all those things, can you give an idea of that how it stands at the end of June 21?
- Satbeer Singh:** This is unbuild revenue 369 crores.
- Sita Raman:** And receivable?
- Satbeer Singh:** Receivable sir that is around 619 crores including retention money of 198 crores and mobilizations are 327 crores, trade payable 588 crores.
- Sita Raman:** So, basically about the state government do you find any of the government stretched because of the COVID impact?
- Satbeer Singh:** Bengal is stretched.
- Sita Raman:** With respect to other governments?
- Satbeer Singh:** Look the other states also stretched but relative what I have said is Bengal seems to be slightly worse of situation post COVID.
- Moderator:** Thank you. We have the next question from the line of Parikshit Khandelwal from Axis Securities. Please go ahead.



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Parikshit Khandelwal: So, my first question is was the quarter impacted in anyways in terms of margins or cost related to COVID because we do see improvement in margin so is it like a normalized margin or there was some impact because of the COVID related cost?

Shobhit Uppal: It is a loaded question, but Yes there was an impact I cannot deny that you know April and part of May the second wave was there so the impact obviously was there, but not withstanding that we have been able to achieve good results because on the ground the project did not really stop, but the impact was there.

Parikshit Khandelwal: Because the top line has also been quite good I was expecting like better than expectation, so what could have been miss in revenues because of COVID in this quarter it is a ballpark it could potentially be the loss in revenues you could not book because of COVID related issues?

Shobhit Uppal: It is very difficult to give you a figure, but I can say if COVID would not have been there we have been impacted by about 10%.

Parikshit Khandelwal: About 60 crores, 70 crores of revenues?

Shobhit Uppal: Yes.

Parikshit Khandelwal: Just on the ordering based you said you are already L1 in about 1,300 crores worth of project two projects 1,160 worth of two tender and you are also bidding for more tenders you are still guiding a conservative number about 2,500 crores and I assume that Central Vista and all have still not figured out here, so if you would bid for that do not you think that this number is quite conservative?

Shobhit Uppal: You know there is a reason for that as the earlier question which was asked to me as to which states are impacted financially. So, what we are seeing is that healthcare aside a lot of other projects may get impacted, the tendering is happening, but 20%, 30%, 40% into the lifecycle of the project we are seeing that they may get impacted because the government is stretched. So, we are very vary that is why it is better to be conservative going forward.

Parikshit Khandelwal: Just lastly for all this cost overrun and escalation and issues regarding one off which would be in coming quarter-on-quarter, so is it all behind right us. No new surprises as of now as there has been in next couple of quarters so everything is being done and dusted what you said last time just wanted to clarify?

Shobhit Uppal: Yes.



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Moderator: Thank you. We have the next question from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Sir just question on the order book can you throw some light specifically on orders of Jammu because in Q3 I think that order was closer to 1,240 crores Q4 I think we did not get the presentation which always been given by the company in terms of the order breakup, so can you throw some light how Jammu has moved in the overall backlog and also if you touch base on the Bihar projects I think that Bihar projects also in Q3 was to the tune of what you have in the order book of 640, so any touch points on these two projects how they are moving now of the overall backlog?

Shobhit Uppal: Jammu the order value is 1,253 crores obviously last year the calendar year last year it was on started because of COVID, but now I did not mention in my last concall the project is now moving ahead and moving ahead fast. I think we are logging a monthly billing there of close to 20 crores which will ramp up considerably in this quarter and onwards COVID third wave not happening, but it is fully mobilized and moving full speed ahead on Jammu. As things stand today we have done a billing of close to about 150 crores there and we hope to achieve a run rate there anywhere between 25 to 30 crores per month rest of this financial year. So, that answers your query as far as Jammu is concerned.

Nitin Arora: And what about Bihar sir I think that was total Bihar project I think 630 crores, 640 crores how that is moving now?

Shobhit Uppal: Bihar is moving but Bihar is not fully up to speed as yet rains are pounding that state that is impacting our project run rate monthly run rate and also Bihar also seems to effect so not as badly as Bengal, but yes that is also stretched financially, but going forward we foresee the situation will improve there in the second half of this financial year.

Nitin Arora: So, sir basically I was asking wanted to know from you if these two bigger areas because Central Vista you have done lot of billing already and if these two does not move that fast?

Shobhit Uppal: it is moving Jammu is moving I told you.

Nitin Arora: So, you do not see a risk to at least 15% growth this year in your revenue?

Shobhit Uppal: No, but if things continue to remain the way are, the way they are I do not see any threat. Just to further take that point forward even our hospital projects in Hamirpur and Chamba has started moving now full swing.



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- Nitin Arora:** Sir generally given our margins are close to 10% plus in this quarter given our 15% guidance you know we will be doing somewhat the similar revenues in the next three quarters plus and minus here and there margins you are still guiding 11%, 11.5% so optically goes towards 11.5% consistent you do not see that to this PAT as well given what you have done I mean whatever the risk or the provisions you are creating in the first quarter you do not see much of the provisions to happen?
- Shobhit Uppal:** I stand by my guidance so what you are saying are you saying that guidance is conservative or you feel there is a threat to that.
- Nitin Arora:** I am saying sir on a 580 crores top line we are delivering 10.4 and in our past on such top lines we have delivered more than 12% and I understand it is a COVID quarter there would be some ECL provisioning would be done, sir just trying to understand if the top line is largely remaining the same based on your 15% growth guidance this margin ideally you think should improve towards 11.5 in the next three quarters that is the way to look at it?
- Shobhit Uppal:** Yes as I said I am qualifying that statement by saying by adding that COVID situation if everything keeps running the way it is right now yes I agree with you.
- Nitin Arora:** Lastly though you touch base on the bid pipeline of 6,000 to 6,500 crores you have bided, can you throw some light which are these segments, which are these orders is something new also we are trying to bid that would be really helpful?
- Shobhit Uppal:** As I said 50% to 60% of this order pipeline is hospitals then some of this is about 20% is commercial and rest is institutions.
- Moderator:** Thank you. We have the next question from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir question is on the interest cost for the quarter so we are seeing a quarter-on-quarter reduction in the interest, why it would have come off sharply on a quarter-on-quarter basis?
- Shobhit Uppal:** As we have mentioned in our last call the interest cost primarily there on account of mobilization advances we have paid off some portions.
- Satbeer Singh:** Mobilization advance is 6.34 crores out of 11.47 crores and also due to lease liability that interest cost that is accounted for 1.09.
- Shobhit Uppal:** His question is it has come down that has come down because of recovery of the advance we paid off.



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- Satbeer Singh:** Because of unwinding of the mobilization.
- Ashish Shah:** Secondly do our members include any provisions for any of the past legacy issues or there is the normal level of expenditure?
- Satbeer Singh:** Normal age wise provision has been made due to breakup more than one year, more than two years, more than three years according to that percentage wise provisioning has been made.
- Ashish Shah:** But there is nothing pertaining to the....
- Satbeer Singh:** There is no specific to legacy issues.
- Ashish Shah:** Sir lastly what would be the cash balance as of June?
- Satbeer Singh:** That was 219 crores.
- Moderator:** Thank you. We have the next question from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir just basically wanted to get so one clarity you mentioned that you have bid for 2,000 crores of projects in Delhi these are all hospital projects is it?
- Shobhit Uppal:** Yes so Delhi government has come out with three packages bid was yesterday interesting concept these are spread over 7 locations they want them to be built in an emergency for a potential third wave. So, they want these hospitals to be completed in 6 months, 7 months.
- Vibhor Singhal:** And are these some kind of makeshift hospitals which are going to be dismantle later on or is it like permanent structure which are going to stay and they can probably be later converted into bigger ones or something like that?
- Shobhit Uppal:** Yes the second part what you are saying seems to be right they are steel structures, they would be I think retained as some other, they would be converted into something else it is not that they will be dismantle.
- Vibhor Singhal:** And sir as you mentioned I think the execution on the Jammu AIIMS are on track, just wanted to basically get some status update on other projects like AIIMS Kalyani or Nagpur projects and also the Alipore stadium and the two projects in Bombay?
- Shobhit Uppal:** So, AIIMS Kalyani and Nagpur handling over states I mentioned last time that in September, October we will be handling them over. So, that is what happening in fact half of the project



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academic part areas that we have already handed over both locations and the main hospital block we have already handed over two floor each, but complete I think it will be completed by September end both these jobs. As far as the auditorium is concerned project is moving, we are logging a billing of 8 crores, 9 crores every month, but as I said Bengal is catch trapped, but I think completion is around March next calendar year.

Vibhor Singhal: Mumbai projects?

Vikaas Ahluwalia: Mumbai is they started off little slow initially because immediately the lockdown came in and then the rains were not so kind to Maharashtra this time especially Mumbai, but now for the last two months now they are on track a Sion is going to be a little slow project because it is to be done in parts we have to make first one building and then couple of buildings are going to be demolished. Regarding the other one which is the depo that is now on track. So, we are back on whatever time we have lost we are going to cover it up.

Vibhor Singhal: Also sir if I could just get and there is more debt on the balance sheet at the end of the quarter as it was last quarter as well?

Shobhit Uppal: No debt. There is a small amount of debt 22 crores.

Vibhor Singhal: Lastly sir just one book keeping that if I could get the order book breakup in terms of the commercial and all those numbers that we provide?

Satbeer Singh: Commercial 5%, hospital 53% and infrastructure 13%, institutional 14% and residential is also 15% and sector wise government 81%, private 19%.

Vibhor Singhal: Region wise North East, South East?

Satbeer Singh: Region wise is 33% North 45% and West is 21%.

Vibhor Singhal: North is 45% right sir?

Shobhit Uppal: North is 45 yes.

Vibhor Singhal: Just one more question if I could squeeze in sir in terms of the order I think for the last couple of years we have been very strong and as you have mentioned before that I think the government focus on healthcare is also quite strong, it should auger well for us given our expertise in the segment, any plans of growing into the affordable housing segment which is also seeing quite a bit from the government or is that going to be a no-no for us?



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- Shobhit Uppal:** Not in the short term.
- Moderator:** Thank you. We have the next question from the line of Charanjit Singh from DSP. Please go ahead.
- Charanjit Singh:** First question you talked about there could be some stress in some of the state government financials, so in terms of the working capital front how do you see things planning out, could we see stress on the working capital side and how we are trying to manage that, that is my first question?
- Shobhit Uppal:** There is a bit of a stress, but you are managing it through internal accruals.
- Charanjit Singh:** In terms of the number of days you see how much it could inch up and especially generally we had follow that policy that you tend to see the payment and then deliver on the work, so how does that plan out because these are more state government project which have fixed timeline, so on overall number of working capital days?
- Satbeer Singh:** So, that working capital days has increased to 107 days if we compare to the last quarter just 97 days, but there is slightly improvement in debtor days, but definitely due to increase in the fund build revenue that side you increase because of certification that is taking place in another one or two months that is why there is and due to GST we are taking that is an unbilled revenue that was small part of the revenue in earlier quarter, but there is no major increase in working capital days still that gap has been filled up out of our internal accruals and there will not be any increase in debt also.
- Shobhit Uppal:** So, as you yourself said like Bengal you see you said that we have two projects directly with the state government. So, we are monitoring the cash flow situation and executing work on the ground based on whatever the indication from say PWDR, but these projects I am confident that we will be able to finish both these projects before the end of this year financial year that is because these are very visible projects close to the powers that
- Charanjit Singh:** Sir the other question is on the margin front while I understand this is a COVID impacted year we have been doing certain provisioning in the past couple of quarters. So, we have seen a peak margin of more than 13% and if we have to just understand from a two years trajectory perspective for Ahluwalia Contracts how do you see this margin trending upwards or remaining at 11.5%, 12% if you can just give some color on that based on the order backlog which you have?
- Shobhit Uppal:** As I mentioned last time in about two years' time to three years' time I expect us to be back to the peak margins that we have achieved around 2010. As far as this year is concerned I foresee



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headwinds continuing to be there, the impact of COVID continuing to be there and then cash flow issues that is why we have given a guideline about 11% to 12% as far as this year is concerned.

Charanjit Singh: Sir last question from my side is on the competition front so we see lot of road contractors talking about entering into the buildings space and expanding their segment portfolio, so how do you see that in different government projects?

Shobhit Uppal: In the short term again, I am repeating myself I said this last time around also the competitive intensity is increasing that is why our order guidelines is conservative to this year because we do not want to be too aggressive.

Charanjit Singh: Just on the hospital side that is still the competition tends to be lesser is that a right understanding?

Shobhit Uppal: No, it is increasing there also.

Moderator: Thank you. We have the next question from the line of Vasu Dev from Edelweiss. Please go ahead.

Vasu Dev: If you could help us with the CAPEX that we did in Q1 and what is the amount that we plan to spend for the rest of the year?

Shobhit Uppal: Q1 CAPEX is 7 crores.

Vasu Dev: And what do we plan for the remaining part of the year?

Shobhit Uppal: It will be more or less the same every quarter so it will be around 30 crores for the total year.

Vasu Dev: One last thing if you can tell me the inventory balance that we have as on 30 June?

Shobhit Uppal: This is 41 crores.

Vasu Dev: And our gross debt just to confirm it 22 crores?

Shobhit Uppal: Yes.

Moderator: Thank you. We have the next question from the line of Parth Navin Bhavsar from Dolat Capital Markets. Please go ahead.



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- Parth Navin Bhavsar:** Sir just wanted to know that the L1 that you said that you have been awarded L1 of around 1,160 crores sir if you could help me with the breakup like in terms of location and value when do you expect to get the LOI?
- Shobhit Uppal:** One is in Calcutta Rajarhat this is 250 crores it is a government tender residential for Hitco that the award should be happening in the last week of this month. The other is for BCD Bihar Construction Department is large animal husbandry and Veterinary university for 890 crores that should also be awarded in this month.
- Moderator:** Thank you. As we have no further questions I would like to hand the floor to Mr. Varun Ginodia. Please go ahead.
- Varun Ginodia:** Thank you Malika. So, thank you so much for answering all the questions patiently and I will hand over the call back to you for any closing comments.
- Shobhit Uppal:** Thank you Varun. Thank you everybody who joined in and look forward to interacting with all of you again in a few months' time. Thank you so much bye.
- Moderator:** Thank you members of the management and Mr. Ginodia. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.