



“Ahluwalia Contracts (India) Limited  
1QFY2024 Earnings Conference Call”

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**MANAGEMENT:** **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR**  
**– AHLUWALIA CONTRACTS (INDIA) LIMITED**  
**MR. SATBEER SINGH – CHIEF FINANCIAL OFFICER –**  
**AHLUWALIA CONTRACTS (INDIA) LIMITED**

**MODERATOR:** **MR. AMAR KEDIA – AMBIT CAPITAL**



**Moderator:** Ladies and gentlemen, good day and welcome to the 1QFY24 Earnings Conference Call of Ahluwalia Contracts (India) Limited hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amar Kedia from Ambit Capital. Thank you and over to you, Mr. Kedia.

**Amar Kedia:** Thank you, Michelle, and good afternoon, everyone. Welcome to the 1QFY24 earnings call of Ahluwalia Contracts (India) Limited. From the management, today we have with us Mr. Shobhit Uppal, Deputy Managing Director; and Mr. Satbeer Singh, CFO of the company. I now hand over the conference to the management team for their opening remarks. Post which, we'll open up the floor for Q&A. Thank you and over to you, sir.

**Shobhit Uppal:** Thank you. So welcome, everybody. Ahluwalia Contracts (India) Limited has announced their financial results for 1QFY24. During 1QFY24, the company has achieved a turnover of INR763.61 crores and a PAT of INR49.73 crores in comparison to a turnover of INR609.24 crores and a PAT of INR37.78 crores in the corresponding quarter of the last financial year. The company has registered a growth of 25.34% and 31.63% in turnover and PAT respectively during 1QFY24 in comparison to 1QFY23. EPS of the company for 1QFY24 is INR7.42 as compared to INR5.64 in 1QFY23.

During 1QFY24, the company's EBITDA margin is 10.83% as compared to 9.94% and a PAT margin of 6.51% as compared to 6.20% in the corresponding period of the last financial year. Net order book of the company is INR11,779.64 crores to be executed in the next 24 months to 30 months. Total order inflow during FY '24 till date stands at INR4,377.41 crores. At present, we are L1 in one project amounting to INR2,840 crores. Thank you. We are ready for the Q&A.

**Moderator:** Thank you very much, sir. We'll take the first question from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Congratulations on good set of numbers and particularly on the order inflow. So just to clarify. You mentioned you are in L1 in INR2,840 crores, this is which project?

**Shobhit Uppal:** This is the International Jewellery Park in Mumbai.

**Shravan Shah:** Okay. And where the LOA and the work ought to start in next two months- three months...

**Shobhit Uppal:** Likely two months to three months, yes.

**Shravan Shah:** So now including this, we are having INR7,217 crores order inflow. So how much more now we are looking at?

- Shobhit Uppal:** How much more we are looking at? Maybe another INR2,000 crores, INR2,500 crores in this year. Look, the tendering activity is beginning to slow down a bit as the general elections come closer. So yes, another INR2,000 crores.
- Shravan Shah:** Okay. So in terms of the revenue that we were looking at 20% plus for this year and for even couple of years 20% kind of. So are we now revising upwards to kind of 30%?
- Shobhit Uppal:** No, at the moment we are sticking to that. There are expected to be -- as I said in our last call in the same point; as elections come closer, there is a degree of slowdown. So we are sticking to our original guidance on the revenue.
- Shravan Shah:** Okay. And then on the margin front, sir, two things wanted to understand. So on Q-o-Q basis though it is not a pure comparison, but still from last quarter we had a 12.8% margin, which is now 10.8%. So we are looking at 11% kind of margin. So there is one aspect in that is, the employee cost which has increased Q-o-Q significantly to INR66 crores odd. So is there any managerial remuneration onetime that is part of it and also this INR66 crores quarterly run rate is now the new run rate that one should factor?
- Shobhit Uppal:** So this is the new run rate that one should factor, one. Secondly, we have announced increments so that payout has happened, that is why this figure is higher. Thirdly, because of the large orders that have come in, we have also beefed up or increased our staff strength. That impact is seen in this. The execution on these projects will now happen over the subsequent quarters. So as a percentage, this figure will come down. But as an absolute number, this is the run rate or this is the quantum that we should be looking at now.
- Shravan Shah:** So at EBITDA margin level excluding other income, we should only look at 11%. So is there a -- once we are scaling up in terms of the execution, will this 11% EBITDA margin next year can one look at 11.5%, 12%?
- Shobhit Uppal:** Yes, we can. I had mentioned that last time, we can.
- Shravan Shah:** Okay. And couple of balance sheet item, Satbeer, sir, inventory, trade receivables?
- Shobhit Uppal:** Actually I am handing over to Satbeer. He will take you and everybody through the balance sheet or the financial numbers. And if you still have any questions after that, he will answer that. Over to you, Satbeer.
- Shravan Shah:** Sir, inventory, trade receivables, trade payables, mobilization, retention money and unbilled revenue?
- Management:** All I will tell you. Just inventory INR322 crores and debtors INR552 crores, retention INR244 crores, mobilization INR309 crores, unbilled revenue INR379 crores, there is mobilization advance of 44% and gross debt is INR7.42 crores. Here are the segment-wise order book: This is commercial 8.69%, infrastructure 31.56%, institutional 24.69%, residential 13.61%, hospital 21.01%. And sector-wise: private 25.35%, rest is Government. And region-wise: east 25.29%, north 13.69%, west 37.72%, south 2.76% and overseas 3.54%. And besides that, working capital days is 95 days and fixed price contract is 30%.



- Shravan Shah:** Okay. And trade payable is how much, sir?
- Management:** Trade payable is INR638 crores and tax provision INR266 crores, bank provision INR280 crores including non-finance.
- Shravan Shah:** Sorry, bank is to INR280 crores?
- Management:** Yes.
- Shravan Shah:** Thank you, sir and all the best.
- Management:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Gunit Singh from CCIPL. Please go ahead.
- Gunit Singh:** Hi, sir. Most of my questions have been asked. Who are our main competitors in this space?
- Shobhit Uppal:** L&T, Shapoorji Pallonji, Nagarjuna Construction, Kalpataru.
- Gunit Singh:** That's all from my side. Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Ashish Narendra Shah from JM Financial. Please go ahead.
- Ashish Shah:** Thank you for the opportunity. Sir, first of all, I may have missed the initial guidance you gave on the revenue growth, etcetera. I'm not sure, the line wasn't very clear. So if you could just please repeat that?
- Shobhit Uppal:** So I gave no fresh guidance. This was the carry forward from my last call, of which you were a part. I maintain the guidance, which was given last time around of 20% growth.
- Ashish Shah:** Okay. All right. Also sir, if you can just update the status of maybe the Top 4- 5 projects. Some of the projects for example especially on the station redevelopment now, what is the progress? When do we expect to start booking the first revenue out of that project? As well as some of the older projects that we had, for example the AIIMS project and the Bihar Animal Science University, etcetera?
- Shobhit Uppal:** So the AIIMS Jammu project is slated for completion towards the end of this year last quarter, November, December. So we are on track for that. As far as the Bihar Animal Science and Husbandry project is concerned, there construction is happening, it's picked up pace now. So we have about -- the total value is about INR890 crores. We have executed about INR75 crores, INR80 crores there and we expect to log a run rate of about anywhere between INR10 crores to INR15 crores every month.
- In Bihar, the NIT project since this was also a design-build project, the designing phase is almost over and we are now logging there a monthly run rate of about INR15 crores to INR20 crores there also. The two hospital projects, the Rahui or Nalanda dental project in the Chief

Minister's constituency, that will be completed in the next three months and the Chapra hospital project will be completed in the next five months in December, in this calendar year. As far as the station redevelopment projects are concerned, we have now started. The revenue earnings have started from this quarter, say, July quarter for the Chandigarh project. As far as the CSTM is concerned, the revenue booking will start in about two months from now. Any other specific project that you have in mind?

**Ashish Shah:** Yes, sir. Just had the Sion Hospital one in mind because that was kind of an elongated construction duration. So just wondering...

**Shobhit Uppal:** It is moving at its pace, the projected pace. We are logging a billing of about INR4 crores to INR5 crores there.

**Ashish Shah:** So INR4 crores to INR5 crores per month kind of a bill. Right? Just to further dwell on the CST station redevelopment. At what rate we expect we will commence the booking? What kind of a build-up, we should assume maybe this year, next year? If you could guide in terms of a monthly run rate, it will just help us to be a little more scientific in our estimation.

**Shobhit Uppal:** So, it will pick up pace in the last quarter of this financial year that is January, February, March. By then, we should be hitting a run rate of about INR30 crores to INR40 crores a month. Prior to that, since this involves intricate design work as also traffic management and other such issues; this quarter, as I said, billing is going to be weaker. Last quarter of the calendar year; that is October, November, December; we should be billing about INR10 crores to INR15 crores a month. Major billing will start happening in the last quarter and which will pick up in the next financial year.

**Ashish Shah:** Right. And would it be at peak in the next financial year and what would be that peak rate?

**Shobhit Uppal:** We should -- in the first half of the next financial year, we should be looking to bill at about anywhere close to INR60 crores to INR70 crores a month.

**Ashish Shah:** Right, sir. That helps. Thank you very much and all the best, sir.

**Shobhit Uppal:** Thank you.

**Moderator:** Thank you. We'll take the next question from the line of Kishan Toshniwal from Polar Ventures LLP. Please go ahead.

**Kishan Toshniwal:** Good afternoon. Congratulations on a good set of numbers. First of all, I have two to three questions. Basically you said that the unexecuted order book that you have is likely to get executed in the next two years to three years, right, if I've heard it correctly?

**Shobhit Uppal:** Yes.

**Kishan Toshniwal:** The second question is most of our projects basically from state government and central government or we are basically doing work with the government entities only?

- Shobhit Uppal:** No. So we straddle both the sectors, the public sector as well as the private sector. The breakup of the public sector and private sector is 75%, 25%. And we work with both central as well as state governments.
- Kishan Toshniwal:** So 75% is towards government and 25% is towards private, right?
- Shobhit Uppal:** Private, yes.
- Kishan Toshniwal:** Another question that I have. When you have such a healthy order book and you're expecting that we are going to grow by 20% year-on-year, should I assume that due to the election that is due in 2024, you are guiding on a very conservative basis or is it something else that I'm missing in the space?
- Shobhit Uppal:** No. Our guidance has always been conservative. If you attended our earlier call, that is how we've -- we are conservative in our guidance and we try and achieve what we target.
- Kishan Toshniwal:** So what is the difference that you see? Just being an election year, what is the difference that you see from the other years or what is your expectation? Just being the election year, what could be the difference that you think?
- Shobhit Uppal:** There is a bit of a slowdown especially. But since our order book is healthy and a lot of these projects the state and the central governments are looking to showcase. So that is why we feel that the guidance that we've given we'll be able to match.
- Kishan Toshniwal:** Okay. And what is the average EBITDA margin that we should assume in the business that you are? Does it have some cyclical in this business? There's some quarter cyclical in nature as such?
- Shobhit Uppal:** Look, infrastructure like other industries is always cyclical, but we seem to be riding a wave upward trend. And we feel because of our order book and because of the general state of the economy of the country, we feel that the next four years or five years, the growth should be good and we should be able to meet our target. So that is where we are at.
- Kishan Toshniwal:** And what is the EBITDA margin that we as an investor should look at?
- Shobhit Uppal:** EBITDA, we've given a guidance of 11% plus. We should be able to match that.
- Kishan Toshniwal:** Okay. Thank you.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Vasudev from Nuvama. Please go ahead.
- Vasudev:** Thank you for the opportunity, sir. So if you can tell us what is the bid pipeline currently and are there any projects, where we've already bided and awaiting results?

- Shobhit Uppal:** The bid pipeline is about INR2,500 crores. We have bid for a few projects. We bid for a couple of private hospitals. We have bid for a couple of data centres. We have bid for a couple of residential projects in the private sector.
- Vasudev:** Okay, sir. And next question is what is the capex that we've done in Q1 and our target for the entire year?
- Management:** Capex for Q1, that is INR24 crores.
- Vasudev:** Okay. And sir, what are we looking for the full year?
- Shobhit Uppal:** The run rate will remain the same for the subsequent quarters also because we are now looking at adding to our machinery bank and shuttering for the projects which we've been awarded in the last three months.
- Vasudev:** Okay. Got it. And sir, next what are your views on the competitive intensity right now?
- Shobhit Uppal:** The competitive intensity remains high, but we are -- as I mentioned earlier, there is a bit of a slowdown expected in the fresh tenders which are going to come out with this being the election year. Because we have a healthy order book, we are in a position to pick and choose.
- Vasudev:** Okay. And sir, lastly, if you can quantify that what is our total share of order book from the state governments and are we facing any issues in regards to payments from them?
- Management:** This is central government approximately 45% and state government 32%.
- Vasudev:** And sir, are we seeing any...
- Shobhit Uppal:** Since there is -- as far as we are facing a bit of an issue in Bihar. But that as I mentioned in response to an earlier question, both our Bihar medical hospital projects, they are slated to -- since they come in the Chief Minister and Deputy Chief Minister's constituency, they are looking to complete them in this financial year. So we are expecting that our payments will also come through there. Otherwise for the Bihar animal husbandry project, university project; that the payments are now happening on time.
- Vasudev:** Okay, sir. That was helpful. I will join back in the queue for more questions. Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Good afternoon, sir. Thank you for taking my question. Sir, I have a question on this Tata Memorial project. So it is in the order backlog, how about the execution? When do we start the execution?
- Shobhit Uppal:** The execution on Tata Memorial will begin in this quarter. We've actually broken ground there and we should be starting to generate substantial revenue in this quarter.
- Jiten Rushi:** We can safely assume around how much?

- Shobhit Uppal:** It's difficult. What I'm saying is that, we'll start generating revenue. But in the third quarter of the financial year, we should be logging a run rate of about INR10 crores plus every month.
- Jiten Rushi:** Sir, and the other projects order backlog as the Arbour Project Gurgaon, the DLF one and the Dharavi Wastewater project. So these are also like new project, but any execution we are expecting from Q3 or how are we placed now?
- Shobhit Uppal:** It's already Q2. Arbour, Q2 revenue generation in fact has started. Similarly from Puri, The Aravallis, so that also. In fact Puri, we have already billed for two months. Which was the other projects that you mentioned?
- Jiten Rushi:** The Dharavi Wastewater Treatment.
- Shobhit Uppal:** Dharavi Wastewater Treatment, also Q2 revenue generation will start.
- Jiten Rushi:** And sir, in terms of the execution, have you faced any issues because of the heavy monsoon this year? So we see that the execution can get impacted or got impacted in July and Q2 can be a tough quarter. Any view on that sir?
- Shobhit Uppal:** Actually if you see if you've done a peer comparison, Q1 has been slightly slow for all construction companies. Monsoon is 1 factor, yes, but majorly the factor has been a slew of festivals, especially festivals which have affected the Muslim community. There were two Eids, which were there in the first quarter and since today 60% of our workforce is from the Muslim community, that has slowed down progress across the construction sector. As far as the impact of monsoon in the second quarter is concerned, yes, in July we have been impacted virtually across the country, so that will show. But Q2, I expect will definitely be better than Q1.
- Jiten Rushi:** Got it. Sir, just last thing from Satbeer, sir. Sir, the cash you said INR266 crores and bank is INR280 crores, right sir?
- Management:** I said INR266 crores cash position and INR280 crores bank position.
- Jiten Rushi:** Is the bank position. And sir, fund-based and nonfund-based limit and utilization?
- Management:** This is just around -- limit is INR1,940 crores including fund-based and non-fund-based and out of which, around INR200 crores is unutilized.
- Jiten Rushi:** Okay. Fund-based will be hardly utilized, but your nonfund-based must have got utilized.
- Management:** Yes, hardly -- is INR7 crores just as I mentioned.
- Jiten Rushi:** Got it. So basically INR200 crores is unutilized from the nonfund-based?
- Management:** Yes. And we are also looking for enhancement of the limit that will be around might be INR2,100 crores, INR2,200 crores. That is in process.
- Jiten Rushi:** Thank you, sir and all the best.



- Moderator:** Thank you. We'll take the next question from the line of Ashish Narendra Shah from JM Financial. Please go ahead.
- Ashish Shah:** Thank you for the opportunity again. Sir, I just wanted to come back to the gems and jewellery park L1 position that we have. So what is the kind of payment mechanism that we have? How sort of secure we are in terms of getting timely payments? What kind of BG's etcetera we need to give because this is a large project and tends to have different set of conditions? What's the time period of execution, etcetera? Any more details you can share, it would be really helpful, sir.
- Shobhit Uppal:** Ashish, since this is a project which is yet not been awarded and it's sort of a private project, I would be averse to sharing details about this project as things stand today. Once the project is awarded, it's not purely -- it's not a project though the government is involved in this project to the extent that they have allotted the land, but it's not purely an L1 project. So I would be averse to sharing details till such time that the project is awarded to us. I hope that's okay.
- Ashish Shah:** No. That's very fair. That's understood. Maybe we'll touch base on this next quarter.
- Shobhit Uppal:** Yes. Let it be awarded, we'll be open to answering all questions.
- Ashish Shah:** That's it from my side. Thank you and all the best.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. We'll take the next question is from the line of Deepika Bhandari from PhillipCapital. Please go ahead.
- Deepika Bhandari:** Hi, sir. Thank you for taking my question. Sir, as you had mentioned in this call earlier that station redevelopment project, the Chandigarh project, Tata Memorial Hospital and Dharavi project have not been contributing in revenue in quarter 1. Is my understanding, correct?
- Shobhit Uppal:** Yes, it is.
- Deepika Bhandari:** Apart from this, any other projects on which the designing work was going on and they were not contributing in our revenue?
- Shobhit Uppal:** I mentioned that NIT, Patna.
- Deepika Bhandari:** NIT, Patna. Altogether of these five projects, what would be the combined value if you can share?
- Shobhit Uppal:** The combined values. Okay. So INR2,450 crores is the CSTM project, approximately INR500 crores is the Chandigarh railway station project, INR530 crores is the NIT, Patna project. Any project that I missed out?
- Deepika Bhandari:** Just the Dharavi project, what's the value?



- Shobhit Uppal:** Tata Memorial INR750 crores and Dharavi Memorial INR550 crores. So that's 13, 18, 23, approximately INR4,800 crores.
- Deepika Bhandari:** Okay, sir. Got it. Just one more last question, sir. You said that our capex would be as per our usual range, but this year our order book is very strong and in next coming quarters, we'll be starting work on very big projects. So don't we see our capex to go up?
- Shobhit Uppal:** So part of that capex, we've already started building capacity as far as all these projects -- some of these projects are concerned. And as the designing starts getting completed, we'll add to it. So the rate of the capex will remain as it was in this quarter, around that.
- Deepika Bhandari:** Sir, around INR100 crores for the FY '24?
- Shobhit Uppal:** No. We've done. About INR25 crores. Yes, about INR100 crores,
- Deepika Bhandari:** Okay, sir. That's it from my side.
- Shobhit Uppal:** Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, anything on the land monetization of West Bengal? So we were previously looking at to jointly develop. So any update can need to happen this year?
- Shobhit Uppal:** No. I don't think, Shravan, anything will happen this year. While doing our base work, whatever steps we take will be in the next financial year.
- Shravan Shah:** But mostly we will be doing in JV, we will be developing?
- Shobhit Uppal:** I can't really say. I mentioned last time around that, if we get a good price which we should, we are not averse to disposing it off also. But whatever we do, we'll let the general elections get over and after that, we'll take a step on that. But we are in no hurry to sell it also.
- Shravan Shah:** Okay. Got it. And just though you have mentioned that, you will share details in next call on gems and jewellery. But broadly in terms of the timeline this will be a three year execution period?
- Shobhit Uppal:** It's a three year project, yes.
- Shravan Shah:** Okay. And then is there a renegotiation or any scope on that front and that's what we are slightly hesitant to share in terms of to start the project? Is there any scope in terms of renegotiation or something like that?
- Shobhit Uppal:** Look, this is on the lines of the Surat Diamond Bourse or the diamond Bourse in Bombay where a group of jewellers have come together and they are pooling in the money for the construction. So that's why I said it's not strictly L1, but there has been a stringent. There is a QCBS criteria also. They've evaluated each bidder's technical bid as well as financial bid. And



so chances are that, we will get this job, but I don't want to say too much till such time that we are announced as the successful bidder.

**Shravan Shah:** Okay. Thank you, sir.

**Shobhit Uppal:** Okay.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you.

**Shobhit Uppal:** Thank you, everybody. So we look forward to talking with you again post the second quarter Q2. Thank you once again.

**Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.