“Ahluwalia Contracts India Limited 3QFY25 Earnings Conference Call”

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MR. VIKAS AHLUWALIA – DIRECTOR, AHLUWALIA CONTRACTS INDIA LIMITED
MR. SATBEER SINGH – CHIEF FINANCIAL OFFICER, AHLUWALIA CONTRACTS INDIA LIMITED

MODERATORS: **MS. MARGARET MISHRA – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the 3QFY25 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 any assistance during the conference call, please signal an operator by pressing *, then 0 on your touchtone phone.

I now hand the conference over to Ms. Margaret Mishra from Ambit Capital. Thank you and over to you, ma'am.

Margaret Mishra: Good afternoon. On behalf of Ambit Capital, I thank the Management of Ahluwalia Contracts India Limited for the opportunity to host your 3QFY25 Earnings Call.

We have the following members of Management with us today, Mr. Shobhit Uppal - Deputy Managing Director; Mr. Vikas Ahluwalia - Director and Mr. Satbeer Singh - Chief Financial Officer.

I will now hand over the call to the Management, Mr. Shobhit Uppal - Deputy Managing Director, to walk us through the quarter. Thank you all and over to you, sir.

Shobhit Uppal: Thank you, Margaret. Good evening, everybody. Ahluwalia Contracts India Limited, an EPC Company, has announced the Financial Results for Q3 FY25.

During Q3 FY25, the Company has achieved the turnover of Rs. 951.95 crores and a PAT of 49.39 crores in comparison to the turnover of Rs. 1,026.47 crores and a PAT of Rs. 70.66 crores during Q3 FY24. The Company has registered a negative growth of 7.26% and 30.10% in turnover and PAT respectively during Q3 FY25 in comparison to the corresponding Q3 FY24. EPS of the Company for Q3 FY25 is Rs. 7.37 as compared to Rs. 10.55 in Q3 FY24.

During Q3 FY25, the Company's EBITDA margin is 8.86% as compared to 10.90% and PAT margin of 5.11% as compared to 6.82% in the corresponding period of the last financial year. During the 9-months of FY25, the Company has achieved a turnover of Rs. 2,882.79 crores and a PAT of Rs. 118.35 crores in comparison to a turnover of Rs. 2,691.64 crores and a PAT of Rs. 175.69 crores during the corresponding 9-months of FY24.

EPS of the Company for 9-months FY25 is Rs. 17.67 as compared to Rs. 26.23 during the 9-months of FY24. During the 9 months FY25, the Company's EBITDA margin is 7.57% as compared to 10.56% and PAT margin of 4.05% as compared to 6.47% in the corresponding period. The Net order book of the Company as on 31/12/2024 is Rs. 16,258.44 crores to be executed in the next 3 years. Total order inflow during FY25 is Rs. 7794.37 crores.

We are ready to take questions now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Thank you. Hi, sir.

Shobhit Uppal: Hi, Shravan.

Shravan Shah: Sir, couple of questions, so obviously first on guidance front, so 9 month we have done 7.1% revenue growth, so we were looking at a 15% kind of a number for this year. So, how one can look at the full year or maybe the 4th Quarter if you can help us how one can look at the 4th Quarter growth and also at the same time for next financial year, how one can look at because we were looking at 20%, can we now start looking at 25% kind of a number?

Shobhit Uppal: Shravan, while our order book continues to be very healthy as far as this quarter and this financial year is concerned, we have been hit as along with our other peers by the NGT bans in Delhi, 33% of our order book now comes from the NCR region and what I had mentioned in my last call also that we had expected that the NGT ban would hit us, but we had not expected that they would hit us so badly. That is the reason for this sort of degrowth. I had given guidance of about 10% growth. We should be around that, we would be about 8.5%-9%. The 4th Quarter is always the best quarter in terms of performance. As far as the guidance for the next year is concerned, it would be about 15%.

Shravan Shah: Sir, I understand that this quarter or this year is a low number, but next year, I think last time we have talked about close to 20% odd and now we are saying 15%. So, are we seeing a slowdown in the execution or the big projects still have not picked up as expected?

Shobhit Uppal: In fact, we feel, and I am reiterating what I had said last time that next year we would be 15% plus. Order book is healthy, and the slow-moving orders also are behind us now or our larger projects like CSMT, the design issues should be behind us by the end of this last quarter. And from April, we should be logging a steady turnover, even in some of our larger projects. So, I think we are looking quite good to have not only a 15% plus growth and also a double-digit margin what I projected last time, but that will happen in FY26.

Shravan Shah: So, coming to the margin, so in the 4th Quarter also, can we look at the double-digit kind of a margin?

Shobhit Uppal: Fourth quarter, we are expecting a growth in the margin, but we must keep in mind that January also has been badly hit on account of NGT. It is only now that the work has started in real earnest in February. In fact, the ban got lifted around the 3rd or the 4th of February, so the first month of the last quarter has also been affected, but the margins will definitely be better, and we feel that the topline at the end of the year would have grown by about 8.5%-9%.

Shravan Shah: So, next year also, on the max side, we are looking at 10%, is there a possibility that we can even clock 10.5% or maybe close to 11%?

Shobhit Uppal: We may, if you compare our results, if you compare the quarter-on-quarter results of Ahluwalia with our peers, if you leave L&T aside, we are the only Company other than Larson and Toubro where our EBITDA margin has grown quarter-on-quarter. We have grown at 15%, whereas in most of the other construction companies, there has been a degrowth in the EBITDA margin. Our net profit has grown by 28%, right. So, we are hopeful that the last quarter will be good and next year, our margin should increase.

Shravan Shah: Got it. And are we L1 in any of projects and in the 4th Quarter, how much more order inflow can we look at in for FY26?

Shobhit Uppal: We have quoted for a few government projects and a few private projects, the government projects bids have not yet been opened, so we can't comment whether we are L1 or not L1 or where we stand. And we are actively negotiating with a couple of private sector clients for finalization. So, yes, there will be some order inflows. I can't peg the number, but there will be some inflows in this quarter.

Shravan Shah: For next year?

Shobhit Uppal: Next year, our order inflow this year has been close to, I think it stands at about Rs. 7,800 crores. So, next year, we are looking at a similar number.

Shravan Shah: Got it. Lastly, sir, balance numbers, if you can, Satbeer Singh sir can help, inventory, trade receivable, payable, gross debt, cash, retention money, mobilization advance and unbilled revenue?

Satbeer Singh: Just cash position is Rs. 246 crores and the bank balance is Rs. 489 crores. Retention Rs. 351 crores. Mobilization Rs. 621 crores. Unbilled revenue Rs. 572 crores. Inventory Rs. 324 crores including Rs. 36 crores real estate inventory. Debtor Rs. 772 crores.

Shravan Shah: And trade?

Satbeer Singh: And trade receivable is Rs. 882 crores.

Shravan Shah: Rs. 882?

Satbeer Singh: Yes.

Shravan Shah: Got it, sir. All the best and thank you.

Shobhit Uppal: Thanks, Shravan.

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

Mohit Kumar: Thanks for the opportunity, sir. Sir, the first question is what are the levers available to us to ensure that the margins will increase next year? Why am I asking this question because the NGT issue and the GRAP issue in Delhi will be a regular feature now, right, every year?

Shobhit Uppal: Yes. So, specifically talking about levers, I assume you are asking not for the industry per se, you are asking for us. Now, as I said, some of our larger projects, CSMT being the bigger one or the biggest one, design issues are now slowly getting behind us and by the end of this quarter, we are seeing now that most of the approvals from the client would be in place. So, we would be taking off as far our execution on that project is concerned; secondly, most of us slow moving projects would have finished by the end of this quarter; thirdly, all the expenses if you see, if you do deep dive on our numbers, our staff expenses are high, they have gone up to nearly 9% on account of the NGT ban and the slow moving orders, but now when the projects will pick up, this number as a percentage will come down. What I am trying to say is we are well stocked in terms of order book; we are well stocked in terms of staff and now the turnover will go up and the margins will increase. As regards NGT, now with BJP being the ruling party in the entire NCR, we are hoping that there would be concrete measures put in place which would reduce the disturbance on account of NGT. While we don't expect it to go away, but this year was exceptionally bad in terms of the Supreme Court stepping in, the work happening and stopping in fix and start. We think that this will not be repeated next year. The industry is also coming together, making representations to the various governments. Now, the government at the center and the state being the same, we are hopeful that the industry voices will be heard, and the work may not be impeded as much during the period from October till January.

Mohit Kumar: Understood, sir. My second question is, is there a cost escalation because of NGT issue or is it just purely the loss of revenue and are there recourse available for us in this contract?

Shobhit Uppal: Look, NGT, though, it has been going on for the last few years, it is not something which had been taken very seriously by our clients or by the government authorities. It is only this year that the various stakeholders have started to sit together and try and find out ways and means to combat it. So, some clients of ours have started compensating for the labor which has been idle during this period, primarily from the point of view to prevent the labor from going back home. So, there are measures which various stakeholders are thinking of. That is why I said maybe before the season sets in, the winter season sets in next year, there would be more concrete and granular measures in place which would help us combat this problem in a better fashion. But escalation as far as this delay is concerned, other than the general escalation clause, there are no other specific escalation clauses.

Mohit Kumar: Understood, sir. Thank you and all the best.

Shobhit Uppal: Thank you.

Moderator: Thank you. The next question is from the line of Rajat from iThought PMS. Please go ahead.

Rajat: Hi, sir, thanks for the opportunity. What is the labor availability now?

Shobhit Uppal: Labor continues to be in short supply and that is a phenomena which is something that again as I said the stakeholders have started to sit together and see how they can combat this, maybe by more standardization, maybe by more mechanization, but it is not a problem that is going to go away in the short term. This is something which the government will have to look at. They will have to look at upskilling labor. They will have to look at making this profession more attractive, so that more people come in from their hometowns to work in the large cities, Tier 1 and Tier 2 cities, but it is the problem which is here to stay.

Rajat: And sir, our labor cost is up a lot this time in single-digit I mean there is labor shortage as well as hike in labor cost, both put together, is that the reason why our labor costs is up more than the revenues?

Shobhit Uppal: The primary reason for the labor cost being up, I won't say it is labor shortage. The primary reason is on account of NGT. As I mentioned in my opening remarks and in answer to the first question, that 33% of our order book is now in the NCR region, which has been very badly affected, so idle due to NGT. So, the idle labor has also contributed to our labor percentage going up.

Rajat: Sir, our finance cost is also up more than basically other percentage of sales it has gone up so any particular reason?

Shobhit Uppal: Finance cost, it has not gone up quite a bit, but it is primarily on account of the mobilization advance, which is interest bearing and again due to one project which is the CSMT where the work has been very less and the mobilization recoveries consequently have also been less. So, that has contributed to this minor uptake in the interest cost or the finance cost.

Rajat: Sir, do you imagine next year again, our margins would take a hit because of the gains the NGT thing?

Shobhit Uppal: No, I did, if you heard my answer to your predecessor's question, the margins, we are very confident the margins will go up because as I said, the slow moving projects are behind us, larger projects are now taking off and all the extra expenses that we had done in anticipation of these projects taking off, we don't see any addition to those expenses and obviously the NGT, we are hoping that period, October to January next year would also be handled in a much better fashion by all the stakeholders, including the government.

Rajat: What is the cash flow from operation for the 9-months?

Shobhit Uppal: Sorry, come again?

Rajat: Cash flow from operations for 9-months.

Satbeer Singh: That I think that is not available right now, but that cash position as told earlier Rs. 246 crore and bank balance is Rs. 488 crores.

Rajat: So, broadly Rs. 730 crores?

Satbeer Singh: Right.

Rajat: And in terms of, we are expecting, I think in the last project, we are expecting, for FY26 we were expecting in close Rs. 5,000-Rs. 6,000 crores, however, in the previous call you had said that the same level of the inflow which means we are very bullish on the next year. So, what is driving that bullishness or which sectors in your view will contribute to this boost?

Shobhit Uppal: As I said, this year we had an inflow about Rs. 7,800 crores and maybe a few Rs. 100 crores in the last quarter. And we think that this run rate should continue or this inflow run rate should continue in the next year because we don't see any slowdown in the private sector side and government also, I guess with the budget behind us and now the focus on the next round of elections, Bihar, where elections will be held in the end of this year, towards the end of this year. There is going to be a focus on infrastructure growth there, which we can see that and since we are present there, we are present in Assam, we are seeing activity, the growth continuing. So, we feel our order inflow would be on similar lines.

Rajat: So, you expect private mix to be substantially higher next year in the inflows compared to the?

Shobhit Uppal: Yes, we hope to maintain, or our plan is to strategically maintain an equitable distribution between the public and the private sector. This is what I have been mentioning for the last three investor calls and we have got there. We are at about; I think we are equally divided between the two sectors now. We would maintain a 50:50 ratio.

Rajat: Understood. Thank you so much for patiently answering.

Shobhit Uppal: Thank you.

Moderator: Thank you. The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: Hi, thank you for taking my questions. So, my first question is, our scale of individual projects has gone up over the last few years and most of our projects are now like at least the major ones are over Rs. 1,000 crores. I just wanted to understand, do the larger projects come with better margins and/or working capital terms or would they be similar to the smaller projects?

Shobhit Uppal: That is an interesting question. Conventional logic says that the larger projects should come with better margins. But in the short term, the projects because they are becoming larger, they are also becoming more complex. The timelines are getting shrunk and the skill set or the skill level in the labor force on which we continue to remain dependent to a large scale is dwindling, so it is a bit of a tightrope walk. In the long run, yes, the margin from the larger scale projects we feel would be higher, but in the short term I think that will not be the case. That has not been the case, and that will not be the case going forward. The government, as I said earlier, being a major stakeholder in the infrastructure development, will have to step in as far as the skill upgradation measures are concerned and standardization measures are concerned. Once that happens, then of course, the margins will be higher. Have I been able to answer your question?

Amit Khetan: Yes, and working capital would be similar?

Shobhit Uppal: No, working capital requirements are much more now because obviously mechanization is much more, the projects are becoming taller as I said, more complex, more projects are now EPC projects. Even the private sector is trying to embrace the EPC model or trying to at least look at it. So, mechanization costs are higher. Staffing costs are going higher as you can see from the numbers of our balance sheet in these 9-months. So, yes, it is more working capital intensive. But again, in the long run would make the entry barrier higher, so it may lead to, it will lead to, not may, a better margin for established larger players.

Amit Khetan: Understood. And secondly, we have a significant order book right now compared to the scale of our current revenues. As we scale up and execute these orders, what sort of organizational changes do you foresee that you require?

Shobhit Uppal: The changes in the organization had already started. In fact, I have been continuously mentioning in all our investor calls that Ahluwalia is nimble footed and we had embarked on a digital transformation drive 3-4 years ago, which is hemmed by our Director, Mr. Vikas Ahluwalia and we are now as a part of that exercise, we are now well into SAP implementation we are going live in a month or so, and this comes with slew of other measures where the Company is now more data-driven, there are more analytics. So, this had been started 3-4 years ago and going forward we would be using AI also to look at various areas of operation and the results are there for us to see now also. As I mentioned earlier, our profit and EBITDA margins have gone up as compared to the last quarter of this financial year and then we are investing in training and up-skilling of our existing staff, there is a succession planning being done for every level, new talent is being groomed, so these are some of the measures that we have undertaken.

Amit Khetan: Got it. And last question would be what would be our fixed rate versus variable rate proportion and related to that in case of variable rate contracts, are there process for escalation of labor costs as well or is that only for material costs?

Shobhit Uppal: So, there are different cost escalation formulae which are there in different contracts. In the government contracts, most of the contracts have the wholesale price index and the labor index, minimum wage index, based on which the escalation is paid. Almost all our government contracts, the escalation clause is there other than one project that we are executing for NBCC, which is a fixed price contract which is also nearing completion. As far as the private contracts go, all volatile materials like cement, steel, raw materials like aggregate, sand, blocks, most of the private clients now have started putting in base rates based on which, the cost escalation or de-escalation is a pass through to the client. Maybe to put a ballpark figure, 50% of contracts, the labor escalation is also paid, 50% it is not paid. Private sector I am talking about.

Amit Khetan: Got it. So, it would be 100% for the government and 50% for private?

Shobhit Uppal: Yes, you can say that. But the volatile materials are covered.

Amit Khetan: Got it. And what would be our current mix of variable versus fixed in the order book?

Satbeer Singh: 13% of fixed price contracts.

Shobhit Uppal: So, 87% variable and 13% fixed price.

Amit Khetan: Great. Thanks a lot and all the best.

Shobhit Uppal: Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Thanks for the opportunity. Sir, firstly, on the margin side, so we said that next year could be a double-digit margin. So, could it be very closer to 10% or we can even expect somewhere around 10.5%-11% as well?

Shobhit Uppal: I think it should exceed 10%.

Vaibhav Shah: And sir, secondly, for Q4, we have mentioned that the entire year growth should be somewhere around 9% odd. So, it impacts around 15% odd growth in Q4. So, what we do to this uptake in the 4th Quarter given that the Jan also has been impacted by NGT?

Shobhit Uppal: So, what we have seen starting February, there has been a considerable upswing in our production across projects in NCR, right. And as I mentioned, some of the clients paid for us to hold our labor on site, even when the projects were closed. So, we could just hit the ground running on 3rd or 4th of February when the NGT ban was lifted. So, we are seeing that or we feel that if we extrapolate our work now in the first week of February or from 3rd till 10th, we feel that the revenue will go up considerably as compared to the last quarter, which would lead to a better margin.

Vaibhav Shah: So, Q4 also would be not double-digit margin, it should be between 9%-10%?

Shobhit Uppal: Should be, yes, it should be about 10%.

Vaibhav Shah: And sir, secondly on some few bigger projects. So, when do we expect to start the work on Gem & Jewellery, earlier you were targeting somewhere around June?

Shobhit Uppal: Yes, we are expecting that they will give us notice to proceed in the next 1-2 month. So, that us why I mentioned that starting next financial year work on Gem & Jewellery, the actual work on the ground will begin because we have to start designing also. So, maybe towards the end of first quarter, actual work on the ground will begin, but in April, work on CSMT will be going on in real earnest. We would be working on the number of buildings there parallelly and a substantial uptake on the monthly progress out of CSMT. Sorry, you said something.

Vaibhav Shah: Yes. So, we were earlier targeting closer to Rs. 300 crores of revenue for FY25 from CSMT. So, that looks a bit difficult?

Shobhit Uppal: No, that will not happen. We are looking at anywhere between Rs. 80-Rs. 100 crores. That is something which is set us back in terms of our revenue guidance for FY25.

Vaibhav Shah: Rs. 80-Rs. 100 crores in Q4, right?

Shobhit Uppal: No, in Q4, as far as CSMT is concerned, about Rs. 80-Rs. 100 crores in Q4.

Vaibhav Shah: And for FY26?

Shobhit Uppal: FY26, we are looking at about Rs. 750 crores.

Vaibhav Shah: Is it a similar figure for Gem & Jewellery Park for 26 and 27, at least for 26?

Shobhit Uppal: Gem & Jewellery Park should be lesser because as I said, the first 2-3 months would go in designing and approvals and then it will take off. So, maybe it will be about Rs. 500 crores.

Vaibhav Shah: So, do we expect a similar, could it happen that similar issues may come up and design and that can lead to maybe a delay in execution, like we saw in CSMT for Gem & Jewellery, or we are confident that it could proceed on a pace?

Shobhit Uppal: Look, there can be delays, but not to the extent that we have experienced in CSMT. CSMT, A is a much more complicated project. It is a live station. B, it is hemmed by a nodal agency, which is comparatively new as compared to more established PMCs like NBCC and CPWD. Thirdly, the Gem & Jewellery Park project is not as complex. These are basically large sides or offices where the Gem & Jewellery workers have to work, though it is bigger in scale, but it is not as complicated. So, we foresee fewer problems there.

Vaibhav Shah: And lastly, on interest cost, it should be a similar number in Q4 as well, at around Rs. 14-Rs. 15 odd crores?

Shobhit Uppal: Yes.

Vaibhav Shah: Thank you, sir. I will come back in the queue.

Shobhit Uppal: Thank you.

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

Shravan Shah: Thank you, sir for opportunity again. Sir, our gross debt would be the similar Rs. 10 odd crores?

Satbeer Singh: Net working capital that is Rs. 5.93 crores and in totality including term loan is Rs. 11 crores.

Shravan Shah: So, Rs. 13 odd crores working capital plus Rs. 11 crores long-term debt?

Satbeer Singh: Yes, long-term debt.

Shravan Shah: So, close to Rs. 24 odd crores. Got it.

Satbeer Singh: Total is Rs. 11 crores.

Shravan Shah: Got it. And in 9-months, how much CAPEX we have done and in the 4th Quarter, how much?

Satbeer Singh: Total in 9-months, Rs. 154 crores.

Shravan Shah: Rs. 154 crores?

Satbeer Singh: Yes.

Shravan Shah: And in the 4th Quarter, how much we are looking at?

Satbeer Singh: That is Rs. 175 crores.

Shravan Shah: Rs. 175 crores, so next year also, can we see the similar kind of CAPEX?

Shobhit Uppal: It will be lesser. It will not be as much. As I said, projects, CSMT, DLF, all the other larger projects, the CAPEX are slow which will take off now, the CAPEX has already been done. So, I think it should be about Rs. 125 crores.

Shravan Shah: Sir, you mentioned that you have bided for couple of government projects and also having a discussion with the private. So, any ballpark number in terms of how many projects and the broader value combined put together everything?

Shobhit Uppal: Shravan, it will be very difficult because as I said, the government projects, the bids have yet not been opened. So, we don't even know where we stand. On the private sector side, the opening is not in the public domain and the decision is not necessarily L1, so negotiations or discussions are happening. It will be very difficult for me to say right now or give an indication right now.

Shravan Singh: No, I was just trying to understand, both put together, government, private in terms of will it be the value that we have bided from our side would be Rs. 1,000-Rs. 2,000 odd crores kind of a number or the other combined?

Shobhit Uppal: In terms of the projects that we bid should be, I think it should be easily about Rs. 4,000 crores, maybe even Rs. 5,000 crores. Yes, I think from the top of my head, the project that has been bid till now and not decided would be close to Rs. 5,500 crores.

Shravan Shah: Got it. And further in terms of by March, how much more are we looking at considering, will it be also Rs. 4,000-Rs. 5,000 odd crores that are looking to bid?

Shobhit Uppal: Yes, at least Rs. 3,000 crores.

Shravan Shah: And sir, this both the airport one, there also the execution when?

Shobhit Uppal: Both projects, the execution has started. In fact, I think at Varanasi, we have already clocked about Rs. 40 crores, at Darbhanga, we clocked about Rs. 20 crores.

Shravan Shah: And then even the Signature Global Business Park also, there also the execution has started?

Shobhit Uppal: Not totally. The client has to hand over the towers to us after excavation, so they barely handed over 10% of the site to us. That is why I am saying that all this, starting from the next financial year or the first quarter of next financial year, all these projects will take off.

Shravan Shah: So, that is what actually I was trying so if almost all the projects will start kicking in, we should be having, of course, even more than a 20% kind of a growth next year, but you are expecting yourself to 15% plus?

Shobhit Uppal: You know me, we are always conservative. Yes. Otherwise you hold us. That is why I am confident that our margins will also go up and we will be having double-digit margins next year. You can already see the results. Though there has been corresponding quarter-to-quarter degrowth, but if we compare to the last quarter of this financial year, we are extremely bullish. We can see that our margins have increased significantly.

Shravan Shah: And sir, the last installment of MR of Rs. 56 odd crores that have been received?

Shobhit Uppal: Yes, it has been received, yes.

Shravan Shah: Got it, sir. Thank you and all the best.

Shobhit Uppal: Thanks, Shravan.

Moderator: Thank you. The next question is from the line of Samir Jain, an Individual Investor. Please go ahead. Mr. Jain, your line is unmuted. Please go ahead with your question.

Samir Jain: Sir, one question I had on CSMT was, there was a newspaper report that end of December, they mentioned a 15% completion of the project and they are quoting some railway authorities. Now, obviously that is very different from the revenues that we have booked. So, what would be the difference between how the railway thinks of project completion versus how much we book in terms of revenues?

Vikas Ahluwalia: So, let me answer that Sobhithji.

Shobhit Uppal: Yes.

Vikas Ahluwalia: You see what is happening is that because now the designs are getting finalized, so a lot of fabrication work of structural steel is happening which is say about 40% is off site and 60% is on site. So, if you consider that which is actually the work not done, it is not being billed yet, it is a while to start billing it. So, if you take that figure and 15% work done also in their definition means that a lot of area has been taken up, which is now, we are doing the ground preparation like removing the age-old services, 100-year-old services, which are running under the station. So, that work is taking a lot of time and like we have been saying from day one we passed day one of the things like 5 months. We designed it taking a lot of time because it is a very complex system. You are integrating a new building with a 100-year-old infrastructure. That is what is going. To really speak, our current sort of structural steel, nearly 5000-6000 metric tons of structural steel is under fabrication or fabricated and it is aside. So, those numbers, if you go by, I can't put 15%, but yes, there are considerable amount of work which is going on.

Shobhit Uppal: And to add to what Vikas has said, 15% would tantamount to about Rs. 270 odd crores. If you take out the GST value, the project value is about Rs. 1,800 crores. It is tantamount to Rs. 270 odd crores and we have already billed, acknowledged and agreed billed figure with client is close to Rs. 150-Rs. 60 crores and the rest of say Rs. 100 odd crores what Vikas has said is work done, but unbilled because a lot of fabrication has already happened. So, maybe when they say 15%, this is sort of an intangible number. When they say 15%, they may be taking work in progress or stalking to account.

Samir Jain: Right. I understand that. Thank you. My second question may be Satbeerji can answer this, from a revenue recognition point of view, let us say, if we have completed 5% of the value of the work at the site, do we recognize revenue to the extent of 5% or is there a minimum threshold we wait for before the revenues are booked?

Shobhit Uppal: No, the revenue is booked when the client passes a bill.

Satbeer Singh: What work has been agreed that also includes revenue includes also unbilled revenue also.

Vikas Ahluwalia: But that has been as and when whatever work is completed. There is no minimum threshold. Let us say we will start recognizing only at a certain milestone or a certain percentage completion, even if it is 1%, then client approve something we book revenues.

Shobhit Uppal: No, he is not asking about escalation. Please repeat your question.

Vikas Ahluwalia: What happens in these EPC contracts, there is a stage wise payment. So, this stage has to come, then it can be bid also.

Samir Jain: So, the stage is after the 5%, then you book only at 5%, if the stage is at 1%, then revenue booked, then 1% stage is completed, right?

Shobhit Uppal: That is the way to.

Vikas Ahluwalia: It is not on stage on the work. There is the mathematical formula to this. So, perhaps if you come to the office, we can.

Samir Jain: And sir, lastly in the subcontracting cost if we compare this quarter with the last two quarters and then some part of the reduction made in the percentage revenues. Does this have anything to do with the availability of labors or any other metrics because it is counterintuitive that in cases of labor shortage, subcontracting has come off a little bit?

Shobhit Uppal: So, your question was not very clearly audible at our end. Could you repeat it please?

Samir Jain: Sir, on subcontracting costs right now, if I look at the previous two quarters, we were at about 31%-32% of revenues. This quarter we are at about a little over 28%. So, what would explain this slide reduction versus the first quarter, especially in the light of shortage of labor continuing?

Satbeer Singh: Basically, subcontracting cost is coming out 31%. If not, basically you can say in technical terms of subcontracting. It also includes manpower supply and also labor contract. That is why that is the amount that you have and for certainly high.

Vikas Ahluwalia: He is asking why has it reduced?

Shobhit Uppal: Subcontracting, petty contracting, labor supply, this keeps on interchanging depending on the nature of the work. So, in one quarter, if the subcontracting number is say 31% as you said, then some subcontracting and contractors' parlance is work which includes material also, right. Say for instance, if we outsourced lift installation or escalator installation or air con works right, this is wood material, so in the preceding quarter, maybe such outsourced works with material may have been slightly higher. So, this number needs to be actually looked at in conjunction with the labor supply and with material. That is why this figure needs to be looked at.

Satbeer Singh: I think you should compare EBITDA on it in our case.

Samir Jain: So, that is it. Thank you so much.

Moderator: Thank you. The next question is from the line of Hetan Jain from Avendus Park. Please go ahead.

Hetan Jain: Thank you. Sir, my first question on the NGT ban, so since when was the ban implemented?

Shobhit Uppal: It started in end October, November, around Diwali time that is the time that the air quality index starts worsening in Delhi and NCR and it has gone on till as late as the first week of February and this time because Supreme Court also got involved, the ban was introduced, revoked, introduced, it happened in fits and starts, so there have been multiple stoppages from say October till about February first week.

Hetan Jain: Understood. Otherwise, what could have been an end date like now it is going to actually --

Shobhit Uppal: It is now dependent totally on the air pollution, the air quality index. As per the graph guidelines, there are different thresholds when different levels of graph guidelines kick in. So, it is more or less automatic when the AQI say, crosses a certain level, one level of restrictions come in. It crosses, it jumps up further, another level, more stringent restrictions kicking. So, when it crosses 300, the entire construction machinery comes to a standstill. The supply chain comes to a standstill because the trucks cannot enter the NCR region. And then once these guidelines are sort of revoked, then there is a logjam of trucks or materials at the borders. So, it takes time for the pace to pick up again. Are you understanding? Have I clarified?

Hetan Jain: Yes. Just to compare, last year when was it like over the ban?

Shobhit Uppal: Just to compare, this year, because they were, if you see the number of stoppages starts and restart so far more, so it is sort of the effect on the supply chain all around has been much worse, so to say, while the end-to-end duration may have been the same, but overall the impact on construction work at ground as well as the supply chain has been far worse.

Hetan Jain: Understood. Next question is on, number for projects bid, the value of projects bid, you mentioned around Rs. 5,000 crores, sir, any flavor on what type of segment, which segment is this, is this residential, commercial or any such flavor would be helpful?

Shobhit Uppal: Residential, commercial, healthcare, yes.

Hetan Jain: So, it is across all of those segments?

Shobhit Uppal: Yes.

Hetan Jain: Understand. Sir, my last question is on, are you seeing any slowdown in payments from states?

Shobhit Uppal: Not really. As I mentioned in the investor call at the end of the last quarter, I think the slow moving payments, this thing Bengal, our government projects are over. Bihar, we are seeing an improvement since the BJP and JDU government has come to power and Assam continues to be okay for us because the same government is there at the center and the state. So, that is where we are.

Hetan Jain: So, no material change?

Shobhit Uppal: No.

Hetan Jain: Thank you, sir.

Moderator: Thank you. The next question is from the line of Vasudev Ganatra from Nuvama Wealth. Please go ahead.

Vasudev Ganatra: Thank you for the opportunity. Sir, can you give us what is the status of the DLF Arbour project and the Tata Memorial project?

Shobhit Uppal: DLF project is now well underway, and it had taken up prior to the NGT ban coming into play, but post that DLF is one of the clients where they have compensated the labor for staying back, so when the ban was revoked and the work started I think on 3rd of February, we hit the ground running and in this month we have already done close to 4000 cubic meters of concrete layer. So, that project is we see that seeing ourselves clock a healthy run rate there in the rest of this quarter as well as next financial year. We have done a total billing there already in excess of Rs. 200 crores. And which was the other project that you asked for?

Vasudev Ganatra: Tata Memorial?

Satbeer Singh: Rs. 110 has been executed so far.

Shobhit Uppal: Tata Memorial Rs. 110 crores have been executed.

Vasudev Ganatra: And sir, for next year, what is the kind of bid pipeline that we are looking to bid or like which segments and if you can quantify that?

Shobhit Uppal: Residential, healthcare, commercial and total pipeline should be in the region of about Rs. 25,000 crores.

Vasudev Ganatra: Sure, sir. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Sir, at the mobilization advance of Rs. 620 odd crores, what would be the interest bearing portion?

Satbeer Singh: This 43%.

Vaibhav Shah: And what was the mobilization advance as of September?

Satbeer Singh: With Rs. 621 crores.

Vaibhav Shah: As of September?

Satbeer Singh: As of September.

Vaibhav Shah: I didn't get you.

Satbeer Singh: You are asking absolute number?

Vaibhav Shah: Mobilization advance as of September.

Satbeer Singh: This is Rs. 542 crores.

Vaibhav Shah: Sir, do we expect this number to reduce next year, or it should be in similar range?

Shobhit Uppal: It should be in the similar range. It is going forward, as I said, we are increasing our private sector order book. There the mobilization is interest-free. So, the Company policy is to take that as far as wherever there is interest sharing advance, we would try and work without the advances. Say for instance, the two airport projects we have not availed of the advance. We are funding it from internal accruals. So going forward, we are working to reduce the finance cost which is primarily on account of interest-bearing mobilization advance.

Vaibhav Shah: And sir, recently you have bids that you have won on the residential side of Rs. 1,100 crores each from the De-luxe DXP and a second that of composite Steel Structural Works, so those when do we expect to start?

Shobhit Uppal: Those projects, as I said, will take off in the next financial year. While some little work has started on the ground, but as I mentioned in answer to an earlier question, DXP, Signature Global, the work fronts which the client has to hand over to us, has not been done, barely 5%-10%. So, they are a little slow off the blocks. We think they will start in the next financial year.

Vaibhav Shah: Thank you, sir. Those are my questions.

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

Shobhit Uppal: Thank you so much everybody for your insightful comments and questions and look forward to seeing you again at the end of this financial year our next investor call. Thank you so much. Bye.

Moderator: Thank you. On behalf of Ahluwalia Contract India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.