Ahluwalia Contracts
(India) Limited
Engineering, Designing & Construction

Date: 21-11-2024
To,

Compliance Department BSE Limited. 25th Floor, P.J. Towers Dalal Street, Mumbai - 400001	Compliance Department National Stock Exchange of India Ltd. 5th Floor, Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai- 400051	Compliance Department Calcutta Stock Exchange Ltd 7, Lyons Range, Dalhousie, Murgighata, B B D Bagh, Kolkata, West Bengal – 700001

Sub: Transcript of Conference call under Regulation 46(2) of the SEBI (LODR) Regulations, 2015 held on 18-11-2024 at 3.00 p.m.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find enclosed Transcript of Analyst /Institutional Investor Meetings held on 18-11-2024 at 3.00 p.m.

The above details are also being made available on the Company's website at www.acilnet.com

This is for your information and record please.

Yours faithfully,
for Ahluwalia Contracts (India) Ltd

(Vipin Kumar Tiwari)
Company Secretary

Encl.: as above

Registered. Office: A-177, Okhla Industrial Area, Phase-I, New Delhi-110020
Phone: 011-49410502, 517 & 599 Fax: 011-49410553
Email ID: cs.corpoffice@acilnet.com; Website: www.acilnet.com
(Corporate Identification Number: L45101DL1979PLC009654)

"Ahluwalia Contracts (India) Limited 2QFY25 Earnings Conference Call"

November 18, 2024

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

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Ahluwalia Contracts (India) Limited 2QFY25 Earnings 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 star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you, and over to you, sir.

Dhruv Jain: Thank you. Hello, everyone. Welcome to the 2QFY25 Earnings Call of Ahluwalia Contracts (India) Limited. From the management side today, we have with us Mr. Shobhit Uppal, Deputy Managing Director; Mr. Vikas Ahluwalia, Director; and Mr. Satbeer Singh, Chief Financial Officer. Thank you, and over to you, sir, for your opening remarks.

Shobhit Uppal: Thank you, Dhruv. Good afternoon, everybody. Ahluwalia Contracts (India) Limited has announced financial results for 2QFY25. During this quarter, the company has achieved a turnover of INR1,011.48 crores and a PAT of INR38.36 crores in comparison to a turnover of INR901.55 crores and a PAT of INR55.30 crores in 2QFY24.

The company has registered a growth and degrowth of 12.19% and minus 30.63% in turnover in PAT, respectively, during 2QFY25 in comparison to 2QFY24. EPS of the company for 2QFY25 is INR5.73 as compared to INR8.26 in 2QFY24. During 2QFY25, the company's EBITDA margin is 7.25% as compared to 9.96%, and a PAT margin of 3.79% as compared to 6.13% in the corresponding period of the last financial year.

During the 1HFY25, the company has achieved a turnover of INR1,930.83 crores and a PAT of INR68.96 crores in comparison to a turnover of INR1,665.16 crores and a PAT of INR105.03 crores in 1HFY24. EPS of the company for 1HFY25 is INR10.29 as compared to INR15.68 in 1HFY24. During 1HFY25, the company's EBITDA margin is 6.93% as compared to 10.36%, and a PAT margin of 3.57% as compared to 6.31% in the corresponding period of the last financial year.

Net order book of the company as on 30th September 2024 is INR16,193.45 crores to be executed in the next 2 to 2.5 years. Total order inflow during FY25 till 30th September 2024, INR6,699.70 crores from 1/10/2024 till date, INR1,094.67 crores. So total order inflow in this financial year till date is INR7,794.37 crores. Thank you. We are ready to take questions.

Moderator: We have the first question from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, just to recheck on the guidance front. So now for this FY '25 in terms of the revenue growth and for FY '26, how much growth are we looking at? And also possibly on the margin front given the margin was very low in the 1H. So in the second half, how much margin are we looking at? And in FY '26, will it again go back to 11%?

Shobhit Uppal: So as far as our top line growth is concerned, we are seeking to a guidance about 15% growth. As far as our margin is concerned, we feel that we'll have to moderate it a bit. It will come below double digits now. It will be around 9%.

As far as the next financial year is concerned, since our order book is healthy and a lot of our design build projects we feel will be in full swing in the next financial year, we should cross the double-digit margin barrier in the next financial year, that is FY '26.

Shravan Shah: Okay. And in terms of the revenue, will it be in FY '26, can we see more than a 20% kind of a growth?

Shobhit Uppal: Yes, it should be between 15% to 20%. We are targeting a 20% growth.

Shravan Shah: Okay. Got it. And in terms of the order inflow, now already we have received a significant INR7,800-odd crores, including the recently one. So now how much more are we looking at by March? And if possibly, if you can share in terms of the bid pipeline and over our long-term vision was to have a 50-50 private government, which we are already there. So how we want to now go ahead?

Shobhit Uppal: Yes, that is what I have been mentioning in our last 2 or 3 con calls that we would like to maintain it at this level, at the 50-50 level. And going forward, we are actually consolidating. So in the rest of the 3, 4 months of this financial year, we're not bidding very aggressively, maybe another INR1,000 crores inflow. And going forward, in the next financial year, maybe anywhere between INR5,000 crores to INR6,000 crores new orders.

Shravan Shah: Got it. And currently, the bid pipeline would be?

Shobhit Uppal: Currently, the bid pipeline as it stands, is about INR5,000 crore.

Shravan Shah: Got it. And just a couple of data points on the balance sheet front, mobilization advance, retention money and unbilled revenue.

Satbeer Singh: Yes, mobilization advance is 542 and unbilled revenue is 598 and retention is 335.

Shravan Shah: 335. And just on the capex front, so already INR92-odd crores and so once...

Satbeer Singh: Capex till 30th September, INR101 crores has incurred.

Shravan Shah: So for full year, how much now we are looking at?

Shobhit Uppal: Given a guidance of about INR130 crores, I think.

Satbeer Singh: INR175 crores.

Shobhit Uppal: And then the rest of the financial year, it should be about another INR30 crores to INR35 crores. That also we are revising it downwards.

Moderator: We have the next question from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: So we have a good order book currently, but if I were to look out over the next 2 to 3 years, what are the segments or areas you're most bullish on in terms of incremental new orders? Are there going to be new areas that we will participate in? Or is it going to be the current segment that we are in?

Shobhit Uppal: So Amit, we are -- as you would be aware, we are present in the entire spectrum of the building industry. So there are areas over a period of time, which we had not focused on because there was not much activity. We are now refocusing on industrial activity.

We've recently won an order with BALCO also. Airports is something which we continue to be bullish on. The government is continuing to spend on airports. So we already are executing 2 airports, which are in design build stage -- designing stage as we speak. And there are a couple of orders in the pipeline, which we are bidding on.

So that is another area that we are looking at. Commercial and retail activity is something that also excites us. We are focusing on that. So these are the areas. And residential activity, there is a lot happening, but we are now being a little wary. We already have a healthy exposure as far as residential projects go. So we are bidding sort of conservatively going forward as far as residential is concerned.

Amit Khetan: Got it. Got it. And this industrial sector that you talked about and airports, right, what are the typical order sizes like are these in the similar ticket size range of INR500 crores to INR1,000 crores? Or would it be much larger?

Shobhit Uppal: No, they are in this range only. As far as office infrastructure goes, the government is also coming out with larger orders for government office building using alternative technologies, they are INR1,000-plus crores. That is an area which is of interest to us.

Amit Khetan: Understood. Understood. And secondly, in the last couple of quarters, you've been talking about a shortage of labour and things like that. Has that eased? Or do you see that continuing for the next few quarters?

Shobhit Uppal: No, that is continuing on account of various factors. As the country continues to be permanently in election mode, that's what we've been seeing since the general elections preparation for the general election started. So this labour problem continues as labour comes from a few areas geographically. And this continues then NGT issues such as NGT and rain, this continues to affect labour supply. So we feel that this will -- throughout this financial year, at least, and even in the first quarter of next year, this problem will continue to be there.

Amit Khetan: Got it. And would this also be a factor in margin contraction? Or is that just a function of operating leverage?

Shobhit Uppal: No, no, it's a huge factor.

Moderator: The next question is from the line of Lakshminarayan from Tunga Investments.

Lakshminarayanan: A few things. See, when you started the year, you actually alluded to a particular margin and then we stand at this point in time at a slightly lower margin level, right? Now what has actually passed -- I mean what has negatively surprised you when you actually grew up your budgets at the start of the year? And whether things have become a little unpredictable now than earlier? And how do you think it's becoming a little more predictable going forward?

Shobhit Uppal: So look, while one of the things which has surprised us in the past is the volatility in material cost, that we had catered for by building in escalations in our contracts. But a, on some of our larger order book -- larger contracts, which we have won in the last year or so, there are various factors which have hit us, which would not sort of within our control.

One is, of course, the prolonged monsoon across the country. Some of our biggest projects are in, say, places like Mumbai or Odisha or Bihar, right, where -- Assam, where the monsoons this year have been exceptionally heavy.

The turnover has been affected there. Then as I mentioned in my answer to the earlier question about the last 5, 6 months, the country has been in election mode. That has impacted the labour force availability on site. So this was something which was not expected. Thirdly, on some of our large contracts, the design part, approval, so to say, have been delayed for no fault of ours, which were beyond our control, CSMT being one such project, which is our largest project till date.

That has impacted our margins because our fixed overheads have continued to be there, and we've not been able to execute on the ground. So these are factors which have impacted our margin. And fourthly, some of these factors are generic or general to the industry, if you were to compare our margins with our peers, actually, we have done better than most of them. So we managed our cash flows better.

So -- but the industry, as such, has been affected and beset by some of these margins. Going forward, hopefully, in the next financial year, I don't think there'll be so much focus on electioneering, a lot of state elections would be behind us. Most of our large projects, the design is nearing completion. Approvals are mostly going to be in place. So hopefully, we'll have a clear run, and our margins would be on the upswing again.

Lakshminarayanan: Got It. And in the last call, you mentioned that there has been a spurt in the subcontractor expenses as well, I think our employee expenses are both of them. Now -- and you said that only some of your contracts have a pass-through, you can actually pass these expenses. So right now, what kind of situation we are in? Has there been has any changes in the contract that you have passed on these expenses or how situation is looking now?

Shobhit Uppal: So most of our contracts now have built-in escalation clauses one way or the other. As far as the government -- most of our fixed price contracts are -- have been completed or are nearing completion. As far as the ongoing contracts are concerned, the government contracts, they have a built-in escalation clause, or a standard clause based on wholesale price index.

As far as the private contracts go, all the volatile materials, the basic pricing is there for cement, for steel, for grit, stone aggregate, so on and so forth, even the finishing materials like stone, wood, etcetera. So as I said earlier, the volatility in these material is covered. And because we have a healthy order book, to a certain extent in the private sector, we are able to dictate terms in having a more balanced contract agreement and plugging in these.

Lakshminarayanan: Got it. Now if I just look at your current assets in the balance sheet and the trade receivables are something like INR625 crores. Can you just tell me how do you classify these current assets? How much of them are payable within 6 months? Can you -- I mean, receivables within 6 months? If you can just throw some light on what is the aging of the receivables in your current assets?

Satbeer Singh: What I could understand that there is basically INR625 crores debtors that are current receivables. And that we are expecting within our normal days, the operational days that's coming around 60 days, 60 to 75 days that we are expecting to receive that.

Shobhit Uppal: One second, we'll give you.

Satbeer Singh: And this is non-current, this is hardly INR33 crores. I think so, which expecting realization of...

Lakshminarayanan: Anything with the current assets, sir?

Satbeer Singh: Yes, please.

Shobhit Uppal: Current assets.

Lakshminarayanan: I think in the current assets, INR625 crores. I just want to understand how much of your trade receivables are within 6 months and how much is beyond 6 months to 1 year? Less than 6 months and 6 months to 1 year?

Satbeer Singh: This is INR625 crores -- out of INR625 crores, we are expecting around might be INR100 crores more at upper side, just more than 6 months.

Lakshminarayanan: And the rest INR525 crores will be within 6 months?

Satbeer Singh: Yes, yes, within 6 months. Yes.

Lakshminarayanan: Okay. Okay. Sir, 1 more question regarding your -- you talked about fixed costs are slightly escalated. If I just look at your expenses, which are the ones are variable in nature. So if you look at it, the subcontract work is completely variable in nature. And how about the employee benefit expense, how much is variable and how much is fixed?

Shobhit Uppal: Variable as far as employee cost is concerned, variable is very less. As far as the variable is concerned, it's only for the top maybe out of a total employee strength of about 3,500, variable component would be only there for about 20 people who are -- who are the top level of management in the company.

Lakshminarayanan: Because your employee benefit expenses have actually kind of gone from around INR70-odd crores for the first quarter, and to that almost INR89 crores. So I just want to understand how -- what actually led to a substantial increase in the employee benefit expenses?

Shobhit Uppal: So two things. One is our employee cost includes labour -- labour cost also. So this is the labour, which is -- which the company is spending directly on. So there are 2 components to the labour. One is labour, which is under the subcontractor. And as a part of this INR89 crores, there is labour which the company is directly spending on. Part of this increase is due to the increase in revenue and part of the increase is also...

Management: Out of employee benefit, 22% labour.

Shobhit Uppal: Yes. So that's what I'm saying. And the other thing is we have increased -- we have paid arrears to the staff increments. Our staff increments, we put those increments in the last quarter and the arrears have been paid, right? This was due from 1st of Jan, but the process was delayed.

So part of that increase is due to that. And thirdly, obviously, the number of people, the number of staff has also increased to cater for our increased order book, where we are going to be executing the work over the next, say, 2, 2.5 years.

Lakshminarayanan: Got it. Got it. And any idea what is the band one should expect? Because this is like a one-off arrears, which has been taken into consideration.

Shobhit Uppal: So just to give you an idea, our staff cost per se, only our staff cost, if that is helpful to you is in the region of -- it varies from about 6.8% to 7.1%. And this is where it's been kept at over the past, say, 2 to 3 years.

Lakshminarayanan: Got it. And this is part of the employee benefit expense?

Shobhit Uppal: Yes. This is a part of the employee benefit expenses. Are you there?

Lakshminarayanan: Yes.

Management: Okay. So you asked about specifically a question about the trade receivables, right? So our trade receivables are about 60 days as Mr. Satbeer said, right, which is one of the lowest in the industry today, right? I mean it goes on up to about -- so we have reduced also -- our net working capital days have reduced from 117 in the last quarter, that's Q1 of '25 to 93 days in the current quarter. That's an additional information for you.

Moderator: The next question comes from the line of Parvez Qazi from Nuvama.

Parvez Qazi: So a couple of questions from my side. As you rightly said, historically, our staff expenses have been between 6.8% to 7.1% whereas if one looks at H1 numbers, they are at about 8.8% or something. Now clearly, part of the reason is because of operating deleverage. As you rightly said, some of our projects because of various reasons haven't progress at the pace at which we would like.

So maybe part of the reason is also because of the industry-wide labour shortage. Now going ahead, do you think we should pencil in slightly higher than historical average for this? Or do you think this will normalize and come back to the 7%, 7.5% March, maybe 1 year down the line, 2 years down the line? Just wanted to get your thoughts on that.

Shobhit Uppal: We aim to get it down to anywhere between 7% to 7.5%. That is what our internal -- our planning is. But as I mentioned earlier, and you also sort of alluded to that, it all depends on our revenue, on our actual execution on the ground. Other than the factors that I've mentioned earlier, which have affected our work on the ground or production on the ground, one factor which will continue to impact us in this quarter, the ongoing quarter is the NGT, right?

So all of you are aware of what's happening in NCR. So now GRAP-IV is in place and -- so that is another thing, which is going to impact this quarter. That's why I've kept the margin guidance muted for the rest of the year, because we have a lot of large projects in NCR, especially Gurgaon.

Parvez Qazi: Sure. My second question is, I mean, you said that for the CST redevelopment project, there are design issues, and which hopefully will get resolved going ahead. But if I look at some of our other major projects like the Tata Memorial Hospital in Parel or the DLF Arbour Project, there also, the quarterly execution run rate seems to be somewhere around INR25 crores, INR30-odd crores only.

So you -- I mean, and in these projects also, are there some design issues or some other issues? And when do we expect a pickup in the pace of execution for these larger projects?

Shobhit Uppal: As far as the DLF Arbour Project goes, we are -- we actually -- we executed about INR11 crores to INR12 crores per month. Or last month, we achieved that run rate. And this month, we were on a target to achieve -- to double that. And then going forward, maintain about INR25 crores every month.

But this quarter, as I said, now it will be impacted by NGT, but we are out of the ground there now. The design issues of design was not in our scope. It was in the client's scope, but there were a few issues there and labour shortage was there. But we -- I think as far as DLF goes, once the NGT issues are behind us, we are ready to take off. As far as Tata is concerned, there, yes, there were design issues. But that also, I think within a month or so, we should be taking off on that project also.

Vikas Ahluwalia: Was the Tata Cancer Hospital is nearly on target now? I mean whatever time we have lost is because of the monsoon. So whatever were the design issues, they were more to do with the foundation part of it, which the Tata Memorial people had to redesign or do a little bit of changes because we encountered a certain blocks which was not there. That will be, otherwise Tata per se is on track.

Parvez Qazi: Sure. My second question is, I mean, the overall industry -- I mean when we talk to real estate developers, they do highlight that there is a shortage of good quality contractors in India. Are you as well as some of your other peers in the building contracting space? Clearly have lifetime high order book. There is no shortage of order intake. So then the question is, I mean, in the previous cycle, 2002 to '08, we had seen a similar phase and all of you as well as your peers had seen significant expansion in EBITDA margin. Why do you think the similar situation is not playing out this time?

Shobhit Uppal: It's too early to sort of say whether those kind of margins will happen or not happen. All we can say is or to give you the reason for why they have not happened up until now as far as this financial year is concerned. I did mention all those reasons. Prolonged monsoon, electioneering, right? And all of a sudden, the infrastructure growth is upon us, and this kind of growth is unprecedented.

This was not even there in the last upturn. So labour shortage, the kind of labour shortage that we are seeing now, I mentioned in my last 2 calls that this is virtually an epidemic, which is waiting to be upon us.

So the government has to wake up and do something about upskilling of labour force, do something or change just the NREGA laws. So labour shortage until the government steps in, I don't think anything much is going to happen. So that is a major contributor to works not proceeding on schedule. And that, in turn, is affecting our not only our revenue -- projected revenues but also our margins. The industry is suffering, it's not only us. That's why I mentioned. If you see the results of all construction companies, all these factors have contributed.

Parvez Qazi: Yes. Absolutely, sir. Last question to Satbeer Ji. Sir, what would be our gross debt level?

Satbeer Singh: This is INR9 crores.

Moderator: We have the next question from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: EBITDA margin guidance for FY '25. What's the number?

Shobhit Uppal: About 9%.

Vaibhav Shah: Sir, what will drive that improvement in the second half, the margin improvement?

Shobhit Uppal: As we mentioned, some of the factors which have affected us till now, they are behind us. One is -- I think other than NCR, we should have a clear run execution, no monsoons are there. Once the Maharashtra elections are over, that sort of hold back should also not be there.

As far as NGT is concerned and NCR, this month or maybe December maybe a washout, but the last quarter, we should see a good run rate. We have -- most of our contracts have taken off now.

And out of our total order book, almost 30% comes from NCR. And our bigger projects like CSTM and Tata, as Vikas mentioned, the design phase is almost over. So we are looking for healthy revenue from these projects also. The 2 airports that we are doing, Varanasi and Darbhanga there also design phase is nearing completion. So in the last quarter of this financial year, we should see a good run rate from these projects also.

Vaibhav Shah: Okay. Sir, secondly, out of our total order book, what would be the share of fixed price contracts?

Satbeer Singh: This is 15%.

Vaibhav Shah: And this should be completed by March, largely?

Shobhit Uppal: You can see -- yes, largely, this should be completed by March, almost totally, it will be over by H1 FY '26.

Vaibhav Shah: Okay. Okay. And sir, lastly, on a few projects. So for CST, now what would be our guidance for FY '25 in terms of revenue, and earlier, you were targeting completion of June '26. So would we be revising the numbers?

Shobhit Uppal: Vikas, do you want to answer that?

Vikas Ahluwalia: Come again, please.

Vaibhav Shah: For CST project, what would be your revenue guidance for the next couple of years? And you were targeting a completion of June '26 earlier. So are we maintaining that target?

Vikas Ahluwalia: So the project is actually about 3.5 years. And I mean, the execution time will probably remain the same. I mean, whatever time we lost, last 6 months, 8 months, because of design and approvals from the railways is lost, is lost. But it is going to be compensated for that. That is for sure.

Vaibhav Shah: Okay. So what revenue are we targeting for '25 and '26 from this project?

Vikas Ahluwalia: You can take an average run rate of about INR80 crores. So some months it's going to go up, some months is going to come down. So on average, run rate is about INR70 crores, INR80 crores.

Vaibhav Shah: That should start from fourth quarter onwards, INR70 crores, INR80 crores, right?

Vikas Ahluwalia: That should start from, yes, somewhere in the -- in January, February, it should start.

Shobhit Uppal: So to specifically answer your question, as far as this financial year is concerned, we are looking at a turnover of about -- we're targeting a turnover of about INR300 crores. And as far as the next financial year is concerned, as Vikas just said, INR70 crores to INR80 crores per month would be an average. That's about INR800 crores give or take a few crores here and there for the next financial year.

Vaibhav Shah: Okay. And sir, when do we expect to start the work on Jewellery Park?

Vikas Ahluwalia: Jewellery Park, we have not yet got the notice to proceed. But we are expecting it in the month of December, we are expecting the notice to proceed. And then again, it will go into the design stage. So let's be fair and square not to expect much from this financial year itself.

Vaibhav Shah: So revenues will start flowing in from next year, second half?

Vikas Ahluwalia: Yes, next year second half.

Vaibhav Shah: Okay. Sir, any broad guidance for -- in terms of revenue from the project for FY '26?

Vikas Ahluwalia: Maybe about INR50 a month. You see, by -- what will happen in this is that by the time the design is going to get complete, rains are going to set into Mumbai, Maharashtra next year. So that is what is going to happen in this case. I mean very honestly. Maybe next year, again, an average run rate of about INR30 crores to INR50 crores in the first few months. Then again, it is going to go up to that level of INR70 crores, INR80 crores.

Vaibhav Shah: Okay, sir. And lastly, any issue on the working capital side from any particular states?

Shobhit Uppal: So as I mentioned during the last call, Bengal, Bihar were 2 states. Bihar working capital has actually improved. All our dues have been certified, and we should see them being cleared in this financial year, rest of the financial year. Bengal, we are not executing any government jobs as we speak. So -- and all the earlier jobs have been finished.

Moderator: The next question is from the line of Samyak Jain from Marcellus Investment.

Samyak Jain: Sir, I understand that you are maintaining your revenue guidance at 15% for FY '25 but bringing down the capex guidance for the year. So just wanted to understand how will you maintain the pace of execution for this financial year?

Shobhit Uppal: It's an internal reworking that we've done. Some of our larger projects have gotten over. And as I mentioned earlier, we become -- we are conservative as far as new order inflow is concerned. So as a part of cost-cutting exercise that we have gotten into, once we've realized that the margins were down for the reasons as enumerated earlier by us.

So we are looking to reduce our capex expenditure as far as equipment and shuttering go. We are looking at -- as far as shuttering goes, we are looking at maybe going the rental route on some of our projects where we feel which are fast-track projects where we can use rented shuttering a quick in and out. So as a part of the overall strategy to cut costs.

Samyak Jain: Understood. And if the renting increases, will that further impact the margin? Or it will remain in the -- remain in the guided range?

Shobhit Uppal: We have an internal -- you can say the way we work out which projects can take renting where the profitability will not be impacted, which are fast-track projects, right. There, the projects which are to be finished in about a year, 1.5 years, at least the structured bit. So there we go the renting route.

Moderator: The next question is from the line of Sunny Roy, an Individual Investor.

Sunny Roy: So I just wanted to know that since we are targeting a 50-50 between the private and the public sector for our orders, what is stopping us from bidding for the private sector more than 50% given that the terms and conditions are much better and the trade receivables and the other margins and all and competitive intensity is much better against the public sector. So why aren't we increasing the private sector part in the order book?

Shobhit Uppal: Nothing is stopping us, but other than the scars of the last downturn. Earlier when the downturn hit the private sector, we -- a lot of contractors got waylaid. They lost -- actually companies got finished. So we don't want to put a lot of eggs in one basket. And while the going is good today, we -- as an infrastructure company, we are always at the forefront of cycles, be it upward cycle or downward cycle. So we're just being cautious.

Sunny Roy: Right, right. And sir, lastly, I mean like -- as mentioned by the previous caller that regarding the earlier cycle of 2002 to '08, if we compare that to this. So where are we in that cycle? Are we in the starting point? Are we in the midway? Where do you feel even though it's not comparable, where do you feel from the industry standpoint, we are -- the construction industry is compared to the last cycle? Is it in the midway or in the starting point now?

Shobhit Uppal: I think we are somewhere between the starting point and midway, but it would not be right to do a strict comparison because when the last cycle was there, the geopolitical situation was something else. Today, the world is flatter. What happens in America impacts us immediately. So it would not be fair to do a direct comparison.

If you would have asked me this question 1.5 months ago, I would have said we are just at the starting of this cycle. But today, I would like to say we are somewhere between starting and the midpoint. So we have to be cautious. That's what I'm saying.

Anybody who's not cautious, who throws caution to the wind and indiscriminately plans to grow, that's what actually we are seeing. There is a plethora of issues, which are coming out from construction -- for construction companies and in the real estate sector. So we don't agree with that line of thought. I think one has to be cautious going forward.

Sunny Roy: Sir thank you for the strong execution and the prudential approach. I've always been a long-term investor. So I wish you all the best, sir.

Shobhit Uppal: Thank you so much.

Moderator: We have the next question from the line of Ketan Jain from Avendus Spark.

Ketan Jain: Sir, my question is on the Emaar settlement. How much of the money is received and yet to be received?

Satbeer Singh: I think it's INR56 crores to be received now.

Shobhit Uppal: Total.

Satbeer Singh: Total, INR218 crores. Out of this, INR56 crores is to be received down.

Ketan Jain: INR56 crores is pending.

Shobhit Uppal: The tranche that was to be received in this quarter has been received. That has been received so that the payment is happening as per schedule.

Ketan Jain: And how much in this quarter, is it?

Satbeer Singh: This is INR70 crores.

Ketan Jain: INR70 crores. So it will get done by FY '25?

Shobhit Uppal: Yes, next tranche is due in January, the last tranche.

Ketan Jain: Okay. Okay, sir. Sir, my second question is on -- so I was just seeing your P&L in FY '19, '20 and '21. We have had a big bad debt provision -- bad debts written off in FY '20 and FY '21 worth of INR42 crores and 53 crores. If you could tell us what does it pertain to? Which client does it pertain to?

Satbeer Singh: That is also related to Emaar also. That time, we have taken a provision of INR47 crores and various other parties was at that moment, like Krish or various parties are there.

Ketan Jain: Okay. So it's largely Emaar and other parties?

Satbeer Singh: Largely Emaar, yes.

Moderator: Ladies and gentlemen, we have no further questions at this time. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Shobhit Uppal: Thank you so much, everybody, for joining in. See you soon in about 3 months' time. Thank you. Thanks so much.

Moderator: Thank you. On behalf of Ambit Capital, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.